SHEEP'S BACK TO MILL

2005/2006

AUSTRALIAN WOOL INNOVATION LIMITED

Provided by

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Sheep's Back to Mill 2005/06

Contents

EXECUTIVE SUMMARY

Sheep's Back to Mill

2005/06 Edition

The lowest average greasy wool prices since season 2000/01 has resulted in the highest proportion of wool industry revenue being consumed by the combined costs for harvesting, marketing and distribution since that season.

In season 2005/06 it is estimated that 52% of total industry sale revenue was spent on the combined costs covered in this series (47% the previous season). This was the highest percentage since the 55% achieved in 1998/99 and was well above the long term average of around 42%. Since the SBTM series commenced in 1980/81 only two other seasons have recorded results higher than this in percentage terms.

It was the fourth consecutive season that this percentage has risen since the 15 year low of 33% was recorded in season 2003/04. This trend has been driven by lower wool prices without a corresponding decline in costs. Reducing wool supply in 2005/06 was not able to offset the impact of the rising input costs and falling average prices. Therefore wool producers' terms of trade have worsened by around 50% since the 2003/04 season.

In aggregate terms an estimated $1.045 billion was spent on the SBTM cost items in 2005/06, a rise of 2.2% from the previous season. However, average wool prices declined by almost 7% during the sale year. In combination, this resulted in an overall reduction in industry terms of trade of 10.6% during 2005/06.

A number of SBTM cost items recorded significant increases during 2005/06. The largest increases were recorded for buyer financing and storage costs (high 30%). This was partially offset by reduced buying costs. Rising fuel costs also had an impact on several costs items with transport to store costs rising by 9%. Increased commodity prices (for steel in particular) were responsible for rising shipment preparation costs up by 9%.

The majority of shearing related costs increased by almost 5% driven primarily by higher award wages. Classing costs were the only harvesting cost to go against this trend, rising by less than 2%. Many of the marketing and broker related costs recorded declines in aggregate cost in 2005/06 which reflected the fall in production of almost 3% for the season. All of the insurance cost items recorded increases in 2005/06 with the marine component recording the largest increase of 17%.

When these SBTM costs are converted into a cents/kg greasy basis the changes are more pronounced. An estimated 229 cents was spent in season 2005/06 on the combined SBTM series, a rise of 5.4% from the previous season. This affect was more pronounced for the grower subset of the costs. These represented 187 cents/kg greasy in 2005/06 a rise of 5.5%. Buyer related costs only rose by 4.7% to 42 cents/kg greasy. This continues a trend evident for several seasons with growers representing a higher percentage of overall industry costs for this series.

When the calculated series is converted to a deflated basis (using the annual CPI series for Australia and season 2000/01 as the base year) the aggregate changes evident in the $ and cents/kg greasy calculations are less pronounced. Total costs are estimated at a deflated value of 199 cents/kg greasy, a rise of 1% from the previous season. This deflated cost value has remained relatively stable around the 200 cents mark for the last eight seasons. This indicates that wool industry SBTM costs are generally rising in line with inflation during this period.

Therefore the key driver in measuring industry profitability in deflated terms is the average price series. This was estimated to have fallen by over 10% in deflated terms for season 2005/06. This was the worst deflated outcome since season 1998/99 (55% of industry revenue in SBTM costs of 53% in 2005/06). The deflated average price for 2005/06 of 374 cents/kg greasy was the lowest since the 365 cents achieved in 1998/99 and is the second lowest result achieved in 25 seasons for this series.

Sheep's Back to Mill 2005/06

Introduction

In this edition of Sheep's Back to Mill costs for the wool selling season 1 July 2005 to 30 June 2005 are detailed. This analysis estimates the cost of harvesting, marketing and distribution of raw wool from the sheep's back in Australia to overseas mills. The Australian Wool Corporation (AWC) produced this publication from 1970 to the 1992/93 season whilst Wool International (WI) produced the 1993/94 to 1996/97 editions. Following a change in legislation which saw the Market Reporting and Statistics functions transferred from Wool International, the Australian Wool Exchange (AWEX) produced the Sheep's Back to Mill publication for the 1997/98 to 2000/01 editions.

Australian Wool Innovation (AWI) obtained the IP rights for the document from AWEX once the latter ceased publication after the 2000/01 series. The current edition is the fifth one published by AWI. It was produced adopting a new methodology which reflects better the current situation in the wool industry.

