



## Sale by private treaty

Growers are able to negotiate prices directly with private treaty wool merchants. Wool merchants will negotiate the price that they are willing to pay for the clip, and usually pay for the wool within a week of it leaving the farm. The wool merchants may then sell the clip on their own behalf through the auction system, or for tender, or to a processor.

Private treaty sales also occur directly from the grower to the processor. With the increasing development of early stage processing of wool in Australia before export, this type of sale is becoming more common.

## Sale by specification

Sale by specification is possible, with a system of bidding using electronic technology. Currently this system of selling (for example, over the Internet) is limited for woolgrowers. However, it has the potential to increase significantly. There will be an increased acceptance of this type of sale as codes of practice are developed for methods of in-shed testing, quality assurance programs and other measurements of wool.

## Group marketing

Marketing groups or marketing alliances may be formed by woolgrowers wishing to combine their wool for marketing purposes. The alliances may be formed on a regional basis or perhaps on bloodline groups, and may sell through traditional selling methods or directly to processors.

## Risk management

Before a grower decides which wool marketing option is best suited to their operation, it is important to have a thorough understanding of the product being sold by means of a clip analysis.

## Cost of production

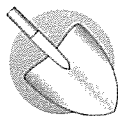
Knowing how much it costs the wool producer to produce a kilogram of wool is essential information upon which to base production and marketing decisions. In most cases, the lower the cost of producing a kilogram of wool, the more profitable the enterprise will be. Wool prices vary a lot from year to year, and even from month to month. However, the cost of production is usually relatively stable. The cost of production is a useful benchmark that can be used for comparing issues such as the efficiency of wool production on farms in similar regions, or changes within the wool-growing enterprise on a range of farms.

How do we calculate the cost of production? For a farm that is solely a wool-producing enterprise, the cost of production is simply the total of all the running costs of the farm divided by the number of kilograms of wool produced.



## Wool cut per head

'Wool cut per head' is the term used for the average weight of the woolclip per sheep. You can calculate wool cut per head by dividing the total weight of the wool produced (in kilograms) by the number of sheep shorn. Wool cut per head can vary because it is influenced by genetic selection, nutrition and management practices.



### For you to do

Study Table 4.5.

- 1 Calculate the wool cut per head for each of the three producer groups listed.
- 2 Calculate the income from wool cut per head for each of the three producer groups listed. (Hint: Income = kg/head  $\times$  c/kg)
- 3 List some of the factors indicated by the table that have contributed to farmers in the top 25 per cent being more profitable than farmers in the bottom 25 per cent.

**Table 4.5** Characteristics of top-performing wool industry farms in Australia, 1994–95 to 1996–97

Units	Average	Top 25%	Bottom 25%
Sheep numbers	3 455	5 418	1 887
Wool production (kg)	16 300	27 000	8 100
Stocking rate (DSE/ha)	0.7	0.8	0.3
Micron ( $\mu$ )	20.0	19.7	19.5
Wool receipts per sheep shorn (\$/head)	20.7	22.7	18.0
Total cash costs	108 800	170 200	64 300
Labour units	1.8	2.0	1.7
Age of owner/manager (years)	53	53	57
Farmers undertaking training in the last 5 years (%)	68	81	56
Farm plan developed (%)	11	17	8
Landcare members (%)	47	47	36
Wool price received (c/kg)	483	498	446
Population of farms: 12 700			

Source: ABARE

## Measurable qualities of wool

### Fibre diameter

Fibre diameter is important because it impacts on spinning limit. The finer each individual fibre is, the greater the number of fibres there are in a cross-section of the spinning. This leads to a more uniform yarn diameter, greater yarn strength and greater softness of handling.

Before the development of methods for objective assessment of wool, wool fineness was expressed in terms of wool count or quality number, and was classified according to a visual assessment of number of crimps or waves in the staple. The use