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# Wool Trading: The Role of Appraisal & Objective Measurement

Produced for the CRC for Premium Quality Wool undergraduate program by;  
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# Trading - Key Elements

- **Trading System**
  - rules for exchange of ownership
- **Confidence**
  - trust between buyers and sellers
  - sale information
- **Guarantees**
  - contingencies
  - financial coverage

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# Evolution of Wool Selling

- **Traditional Selling**
  - appraised grading
  - display all bales
  - display selected bales
- **Sale by Sample**
  - display sample (5kg grab sample)
  - appraised grading
  - Objective Measurement (OM)
  - Additional Measurement (AM)

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# Appraisal & Objective Measurement

- **Appraised**

- Breed
- Wool category
- Style
  - multi-component
- VM type
- Faults (qualifiers)

e.g.

- greasy colour
- cotts
- stain

- **Objectively Measured**

- Greasy Weight
- YIELD (WB & VM)
- MFD
- SL (CV SL)
- SS
- POB
- Scoured Colour

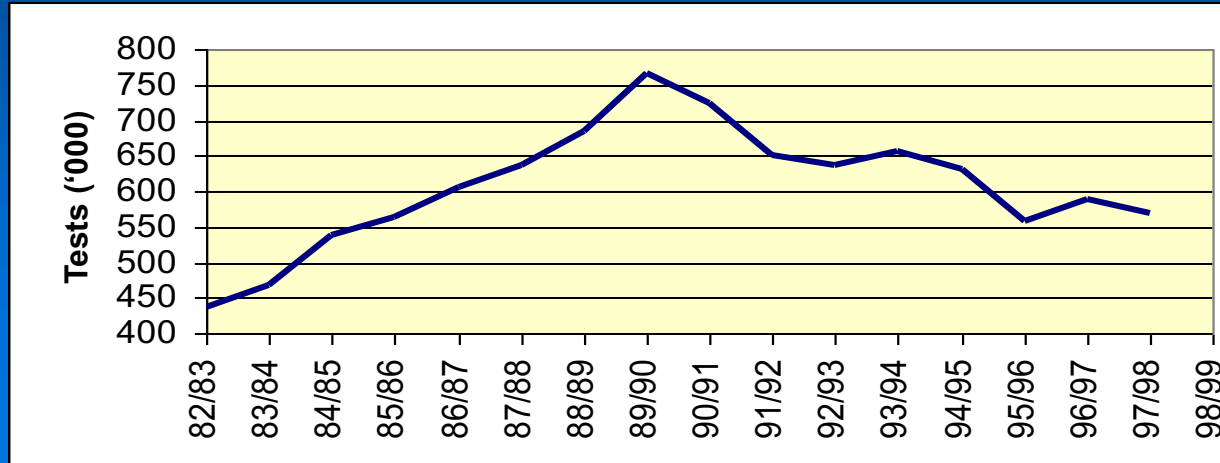
- **In-shed sampling**

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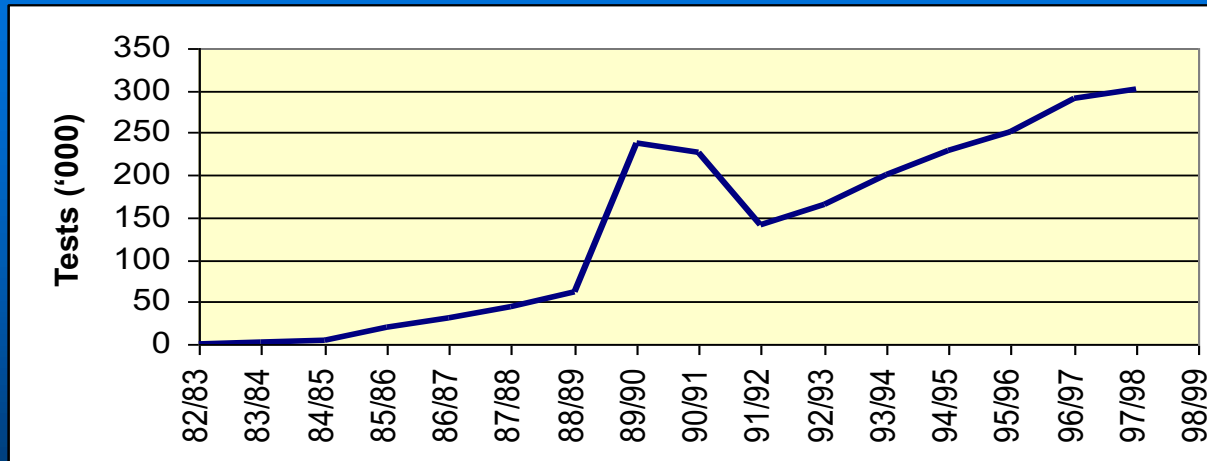


