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WOOL MARKETING : SOME THOUGHTS FROM THE MARKET PLACE

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This paper will not discuss wool's competitive situation, its general outlook, or the nature and significance of its price fluctuations. These are nowadays receiving good attention elsewhere. My main object here is to restate some of the basic facts about the wool market, which must always be borne in mind in any discussion of wool marketing. And the method will be to describe existing marketing systems briefly, and then to examine some of the circumstances which place limitations on the choice of alternative systems available. However, there will be no attempt to make any such choice ; only to provide some light for any discussion on the problem.

One reason for this approach is that I believe that, with this, the most complex and specialized of our major products, there has been a tendency to reach conclusions without a proper consideration of these principles. Another reason is that wool marketing is a good example of a subject which calls for a blend of both practical knowledge and an economic sense. The practical man cannot go far without an understanding of economic principles and the place of wool in the nation's economy and in world trade ; the economist needs a good knowledge of the nature of the fibre, its production pattern and the way in which it must be handled in the many processes before it arrives at its end uses.

Various Systems Now in Use

The most widely used system now in use for the disposal of wool is the open auction system. The Australian, New Zealand, South African and United Kingdom clips are disposed of in this way ; between them these clips comprise almost half the world's wool production and over three-quarters of the wool entering world trade. In Australia, some 98 % of the shorn clip is auctioned—almost all in Australia, but small quantities are also auctioned at London sales—an experience of sales outside the auctions has always been very limited here.

Briefly, the system with auctions is that selling brokers, acting as agents for the woolgrowers, arrange for systematic and orderly display of their wool in suitable warehouses. Here potential buyers, with the aid of catalogues identifying each lot to be offered, make their assessment of the nature of the wool in each lot and its value to them. Following display, the wool is offered at public auction, and knocked down to the highest bidder. An important feature of this system is that the selling broker makes no undertaking as to the wool's nature or performance, except that the portion of each lot which he displays for inspection is representa-

tive of the whole lot. The auctioneer only offers a lot distinguished by its number, and the buyer, in bidding for each lot, bids on his own estimation and responsibility for what each lot will actually do in mill performance. Proper display of the wool, and skilled examination by potential buyers are thus the important elements of the system.

Of these countries Australia is the only one in which the auction system is not supplemented by a guaranteed price to the grower. In both New Zealand and South Africa there are reserve price schemes which function as a supplement to auctions without interfering with their general mechanics ; in principle the two schemes provide an organization buyer ready to buy in any wool for which commercial bids do not reach a predetermined price. (These schemes are described in more detail in an Appendix.) In the United Kingdom, all wool is acquired from growers by the British Wool Marketing Board at a price guaranteed by the Government ; it is then auctioned and any surplus over the guarantee goes into a fund ; however, at the moment the fund is in deficit and the Treasury is obliged to make up current deficiencies below the guarantee.

The principal non-auction countries are the two South American exporters—Argentina and Uruguay—which are the only other countries having any substantial stake in world trade in wool. In these two countries the wool is sold by private treaty, usually through recognized wool exporting firms, dealers and commission houses. Uruguay has recently attempted to introduce auctions for part of her clip, but so far not much progress has been made and private selling seems well entrenched. Both countries have in recent years had multiple exchange rate systems operating on wool exports, and their application in practice has led to surpluses of unsold wool building up from time to time. These have been exchange control schemes, and have not been aimed at any benefit to the grower.

Another major wool producer which adheres to private selling is the United States. Wool is sold to mills either by the grower direct, or in a number of regions through the medium of marketing co-operatives or other marketers. As the United States, in spite of her large clip, is a net importer of wool, the market there is virtually limited to the domestic mills. This lack of world-wide competition provides only a limited foundation for an auction system, and possibly because of this there has not in the past been any great incentive to high standards of clip preparation. The introduction of a guaranteed price, which in recent years has been well above actual market levels, aims to correct this situation ; it does so by basing the government's total supplementary payment on the difference between market and guarantee, but calculating each grower's supplement as a percentage of his actual realization. The subsidy is not a direct charge on the taxpayer, but is financed from receipts under the U.S. tariff on raw wool and manufactured wool products.

The Soviet Union, now second to Australia in the volume of its wool production, is also a net importer of wool, and her system is different again from the others described. The method is understood to be a form of Government purchase, on an appraisal basis, with a schedule of clean prices for all deliverable grades, from which, according to yield,

a greasy price is arrived at. This is first done by the grower, usually a collective farm, and an independent assessment is made, on delivery, by the regional collecting agency. In case of disagreement between the two, a Government inspector makes an arbitrating appraisal, and this price becomes final.