The main purpose of this paper is to compare industry cost items for a distinct segment of the marketing chain over time.

Production

As estimated by the Australian Wool Production and Forecasting Committee in September 2006, **shorn wool production in 2004/05** was **461,000 tonnes greasy,** a decrease of 2.9% the previous season. The estimated number of sheep and lambs shorn rose marginally from 106.0 million in 2004/05 to **106.5 million** in 2005/06, **an increase of 0.5%.** The average cut per head fell from 4.49 kg to 4.31 kg, a decrease of 4.0%. In 2005/06, the average bale weight increased from 175.99 kg in 2004/05 to 176.97 kg and the estimated **total number of bales produced** fell from 2,426,637 in the 2004/05 season to **2,339,710** in 2005/06 **a decrease of 3.6%.**

Auction Prices and Taxes

The average greasy price of wool fell from 462.02 cents per kilogram in the 2004/05 season to **431.52 cents per kilogram** in 2005/06, a fall of **6.6%.**

The total levy paid by woolgrowers for financing Research and Development remained unchanged at 2.0% in the 2005/06 season.

Exports

For the 2004/05 season wool exports (expressed in greasy equivalents) totalled **467,223 tonnes,** a decrease of 3.1% from the 2004/05 season. These exports accounted for 101.3% of the estimated total shorn wool production.

Summary

The total cost of harvesting, marketing and distributing Australian wool **expressed in nominal cents per kilogram greasy of production rose by 5.4%** in 2005/06.

The direct **cost to the woolgrowers increased by 5.5%.** The increase in woolgrowers' costs can be mainly attributed to the rising costs of shearing (7%), and transporting wool from farm gates to brokers' stores (12%). These rises were only partially offset by declining costs of wool packs (6%) and wool levies (6%), charged on lower sales prices.

The total cost for wool buyers rose by 4.7%. The increase was due to the rises in post service charge (11%), buyer finance costs (42%) and shipment preparation (12%). The only substantial decrease in costs occurred in sea freights (12%). The freight rates continued to fall in Chinese trade which constitutes about 60% of the total Australian wool exports.

Calculation of Costs

As in the previous editions of this report, the post-sale cost items were estimated on the basis of greasy wool only. It was assumed that, on a greasy equivalent basis, processed wool costs are the same as greasy wool for these items.

Assessment of costs was based on average charges during the 2005/06 season or on charges applicable at 30 June 2006. The previous season's figures have been revised where applicable and in many instances differ from those reported in the 2004/05 Sheep's Back to Mill report.

Table 1 shows estimated costs in millions of dollars. These estimates were based on the dollars per bale or cents per kilogram figures derived from the relevant list of items. The estimates were then scaled by production and, where appropriate, the volume of exports. They are provided only to indicate the estimated aggregate national industry level of expenditure. These industry costs are further disaggregated into six major subcategories and the costs of each subcategory are expressed as a percentage of total costs.

In **Table 2**, the total costs shown in Table 1 have been brought to a common base of cents per kilogram of production or the volume of exports for comparative purposes. This reduces the effect of the change in total production. The table also presents the same six major subcategories of industry costs as aggregated in Table 1, but expressed in cents per greasy kilogram of production.

The charges incurred for each activity accessed, are shown in **Table 3**, and are compared with charges over the previous two years.

Table 4 presents the nominal, CPI and inflation adjusted data used in Charts 1 and 3.

The report also includes four time series charts. The first three cover the period of January 1982 to June 2006 and the last one the period between June 1990 and June 2006.

Chart 1 presents the harvesting, marketing and distribution cost for Australian wool (in cents per greasy kilogram of production) compared with the average greasy price, adjusted for inflation using the consumer price index by the Reserve Bank of Australia.

Chart 2 depicts grower cost of harvesting, marketing and distribution as a percentage of average greasy wool price.

Chart 3 shows the harvesting, marketing and distribution cost for Australian wool for growers, buyers and the overall total adjusted for inflation.

Chart 4 shows the main cost components of woolgrowers in cents per kg of production in real terms over last 15 seasons.

To estimate wool production in terms of costs and profitability farm financial benchmark results from south-east Australia are included in the appendix. Note, the costs detailed in this appendix may not match the average costs used in the Sheep's Back to Mill report.

Sources

The cost figures presented are based on data obtained from a wide collection of sources throughout the industry.