# Usage of Objective Measurement

- Pre-sale Testing for Yield & Mean Fibre Diameter



- Additional Measurements - Staple Length & Strength



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# Metrology Developments

- **Short Term**

- Mean Fibre Diameter
  - Laserscan
  - Optical Fibre Diameter Analyser (OFDA).
- Coefficient of Variation of Diameter (CVD)

- **Longer Term**

- Style
  - crimp definition
  - crimp frequency
  - greasy colour
  - tip shape
  - dust
    - colour
    - penetration
- Fibre Curvature
  - Laserscan
  - OFDA

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# Industry Description

- **Broker Types**
- **AWC Types**
  - e.g. Type 56B Best Topmakers style
- **AWEX-ID**
  - new appraisal system 1995
    - e.g. MF4B
- **Wools of New Zealand description**
  - similar to AWEX-ID

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# AWEX-ID Appraisal

- **breed** (e.g. M for Merino)
- **fleece portion** (e.g. F for fleece)
  - style (1 to 7, Choice to Inferior)
  - VM category (e.g. B for Burr)
  - faults, called qualifiers (e.g. stain, cotts)
- **usage**
  - by itself
  - in conjunction with Objective Measurements

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# AWEX-ID Style

Style	Density	Character	Length Regularity	Tip Type	Visual Colour	Faults Allowed	Dust Penetration
1	Dense	Excellent	Excellent	Square	Extra White	No	Nil
2	Dense	Good	Excellent	Square	Very White	No	Minimal
3	Dense	Good	Good	Square	White	Some	Light
4	Good	Good	Good	Square Some Tippy	White Some Cream Unscourable	Yes	Light (5-10%)
5	Good Some Thinness	Good/ Fair	Some Variation	All	Good Creamy Unscourable	Yes	Light/ Medium (8-25%)
6	Increasing Thinness	Good/ Fair/ Poor	Some Variation	All	Good Creamy Unscourable	Yes	Medium/ Heavy (25-60%)

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# Appraisal Points

- **ON-FARM**

- woolclasser
  - licensed by AWEX
  - training
  - appraisal role?

- **IN-SHED TESTING**

- OFDA 2000
- On-farm Laserscan
- Fibre Direct

- **OFF-FARM**

- broker
- buyer
- AWEX-ID appraisers

- **Cotton Appraisal**

- USDA grades
- appraised by merchants
- global outlook

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# SxD & Electronic Trading

- **technology requirements**
  - style
  - curvature
- **reliable description**
- **industry needs**
  - seller
  - buyer
  - producer (woolgrower)
  - top-maker & beyond

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# Basic Elements of SxD

- provide processor with information describing important properties
- data provided to be accurate and precise to enable processing performance prediction
- data to be as objectively defined as possible and be seen to be independent
- guarantees are in place to protect the contracting parties
- new technologies

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# Benefits of SxD

- **to the broker**
  - reduced showfloor & sample handling costs
  - electronic not paper-based systems
- **to the buyer**
  - reduced appraisal costs
  - quicker access to sale data
- **to the grower**
  - reduced selling costs
  - earlier access to information
- **to the industry**
  - reduction in number of selling centres
  - more selling options, e.g. continuous selling

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# Benefit Cost Analysis (SxD)

<u>Benefits</u>	(c/bale)	<u>Costs</u>	(c/bale)
Transport	26	Transport	3
Sample Display	92	Display	9
Appraisal	417	Appraisal	20
Rebagging	6	Sample Storage	11
		Sample Retrieval	15
<b>Total</b>	<b>541</b>	<b>Total</b>	<b>58</b>
		<u><b>GAIN</b></u>	<u><b>483</b></u>

*Current system costs*  
Sale by Sample

*Preferred SxD costs*  
centralised appraisal

**\$M18 per year**

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# Disadvantages of SxD

- **lower prices to the wool grower**
  - buyers may value all wool on an FAQ basis.
- **better prepared wool clips may not receive due price recognition**
- **standard of clip preparation may be reduced**
- **number of claims associated with appraised type may increase**

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# Impediments to Adoption

- **lower prices to growers**
  - may result in little or no wool offered SxD
- **socio-economic impact**
  - potential loss of jobs
- **need adequate, fully descriptive ID system**
  - may require the introduction of more objective tests e.g. style
- **requires financial guarantees for the appraised type**
- **requires independent appraisal**
- **possible adverse affect on clip preparation**
- **people used to the traditional approach**
  - resistance to change

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# The Future?

- **Trading systems**
  - will change!
- **Electronic Trading**
  - will be adopted!
- **Sale by Description**
  - is here now!
  - will underpin future electronic trading!

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