



CRC

for

Premium

Quality

Wool

Forward Contracts

Produced for the CRC for Premium Quality Wool undergraduate program by;
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What is a forward contract?

- **Wool specifications agreed**
 - based on last year's clip results
- **Price determined at contract negotiation (base price)**
- **Delivery in 3 months to 3 years (rare)**
- **Final price**
 - clip tested after delivery
 - Premiums & Discounts schedule
- **Contract designed to specific requirements**

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Why use a forward contract?

- No finance required
- No capital tied up in wool awaiting sale in brokers stores
- Feedback, start of long term relationships
- Contract tailor-made to suit your circumstances

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Other issues

- Woolgrower must accept responsibility
- Financial security
- Detailed planning required
- Relevant, timely information required
- Fax or email

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Stepping through Forwards

STEP 1

- POTENTIAL BUYERS IDENTIFIED

STEP 2

- WOOLGROWER COMPLETES OFFER DOCUMENTATION

STEP 3

- SEND OUT CLIP PROFILE & FORWARD CONTRACT REQUEST

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Stepping through Forwards

STEP 4

- OFFERS RETURNED

STEP 5

- OFFERS ANALYSED
 - Identification of most suitable offer
 - Analysis of the premium/discount schedule
 - Ensure that the most suitable offer reflects commercial pricing

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Stepping through Forwards

STEP 6

- **NOTIFY SUCCESSFUL BUYER, SIGN CONTRACT**
 - Force Majeur

STEP 7

- **WOOL SUPPLIED TO CONTRACT SPECIFICATIONS**

STEP 8

- **CLIP SAMPLED & TESTED**

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Stepping through Forwards

STEP 9

- **WOOLGROWER RECEIVES ACCOUNT SALE**

STEP 10

- **FEEDBACK OBTAINED**

STEP 11

- **PLANNING FOR NEXT CLIP MODIFIED**

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Forward Contract Strategies

- Trend in market
- Size of contract
- Price

Take Home Message

- Woolgrowers accept responsibility
- Adopt marketing philosophy
- Keep buyer informed of progress
- Discipline

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