Some Features of the Australian Market

The Australian wool market is full of complexities and features that have developed with it over the past hundred years and more. I shall not aim to be exhaustive here, but merely to discuss some of those features that are directly relevant to marketing policy and which, obvious though they may be to many, appear often to be given too little significance.

The Predominance of Exports. In recent seasons the total Australian wool production has passed into the following channels :—

Exported as greasy wool	75 %
Exported on sheepskins	5 %
Scoured or carbonised before export	12½ %
Consumed by local mills	7½ %
Total	100 %

Of the volume consumed by local mills, a further large proportion is exported as tops, serving to reduce the share destined for local consumption proper to around 5%. A home consumption base of this small proportion places wool in a vastly different category from our other main rural exports, and explains why there can be no serious thought of any stabilization through a home consumption price scheme. There also seems to be little practical prospect of any scheme for Australia in which the woolgrower's misfortunes would be covered by Government guarantee—that is by the rest of the community. This is simply a recognition of the fact that, in general, misfortune for wool is misfortune for the community as a whole, which is therefore least able to give wool-growers help just when such help is most needed. The market for Australian wool is, for all practical purposes, a world market, and its fortunes must in the long run follow patterns dictated by the situation in the main wool consuming countries overseas.

The Diversity of Types. Wool is the product of a wide range of different breeds of sheep, growing wool under a variety of climates and seasonal experience, on a variety of soils and pastures, and under differing systems of husbandry. Added to this is the fact that the nature of the wool from any one sheep varies in length, quality and other features according to the part of the body surface on which it is grown. For current statistical purposes, the Australian clip is classified into some 2,800 or 3,000 separate types distinguished chiefly by quality, breed, length, style and burr content ; however, there are other characteristics such as yield, colour and uniformity, and certain other “ imponderables ” which are not distinguished in this classification, but which are significant to potential

users. The range of wool types may, in fact, be likened to a multi-dimensional spectrum ; and each wool user is interested in his own particular segment of this range, as dictated by the particular end uses he is serving and his own particular processing techniques.

The consequence of this is that wool cannot satisfactorily be sold on description. Every user knows exactly what wool he wants and only he can judge well enough what wools will fulfil those requirements. Thus there is no substitute for inspection and choice by the user, or on his behalf by some agent who understands these requirements, and whose judgment is trusted. This applies whether the method of sale is auction, private treaty or otherwise, and the more specialised the use to which the wool is being put the more important is this requirement. Proper display of the wool on sale is thus essential, and this in turn demands suitable store construction and—a very important point—satisfactory light conditions. Daylight is considered essential and morning light from a southern aspect is considered necessary also. These factors have been the practical reasons for the hours to which buyers work, and the way in which wool is shown. The better these requirements of proper display—and high standards of clip preparation—are met, the more confidence will be shown by buyers in paying full market parity.

The Timing of Deliveries into Store. Shearing is a seasonal operation, the timing of which is governed by such factors as the climate of the area, the lambing season and the state of pastures. Normally there will be an optimum shearing period for any particular area and any type of husbandry, and the grower will try to keep to this time season after season. In a normal Australian season the overall pattern is that there is little wool coming into store before August, but the following three months are a period of maximum rate of receivals into brokers' stores. Normally three-quarters of the clip has been received into store by the end of December. The flow eases quite markedly from December until March, when Autumn shorn clips bring a second minor wave of receivals. Thus, most centres cannot start offering wool until well into August after sufficient of the new season's clip has been received ; but almost immediately after that, wool is being received for some months much faster than it can be sold. For the selling broker, this means a great amount of storage space must be provided for wool awaiting sale ; for the growers concerned, this means a long wait between shearing and sale, sometimes up to four or five months.

The Physical Volume Involved. The physical task of handling the Australian clip is one which is not always fully appreciated. At current levels of production some $\frac{3}{4}$ million tons of wool must be transported to one of over 60 different wool stores spread through 13 selling centres, handled in and out of store, and shipped abroad. Being a relatively bulky commodity for its weight, the space requirements are even more demanding than this figure suggests. To clear the clip, the flow of wool through the selling system must average 125,000 bales each week. In practice, not all these bales can be displayed for inspection, and it may be worth mentioning that a sampling system has evolved over the years by which only a certain agreed proportion of the bales in each lot is

actually shown, and the balance is presumed to be represented by them. This works well in practice, but it does so only because the standards of classing and preparation are such that buyers can confidently accept this to be so.

