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Wool

# The Reserve Price Scheme

Produced for the CRC for Premium Quality Wool undergraduate program by;  
Dr. Peter Auer, The University of New South Wales.



# RPS in the 1980's

- **Supply**

- export demand
- record sheep numbers
  - 175 million in 1989/90
- climate
- woolgrowing profitability
  - relative to other commodities
  - fuelled by RPS

- **Demand**

- wool textile cycle
  - Western Europe
- China expanded
  - national expansion
  - export growth
  - “wool war”
- USSR growth

- **Prices**

- 1982/3 454 c/kg
- 1987/8 1003 c/kg

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# RPS Failure

- increased demand seen as “permanent”
  - reserve price lifted 25% to 870c/kg
- China demand dried up
  - internal austerity drive
- USSR collapsed
- Western Europe in recession
- fibre substitution (high prices)

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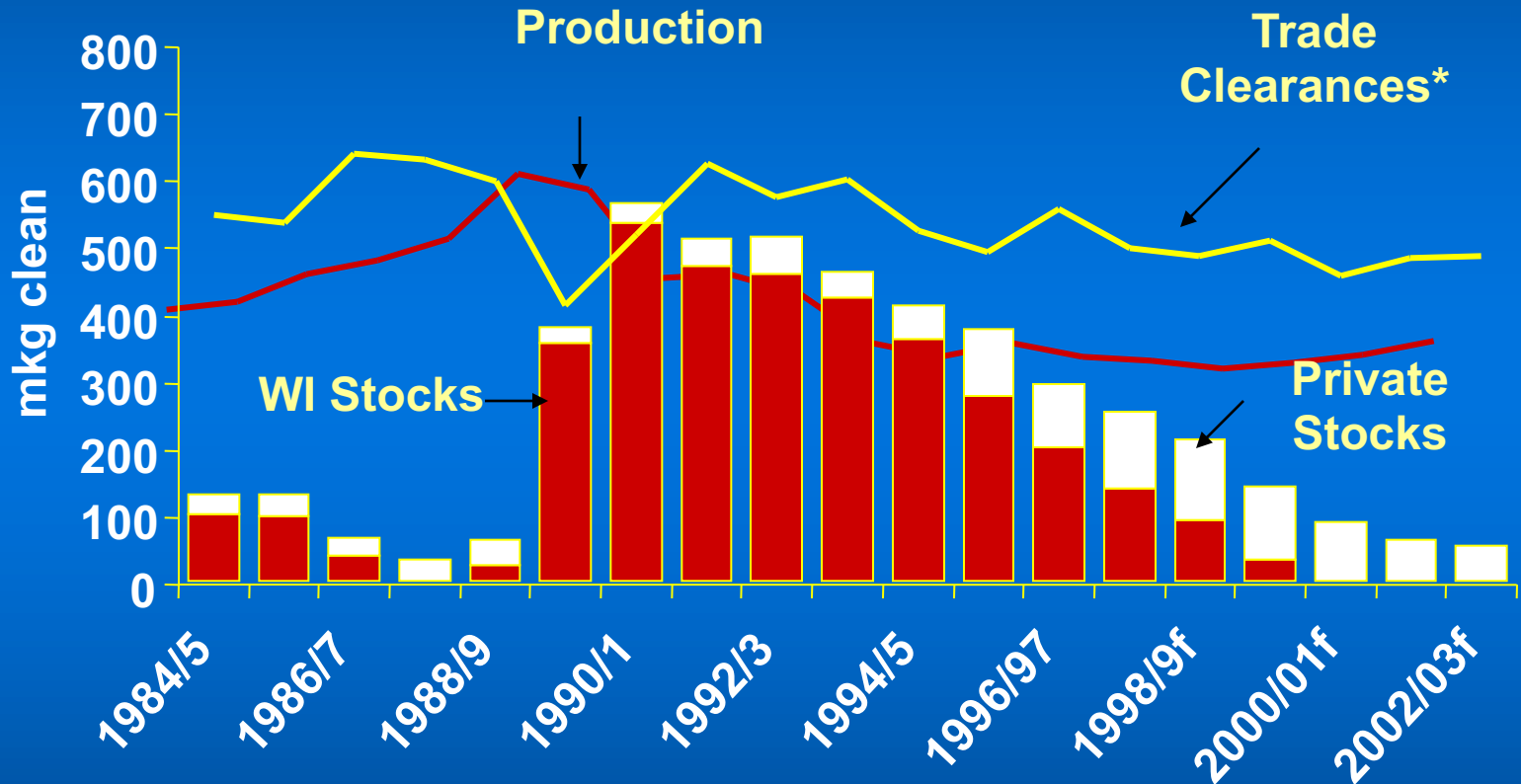
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# Australian Wool Production, Trade Clearances and Stocks



\* trade clearances = production + change in stocks  
 f = production forecast & trade clearance estimate

Peter Auer

Source: Wool International, Australian Bureau of Statistics, IWS



# Levy Rates

1975 - June 30 1990	8%
1 July - 3 Oct 1990	18%
4 Oct - 30 June 1991	25%
1 July 1991 - 30 June 1992	12%
1 July 1992 - 22 Jan 1996	8.5%
— MSF, Promotion (3.5%), R&D (~0.25%)	
<b>Current (1999)</b>	<b>4.0%</b>
• Promotion	~3.5%
• R&D	~0.5%

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# Wool Taskforce Report

- referring to woolgrower productivity
- “one contributor was the RPS, it induced a false sense of security among woolgrowers. Believing that price stability had been assured, woolgrowers responded to a market message of “increase wool production” not “become more efficient” or “improve quality”.
- “Under no circumstances whatsoever should any form of RPS for wool ever be reintroduced in Australia”
  - Recommendation 20

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# Major References

- **Morris, D. and Stogdon, A. (1996), World Markets for Wool Forecasts to 2000, Special Report No. 2642, Textiles Intelligence Ltd.**

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