The costs associated with crutching were based on information and estimates from State Departments of Agriculture/Primary Industry. The shearing shed activities were based on data provided by Rural Management Solutions (NSW), independent contractors and on rates listed in the Federal Pastoral Industry Award.

Data on average brokers' charges (warehousing, insurance, commission, interlotting, rehandling and buyers' service charge) was provided by Mr Phil Fyfe, care of the National Council of Wool Selling Brokers of Australia (NCWSBA).

Charges were averaged over NCWSBA broker members in all Australian centres, weighted by volume, by the NCWSBA.

The data related to the wool packs were provided by the wool packs retailer – Country Wide Woolpacks (NSW) and by AWEX.

Cost of transporting wool from farm gates to broker store is obtained from surveying a number of trucking companies in every state.

Core test data, both pre-sale and post-sale, staple length and strength certificates were provided by the Australian Wool Testing Authority (AWTA).

The costs of buyer activities, shipment preparation and sea freight were obtained from the survey conducted by Australian Wool Industries Secretariat (AWIS) and from Elders Wool Group.

On farm measurement costs were based on estimates supplied by country operators.

Caution

It must be stressed that the figures shown are estimates only and should be treated with caution. They should not be taken out of tables and used without reference to the text material or explanatory notes. The major purpose of the analysis is to provide cost comparisons over time using a common basis and not to calculate actual industry expenditures.

Acknowledgments

The assistance received from officers in State Departments of Agriculture, the Australian Bureau of Statistics, the National Council of Wool Selling Brokers of Australia, AWTA Limited, Australian Wool industries Secretariat, AWEX, Elders Wool Group, Holmes Sackett & Associates and AWI colleagues is gratefully acknowledged.

TABLE 1

HARVESTING, MARKETING & DISTRIBUTION COSTS FOR AUSTRALIAN WOOL - SHEEP'S BACK TO MILL, 2005/06

	ACTIVITY	2004/05 $ million		2005/06 $ million		% CHANGE
1	On Farm Fibre Measurement	3.110		2.892		-7.0
2	Crutching	92.689		96.546		4.2
3	Shearing	318.450		332.972		4.6
4	Classing	54.700		55.588		1.6
5	Shedhands	100.359		104.945		4.6
6	Pressing	52.430		54.869		4.7
	SUBTOTAL: On Farm/Shearing Shed	621.740		647.812		4.2
	Subtotal as % of total cost		60.8%		62.0%	
7	Wool packs	29.367		26.907		-8.4
8	Grower storage	0.216		0.234		8.6
9	Transport to store	32.292		35.125		8.8
10	Insurance: sheep's back to store	2.897		2.984		3.0
	SUBTOTAL: Packs/store transport	64.772		65.250		0.7
	Subtotal as % of total cost		6.3%		6.2%	
11	Warehousing	49.136		48.335		-1.6
12	Broker's commission (net of wool tax)	22.195		22.010		-0.8
13	Insurance: store fire	4.477		4.516		0.9
14	Core test certificate: pre-sale	17.941		17.306		-3.5
15	Staple strength & length cert.: pre-sale	7.493		7.140		-4.7
16	Interlotting	0.564		0.536		-4.9
17	Rehandling ("Bulkclassing")	6.729		6.734		0.1
	SUBTOTAL: Warehousing/sale	108.535		106.577		-1.8
	Subtotal as % of total cost		10.6%		10.2%	
18	Wool tax levy	43.892		39.786		-9.4
19	AWEX fees	1.110		1.077		-3.0
	SUBTOTAL: Taxes	45.002		40.863		-9.2
	Subtotal as % of total cost		4.4%		3.9%	
	DIRECT COST TO WOOLGROWER	**840.049**		**860.502**		**2.4**
	Subtotal as % of total cost		82.2%		82.3%	
20	Buying costs	26.766		23.737		-11.3
21	Post service charge	39.676		42.826		7.9
22	Buyer finance costs	10.542		14.556		38.1
23	Buyer storage costs	1.747		2.316		32.6
	SUBTOTAL: Buying costs	78.731		83.435		6.0
	Subtotal as % of total cost		7.7%		8.0%	
24	Shipment preparation	41.833		45.542		8.9
25	Sea freight	34.294		29.397		-14.3
26	Insurance: marine & port to mill	1.662		1.947		17.2
27	Transport to mill	25.643		24.183		-5.7
	SUBTOTAL: Shipping costs	103.431		101.069		-2.3
	Subtotal as % of total cost		10.1%		9.7%	
	DIRECT COSTS TO MILL	**182.162**		**184.504**		**1.3**
	Subtotal as % of total cost		17.8%		17.7%	
	TOTAL COSTS: %		100%		100%	
	TOTAL COSTS: $ million	**1022.211**		**1045.007**		**2.2**
	TOTAL GREASY WOOL VALUE	**2194.595**		**1989.307**		**-9.4**
	DIRECT COST TO WOOLGROWERS AS PROPORTION OF TOTAL GREASY WOOL VALUE		**38.3%**		**43.3%**	