The physical aspects are also of some considerable importance to the rate at which the buying side of the trade can operate. Inspection and valuation can only cover so many lots per day, and in practice the buyers ask for a limitation of this kind on the offering. This in turn limits the rate at which the clip can be moved. At the present time the overall average for all Australian selling centres is just on 3,000 lots per selling day, and is somewhere near the maximum that the present organization of the buying trade can cope with.

After sale there are the organizational tasks of invoicing to all buyers, making account sales to growers, arranging for delivery—including the remarrying of shown with unshown bales—and of arranging for the flow of payments back to the grower. In this brokers, buyers, shippers and banks are all involved and their operations are geared to a regular and predictable flow. The task of the shippers is in particular worthy of mention ; months ahead shipping schedules must be arranged so that sufficient ships will be available in each port at times coinciding with the sale roster, and that they will be proceeding to destinations coinciding with the likely pattern of buying. On average, some 12,000 tons of wool must be carried overseas each week of the year.

All phases of the organization are geared to a steady rate of offering and disposal, and any disruptions create severe working difficulties. If any alternative marketing system is contemplated, then due regard must be paid to the changes it may involve in both physical and organizational terms, and to the additional costs which may be involved as a result.

The Grower's Interest. The wool belongs to the grower until it is sold, and his principal aim in growing it is to get it sold to best advantage. It is not unnatural therefore for the grower to want to see his wool displayed, to see that it is shown to advantage, to get his broker's expert opinion on its get up, and so on. His right of access to the show floor, to the broker and to the sale room should not be questioned.

He also has the right to refuse the price bid at auction if he deems it unsatisfactory. But in this there are some practical limitations on his freedom of action. A clip not sold in its turn must go back into the queue for re-offering, which may involve several further months of waiting for payment. Few growers can afford to make decisions of this kind easily ; many indeed, working on credit in anticipation of their annual wool cheque, find they do not have much freedom of action in this matter. The common Australian practice of meeting the market by regularly selling at the same time each season is as much a necessity of finance as a virtue of regularity. But it does serve as a reminder that any marketing scheme for wool must remember the grower's need for a regular wool cheque available at his normal time of sale.

The Buyer's Preferences. The buyer's need to inspect any wool he may be buying has already been discussed. There is one further important point about this inspection. It is far more satisfactorily made with wool in its greasy state than at any later stage of processing. The differences in the characteristics and performance of different wools are clearest to the trained wool man when the wool is in its original state, since much of the nature of wool is masked by the scouring process, when the grease and other impurities are removed, and also the staple formation is destroyed. As much of the art of wool processing lies in the ability of manufacturers to sort, select, and blend the exact wools they want for their own particular purposes, they prefer to take wool into their mills in the greasy state. Thus countries with highly developed wool textile industries—and this includes most of our main customers—prefer to draw their supplies in the greasy form.

It is also a fact that the traditional development of wool textile industries is backwards from the finished product towards the raw wool. We see this in our own pattern of trade, with the well developed consuming countries of Europe, North America and Japan taking our wool mainly in the raw state, while the less developed economies of South and East Asia, and the Middle East take mostly tops, scoured or carbonised wool. For this reason Australia may expect a continuing market for semi-processed wools only as new opportunities open up, but the trend will inevitably be towards the greasy, and consequently any over-insistence on processing our wool before export may prejudice our best long-term interests.

The Nation's External Finances. Just as it is the grower's desire to ensure that his wool is sold, and to good advantage, it is in the national interest to have wool passing freely into consumption overseas and bringing in overseas funds as payment. Wool which does not pass into commercial hands does not earn payment. This is a point rather related to the predominance of exports in our wool economy, but there is a further significance which stems from the Federal Government's continuing concern with the state of overseas balances. Some marketing proposals for wool have as their essence the payment of the grower's right, but the denial of a commercial sale. Even though this may be done with wholly independent funds, it is conceivable that, depending on the extent of interruption to commercial operations, Government intervention might be required to preserve the country's overseas balances.

No marketing scheme for wool seems immune from this problem. Whatever the organization decided on, the Central Government can never afford to be completely disinterested.

