

FARM PROFITABILITY FACTORS

The Central Issue:

Most of our farmers are bulk commodity producer/price takers working in a high cost environment. In some areas these challenges are further exacerbated by circumstances such as the impact of the supermarket duopoly and a flow of cheap food imports that are often of questionable quality.

Possible Solutions: May lie in some of the following areas:

- 1) Efficiency, **effective competition** and through chain price transparency within our commodity supply/marketing chains.
- 2) The development of producer controlled, vertically integrated supply chains that assist producers to develop and market their own premium quality brand name products, **including appropriate value added products**, into domestic and international markets.
- 2) Possible introduction of "Anti Trust Laws" or their equivalent to restrict such comparatively predatory activities, **including systematic deductions from prices actually paid**, as are resulting from the current supermarket duopoly.
- 3) Effective review, amendment and policing of anti dumping laws.
- 4) Auditable and enforceable minimum food safety and quality standards for imported food products.

Reduction/Minimisation of Shearing Costs:

In most cases shearing costs could be reduced if the industry could adopt an up to date consensus on the application of the principles of **Objective Clip Preparation (OCP)**. Although this would reduce labour requirements in the shearing shed and the overall cost of testing each wool clip it is consistent with delivering improved quality outcomes from most early stage processing.

Other Improvements to Woolgrowers' Net Returns:

Apart from the impact of shearing costs woolgrowers are the price takers who ultimately absorb all of the costs of an obsolete and labour intensive supply chain. **This supply chain is inconsistent in terms of either matching supply to demand or establishing a stable pattern of prices for comparable wools.**

In particular lateral thinking and the enlightened application of present day computer & communications technology could be employed to:

- A) More efficiently align available wool with actual customer requirements
- B) Deliver a more stable pattern of "price discovery"
- C) Facilitate an efficient centralised trading mechanism that allows the participation of parties from remote locations, be they traders or brokers.