(R) Revised

TABLE 2

HARVESTING, MARKETING & DISTRIBUTION COSTS FOR AUSTRALIAN WOOL - SHEEP'S BACK TO MILL, 2005/06

(cents per greasy kg)

	ACTIVITY	2004/05		2005/06		% CHANGE
1	On Farm Fibre Measurement	0.65		0.63		-4.2
2	Crutching	19.51		20.94		7.3
3	Shearing	67.04		72.23		7.7
4	Classing	11.52		12.06		4.7
5	Shedhands	21.13		22.76		7.7
6	Pressing	11.04		11.90		7.8
	SUBTOTAL: On Farm/Shearing Shed (+)	130.89		140.52		7.4
	Subtotal as % of total cost		60.2%		61.3%	
7	Wool packs	6.18		5.84		-5.6
8	Grower storage	0.05		0.05		11.9
9	Transport to store	6.80		7.62		12.1
10	Insurance: sheep's back to store	0.61		0.65		6.1
	SUBTOTAL: Packs/store transport (+)	13.64		14.15		3.8
	Subtotal as % of total cost		6.3%		6.2%	
11	Warehousing	10.34		10.48		1.4
12	Broker's commission (net of wool tax)	4.67		4.77		2.2
13	Insurance: store fire	0.94		0.98		3.9
14	Core test certificate: pre-sale	3.71		3.68		-0.7
15	Staple strength & length cert.: pre-sale	2.25		2.22		-1.3
16	Interlotting	0.12		0.12		-2.1
17	Rehandling ("Bulkclassing")	1.42		1.46		3.1
	SUBTOTAL: Warehousing/sale (+)	23.45		23.71		1.1
	Subtotal as % of total cost		10.8%		10.3%	
18	Wool tax levy	9.24		8.63		-6.6
19	AWEX common service fee	0.26		0.26		0.0
	SUBTOTAL: Taxes (+)	9.50		8.89		-6.4
	Subtotal as % of total cost		4.4%		3.9%	
	DIRECT COST TO WOOLGROWER	**177.48**		**187.28**		**5.5**
	Subtotal as % of total cost		81.6%		81.7%	
20	Buying costs	6.27		5.73		-8.5
21	Post service charge	9.29		10.34		11.3
22	Buyer finance costs	2.47		3.52		42.4
23	Buyer storage costs	0.41		0.56		36.7
	SUBTOTAL: Buying costs (+)	18.44		20.15		9.3
	Subtotal as % of total cost		8.5%		8.8%	
24	Shipment preparation	8.68		9.75		12.3
25	Sea freight	7.11		6.29		-11.6
26	Insurance: marine and port to mill	0.34		0.42		20.9
27	Transport to mill	5.32		5.18		-2.7
	SUBTOTAL: Shipping costs (*)	21.46		21.63		0.8
	Subtotal as % of total cost		9.9%		9.4%	
	SUBTOTAL: COSTS TO MILLS	**39.89**		**41.78**		**4.7**
	Subtotal as % of total cost		18.4%		18.2%	
	TOTAL COSTS: c/kg	**217.37**		**229.06**		**5.4**
	TOTAL COSTS EXCLUDING TAXES: c/kg	207.87		220.17		5.9
	TOTAL COSTS: %		100%		100%	
	AVERAGE GREASY WOOL VALUE: c/kg	**462.02**		**431.52**		**-6.6**
	COST TO GROWERS AS % OF GREASY WOOL VALUE		**38.4%**		**43.4%**	
	TOTAL COST AS % OF GREASY WOOL VALUE		47.0%		53.1%	

NOTE: (+) - divided through by production; (*) - divided through by exports (R) Revised

Percentage changes and subtotals have been calculated on un-rounded values.