Some Recent Controversies

Some features of the auction system, and some practices associated with it, have recently come under public criticism. The defending case has not always been well put, and I shall discuss some of these features now, not necessarily to suggest that they have been wrongly judged, merely inadequately considered.

“Pies” and Lot-Splitting. The existence of “pies” amongst wool buyers, and the related practice of lot-splitting, have received some prominence in the recent inquiry concerning the Goulburn market under the N.S.W. Monopolies Act. Although it seems quite clear that these practices operate to reduce the strength of competition in the auction room, it is capable of demonstration that “pies” can be a substantial stabilizing element in any market on the day of sale. This happens as a result of the consolidation of purchases around a common level instead of allowing intense competition on early lots to fall off to a low level as orders are progressively filled.

It is also a fact that, in spite of “pies”, competition amongst wool users is both keen and widespread. While all wool users naturally want cheap wool, they have an equally strong desire to block their competitors from getting it more cheaply. Wool is worth no more to a man than his competitor has paid for it, and this truth has frequently led buyers to fear a fall in prices—even prevent it—and thus serve the grower’s interest at the same time as their own. While no member of a “pie” will willingly buy much above the general market level, likewise no one will easily be allowed to buy much below it.

Forward Selling. The sale of wool in the expectation of purchasing it later is often accused of being a depressing element in the market. This will of course be the tendency if future prices are expected to be lower and buyers act accordingly. But a wrong guess here can be most costly, and wrong guesses in recent years have badly hurt many a wool buying firm. There may be times when forward selling activities have a dampening effect, but there are equally times when they have a sustaining effect.

Someone has to perform the function of cushioning the fluctuations of user demand to meet the flow of raw wool ; in the past, the merchant and the topmaker did this, but the former is disappearing and the latter is reverting more and more to the function of a manufacturer rather than as a financier also. Consequently, there is an inevitable trend that is forcing buyers to undertake this additional risk-taking role. Before altogether condemning this practice, it is as well to appreciate that, in adopting it, buyers have assumed a necessary function which others have been gradually abandoning. It can also be argued that as forward selling may at times have a dampening effect on price rises, but can also retard price falls, it can thus qualify as a stabilizing influence.

Futures. The emergence of a greasy wool futures market in Australia has been hailed as another avenue for speculators to operate on the wool market to its detriment. The importance of futures has been exaggerated by undue prominence to their market statistics. They are essentially only an insurance against fluctuations in the price of wool or tops, and therefore the course of their prices normally follows rather than leads that of tops and raw wool. In such a market, speculators are not an evil, but a balancing factor, essential to evening out the shorts and overs of the operators on the market who are insuring against a real risk. In this perspective, it is possible to regard futures as another potentially

stabilizing influence, and if insurance in other fields is no evil, then it should not be one in the wool industry either.

The Size of Lots and Method of Sale. The growing volume of the clip is forcing brokers, under pressure from buyers, to look more and more to amalgamating individual growers' small lots into larger lots, by such means as interlotting, bulk-classing and blending. Acting against this is the trend towards the breaking up of larger properties, with the multiplication of smaller clips generally.

A number of important considerations come into this and there appears to be no easy solution. The grower naturally wishes to keep the identity of his own clip, and his right to do so must be recognized. But it is also a fact of the market that, other things equal, a one or two bale lot will on average, fetch a rather lower price than a larger lot. Extension of bulk-classing is often advocated as the obvious answer, but no aggregation of clips can easily claim the uniformity the buyer seeks, and buyers, being conscious of this, tend to anticipate problems and expenses of resorting such wools by reducing their bids on them. Even interlotting, where the identity of each separate bale is retained, raises these same problems. And both impose a further penalty against the grower, in that his right of withdrawal in case of an unsatisfactory auction bid is virtually lost.

There is no minimizing the importance of this problem. Increasing the average lot size would do much to relieve the strain on the selling system, but it creates difficulties for both buyers and growers unless it can be done without sacrificing the standard of the offering. The challenge here is really one to the technical staffs of the brokers and central classing establishments catering for this service. Without high levels of performance in this field, the marketing of our clip will be prejudiced. And this applies regardless of the system of sale, auction or otherwise.

Recent Changes in the Industry

There is in some quarters an impression that the wool industry and its marketing system are resistant to changes. This is not so. There are in fact a number of aspects in which gradual changes have recently been taking place, some by evolution, some by design.

The Nature of the Clip. The expansion in sheep numbers that has taken place in post-war years has been mainly in the safer areas of the wheat belt or on improved pastures in the higher rainfall areas. There has also been a marked improvement in carrying capacity, due not only to the effects of myxomatosis, but also to better husbandry and improved farm equipment. All these factors have tended to introduce a greater degree of stability into the industry's production performance. Although the trend of production has been strongly upwards, it has recently been far less subject to violent fluctuations from seasonal causes.

Also, the nature of the clip has, as a result, tended to change somewhat. As in pre-war years, the range of qualities runs from 90's and above

down to 32's, but the proportion of both the higher and lower qualities is steadily diminishing. Nowadays the great bulk of the clip is concentrated within the range from 64's to 56's. This change in the nature of the clip is serving to make Australia a more specialised producer of the standard range of apparel wool ; and the more assured flow of production removes one of the degrees of uncertainty in the grower's plans, while also assuring the marketing system of a more predictable supply of wool.

Extended Selling Arrangements. Recent debate on the question of inland selling centres might give the impression that certain centres are being eliminated. Actually the trend is in the reverse direction. Secondary centres such as Geelong and Newcastle have shown a very marked expansion in their capacity and turnover, and a new centre has recently been opened in Western Australia at Albany. The Brisbane market is getting more and more highly taxed, and may soon be obliged to operate on a separate roster from that in New South Wales, with a consequent possibility of new centres opening elsewhere in Queensland. With the continued expansion of the clip, both desirable and likely in the future, the question of additional selling centres is likely to remain an active one.

The span of the selling season has also extended substantially. The current season is now scheduled to run into the middle of July 1960. The times are well within the memory of many in the wool trade when there were no sales between Easter and September. The growing volume of wool to be handled has forced a situation where now a four or five week break is the greatest that can occur at any stage of the selling season. Changes in the basis of the market have traditionally been greatest during pauses between sales, and any moves towards having wool available somewhere in Australia at all times of the year must have some effect in steadying the market.

The Range of Competitors. Each new demonstration of Australia's foremost position in the world wool market tends to attract increased direct buying strength in the market. The range of countries now making purchases direct, or through Australia's buying firms, is now extremely wide, and is still growing. However, there are still wide opportunities for furtherance of this trend.

Better Statistical Information. Steady progress has also been made in the accuracy and coverage of statistics relating to the clip. The techniques of forecasting have been carefully studied and steadily improved, while the range of technical data describing for the trade the availability of wool in the clip is also finding extended coverage. These developments must assist in attracting a steadier and more interested flow of customers for our clip, capable of planning their operations with reasonable prospects of securing the wool they require.

There are other ways in which the system is improving itself. The physical and technical services provided by the brokers, for instance, are constantly being widened and improved. The question of whether the nature of the offering can be made more uniform throughout the season is being studied. Promotion, research and education activities are also

receiving increasing attention. These I shall not discuss, but have merely stated to emphasise that, although the industry may appear to move slowly, it is in fact constantly on the move, and carefully seeking ways to improve its services within the existing framework.

Another framework may have much to recommend it, but it would first need to demonstrate its capacity to fit circumstances such as I have outlined in this paper. Change is not necessarily good, and in a matter so important as wool marketing, any change advocated would need first to prove itself to be good.

I do not wish here to favour any particular course of action in the marketing of wool. It is too easy to be tempted to tell another how to handle his own property. I feel strongly that economists (myself definitely included) should confine themselves as far as they can to stating their views on the causes and effects of the various surrounding factors which they understand ; and leave the decisions, which depend on so many other non-economic considerations as well, to those who own the commodity they are discussing.

APPENDIX

Two Reserve Price Systems Now Operating

Reserve price schemes are at present in operation in both New Zealand and South Africa. These work as a supplement to the auction system without affecting its general working, and are based on the method used when the Joint Organisation scheme was in effect from 1946 to 1951.

A general average reserve price is set before each selling season, and the organisation stands ready to buy in any wool for which the highest commercial bid fails to reach the reserve. Separate reserves exist for each individual wool type, but are set so that the overall average approximates to the general average. Teams of appraisers inspect the wool before auction to set a type and yield on each lot, from which is derived the greasy price the organisation representative stands ready to bid in the sale room if required.