TABLE 3

THREE YEAR COMPARISON OF CHARGES BY ACTIVITY

	ACTIVITY	Basis of charge	JUNE 2003	JUNE 2004	% CHANGE 04-03	JUNE 2005	% CHANGE 05-04
1	On Farm Fibre Measurement	$ per test	2.00	1.60	-20.0	1.75	9.4
2	Crutching, full crutch plus wig	$ per 100	62.70	65.05	3.7	67.17	3.3
3	Shearing	$ per 100	195.95	203.28	3.7	209.91	3.3
4	Classing	$ per week	805.00	836.55	3.9	836.55	0.0
5	Shedhands	$ per week	729.60	757.80	3.9	783.00	3.3
6	Pressing	$ per week	766.60	797.00	4.0	824.20	3.4
7	Wool packs	$ per pack	8.59	10.88	26.6	10.33	-5.1
8	Grower storage (9% clip)	$ per bale	N/A	1.00	-	1.00	0.0
9	Transport to store	$ per bale	9.38	11.96	27.5	13.48	12.7
10	Insurance: sheep's back to store	% value	0.127%	0.132%	3.9	0.150%	13.6
11	Warehousing : sale by sample	$ per bale	18.74	18.20	-2.9	18.55	1.9
	traditional sale	$ per bale	22.62	23.24	2.7	23.46	0.9
12	Broker's commission (net of wool tax)	% value	1.036%	1.032%	-0.4	1.129%	9.4
13	Insurance: store fire	% value	0.199%	0.204%	2.5	0.227%	11.3
14	Core test certificate: pre-sale (6 bls)	$ per lot	38.50	38.50	0.0	38.50	0.0
15	Staple strength & length cert. pre-sale	$ per lot	28.05	28.05	0.0	28.05	0.0
16	Interlotting	$ per bale	7.35	7.54	2.6	7.48	-0.8
17	Rehandling ("Bulkclassing")	$ per bale	29.47	31.05	5.4	30.74	-1.0
18	Wool tax levy	% value	2.00%	2.00%	0.0	2.00%	0.0
19	AWEX fees (common + trading fees)	c per kg	N/A	0.26	-	0.26	0.0
20	Buying costs	$ per bale	$28.31	$11.03	-61.0	$10.15	-8.0
21	Post service charge	$ per bale	13.68	16.35	19.5	18.30	12.0
22	Buyer finance costs	$ per bale	N/A	4.34	-	6.22	43.2
23	Buyer storage costs	$ per bale	N/A	0.72	-	0.99	37.5
24	Shipment preparation	c per kg	7.38	8.68	17.6	9.75	12.3
25	Sea freight	c per kg	7.60	7.11	-6.4	6.29	-11.6
26	Insurance: marine and port to mill	% value	0.07%	0.07%	0.0	0.09%	28.6
27	Transport to mill	c per kg	5.31	5.32	0.2	5.18	-2.7
	Consumer Price Index (ABS, Catalogue No 6401.0)		+2.5		+2.5		+4.0