The New Zealand Wool Commission came into being in 1951 as a substitute for an Australian-New Zealand-South African "Post J.O." Scheme, which had been rejected that year at a ballot of Australian growers. However, it was not called upon to operate on the market in any extensive way until early 1958. From then until March 1959, when the market rallied, the Commission was obliged to bid on a large proportion of the offering, and while this forced commercial bids on many lots above the reserves, the total actually bought in over that period comprised about $7\frac{1}{2}\%$ of the offering at New Zealand auctions. Some resales had meanwhile been possible, both in New Zealand and London, where the Commission also operates to protect New Zealand growers' offering. However, the period of maximum stockholding was February-March 1959, when the Commission held somewhat over 60,000 bales, or about 5% of a season's clip.

The South African scheme was organised as an emergency measure in March 1958, when the market had already sagged badly. The method of operation is generally similar to that in New Zealand. But as the recession was much sharper for merino wools (which predominate in South Africa) than it was for crossbreds (which make up the bulk of the New Zealand clip) South Africa's experience was much the severer. In the four months from March 1958, to the end of the 1957-58 season, some 20% of the offering was bought in, and in 1958-59 purchases amounted to 9% of the season's total offering. In March 1959, the South African Wool Commission held around 140,000 bales, or $12\frac{1}{2}\%$ of a season's clip.

During the latter part of 1959 both schemes managed to liquidate all but a small balance of their purchases, and no doubt these remainders will soon be cleared if the market remains at present levels. However, from published details of their operations it is already possible to deduce some of the financial implications of a reserve price scheme.

The New Zealand Wool Commission's capital of £31 $\frac{1}{4}$ million, chiefly derived from retention of New Zealand's J.O. profits, which were not distributed to growers, was only drawn on in a relatively minor way. The total outlay on purchase of 93,300 bales was £NZ4.41 million, or an average of £47.30 per bale. Resale of 44,916 bales during 1958-59 realised £NZ2.23 million, or an average of £49.69 per bale. However, these were substantially the 1957-58 purchases for which an average of £42.00 per bale had been paid, giving a gross profit of £7.69 per bale. From this, handling, freight, insurance and storage charges must be deducted, at an average of £1.90 per bale, as well as reselling charges of £1.51 per bale, a total of £3.41 per bale, which on this occasion was well covered by the margin between resale and buying in prices. The costs of appraisement and administration are currently around £65,000 per annum, which, spread over the whole of the clip protected by the scheme, is about 12 pence (N.Z.) per bale.

Fewer details are so far available on the South African operations, but it is known that of the initial capital of £SA8 million, collected by a special levy, a substantial proportion was required to cover the purchases made. In the period March 1958-March 1959 total purchases of 141,543 bales are reported to have cost £SA5.42 million, or an average of £38.32 per bale. It has further been stated that the costs of the scheme (administrative, transport, etc.) are around 2d. per lb. (£SA2.5 per bale) and that while this was not covered in some of the earlier resales, later resales were running at a margin of 7d. above purchase price. Costs of appraisement and administration, applied to the whole clip, work out at roughly 11 pence (S.A.) per bale.

Now apply this experience in a rough way to the Australian scene. First there is the reserve price. Taking account of the different composition of the clips of the three countries, as well as yield and currency differences, the ruling reserves in both New Zealand and South Africa correspond to an average in Australian currency of 48 to 50 pence greasy for Australia. Taking the lower of the two figures, this corresponds to £A60 per bale. The market in Australia was well below this for virtually the whole of the 1958-59 season (up to the end of March), during which time some 3,400,000 bales were sold. It is quite unreal to consider this

amount would all have been bought in. In the 1958-59 recession New Zealand had a maximum holding of 5% of its clip and South Africa 12½%. In a three-partner scheme, possibly the total of 200,000 bales actually withdrawn from commercial sale, which is less than 3% of their combined clips, would have been more evenly spread, and thus less of a burden to each. On the other hand, Australia might have to be prepared to "go it alone", and also to stand a much heavier slump than that of 1958-59. It would thus seem necessary to set the safe capital stake somewhere near the value (at reserve prices) of 20% of the clip. At £60 per bale on a 5 million bale clip, this means £A60 million.

For running costs the experience of other Dominions is also relevant ; there are some economies of scale in dealing with a larger clip, but not many, and 1/- (Aust.) per bale would need to be allowed to pay current costs year in year out, and, at present levels, this means some £A250,000 per annum. Finally, to be self supporting and cover handling costs, the scheme would need to resell, on average, 3½d. greasy per lb. higher than the reserve.

These deductions from the experience of the other schemes are not put forward either to advocate or dismiss such a scheme for Australia. They are merely guideposts for any realistic discussion of such a scheme.