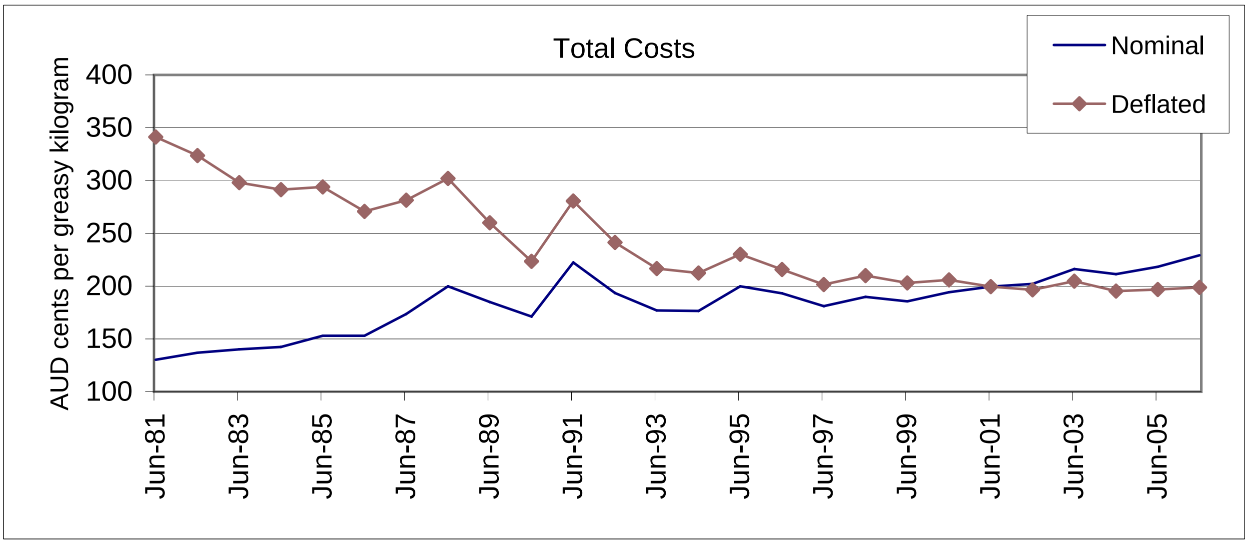
STATISTICS USED	**2005/06**		**2004/05**		**% changes from previous season**
- Shorn wool production *	**461,000**	**tonnes**	**475,000**	**tonnes**	**-2.9%**
	2,604,961	**bales**	**2,699,017**	**bales**	**-3.5%**
- Total sales **	**2,339,710**	**bales**	**2,426,637**	**bales**	**-3.6%**
*Source: *Australian Wool Production Forecasting Committee (AWPFC), ** AWEX Logistics Report*					
- Average bale weight **	176.97	kg	175.99	kg	0.6%
- Average auction price : Greasy	**431.52**	**cents/kg**	**462.02**	**cents/kg**	**-6.6%**
Clean	**673.20**	**cents/kg**	**723.04**	**cents/kg**	**-6.9%**
Source: AWEX					
- Number of sheep & lambs shorn (millions)	106.5		106.0		0.5%
Source: AWPFC					
- Average fleece weight	4.31	kg	4.49	kg	-4.0%
Source: AWPFC					
- Total exports (greasy equivalents)	**467,223**	**tonnes**	**482,066**	**tonnes**	**-3.1%**
- Exports: % of total wool production	**101.3%**		**101.5%**		
Source: ABS					
- Proportions * Bulkclassed	8.41%		8.03%		
* Interlotted	2.75%		2.77%		
* Traditional	0.1%		0.1%		
* Sale by sample	99.9%		99.9%		
Source: AWEX					

Note: 2004/05 figures have been revised.

TABLE 4

HARVESTING, MARKETING AND DISTRIBUTION COSTS FOR AUSTRALIAN WOOL
NOMINAL AND DEFLATED COSTS AND WOOL PRICES - cents/kg greasy
BASE YEAR: 2000/2001

	Nominal					Deflated			
Season	Greasy cents/kg	Growers cost	Buyers cost	Total cost	CPI Index	Greasy cents/kg	Growers cost	Buyers cost	Total cost
Jun-81	264	98	32	130	51.1	**691**	**257**	**84**	**341**
Jun-82	265	101	36	137	56.6	**626**	**239**	**85**	**324**
Jun-83	291	105	35	140	62.9	**618**	**224**	**74**	**298**
Jun-84	303	112	30	142	65.4	**619**	**229**	**62**	**291**
Jun-85	342	120	34	153	69.7	**657**	**230**	**64**	**294**
Jun-86	361	122	31	153	75.6	**639**	**217**	**54**	**271**
Jun-87	527	134	39	174	82.6	**853**	**218**	**64**	**281**
Jun-88	696	160	40	200	88.5	**1053**	**242**	**60**	**302**
Jun-89	647	148	37	185	95.2	**910**	**208**	**52**	**260**
Jun-90	555	139	32	171	102.5	**725**	**182**	**41**	**224**
Jun-91	414	191	31	222	106.0	**522**	**241**	**39**	**281**
Jun-92	359	152	42	194	107.3	**447**	**189**	**52**	**241**
Jun-93	314	135	42	177	109.3	**384**	**165**	**52**	**217**
Jun-94	335	136	41	177	111.2	**403**	**163**	**49**	**212**
Jun-95	507	157	43	200	116.2	**584**	**180**	**50**	**230**
Jun-96	387	151	43	193	119.8	**432**	**168**	**48**	**216**
Jun-97	403	140	41	181	120.2	**449**	**156**	**46**	**202**
Jun-98	445	150	40	190	121.0	**492**	**166**	**44**	**210**
Jun-99	334	146	39	186	122.3	**365**	**160**	**43**	**203**
Jun-00	393	157	38	194	126.2	**417**	**166**	**40**	**206**
Jun-01	437	159	40	200	133.8	**437**	**159**	**40**	**200**
Jun-02	512	159	43	202	137.6	**498**	**154**	**42**	**197**
Jun-03	650	171	45	216	141.3	**616**	**162**	**42**	**205**
Jun-04	505	166	46	211	144.8	**466**	**153**	**42**	**195**
Jun-05	462	178	40	218	148.4	**417**	**161**	**36**	**197**
Jun-06	432	187	42	229	154.3	**374**	**162**	**36**	**199**



Note:
Deflated data used in Charts 1 and 3

CHART 1 - HARVESTING, MARKETING AND DISTRIBUTION COST FOR AUSTRALIAN WOOL AND GREASY WOOL VALUE - DEFLATED TIME SERIES (BASE YEAR 2000/2001)

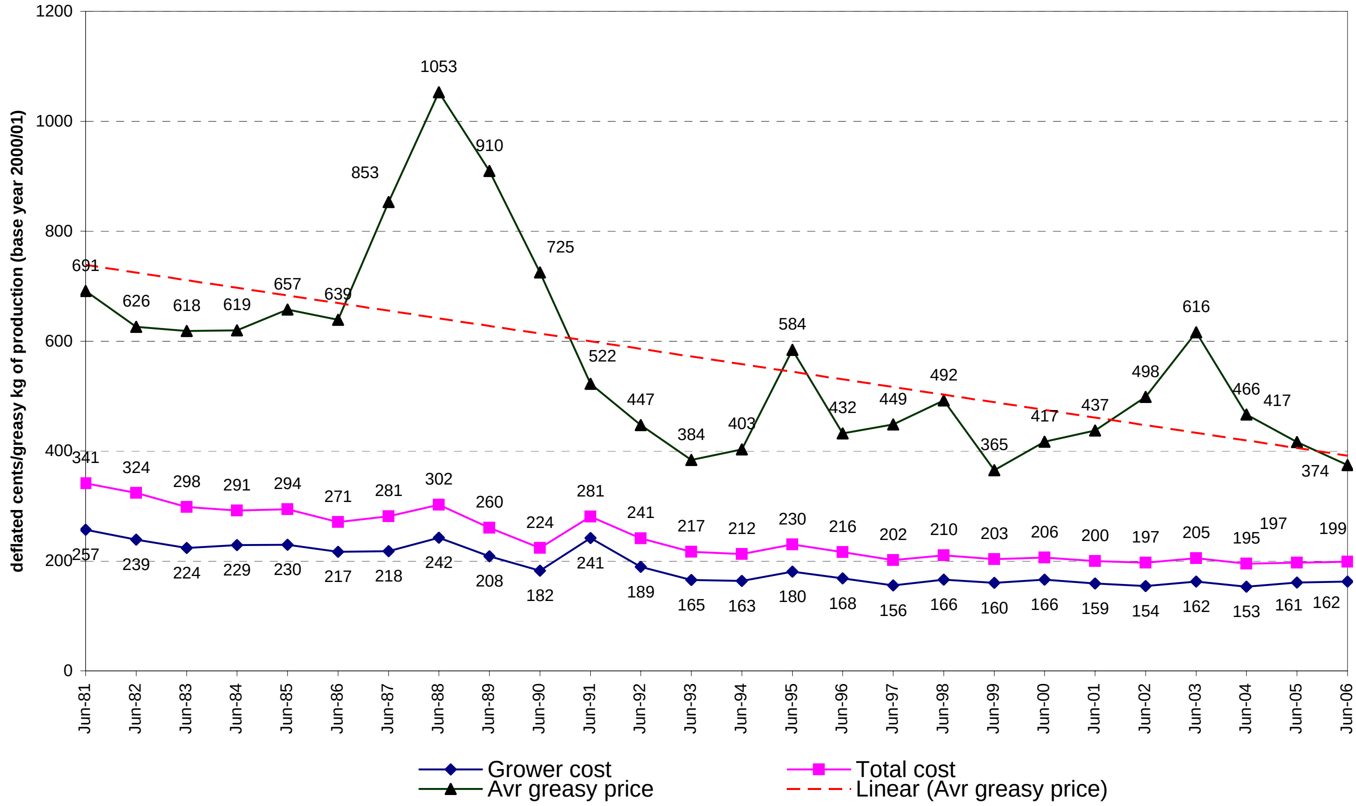


CHART 2 - GROWER COST AS % OF GREASY WOOL VALUE - TIME SERIES (nominal values)

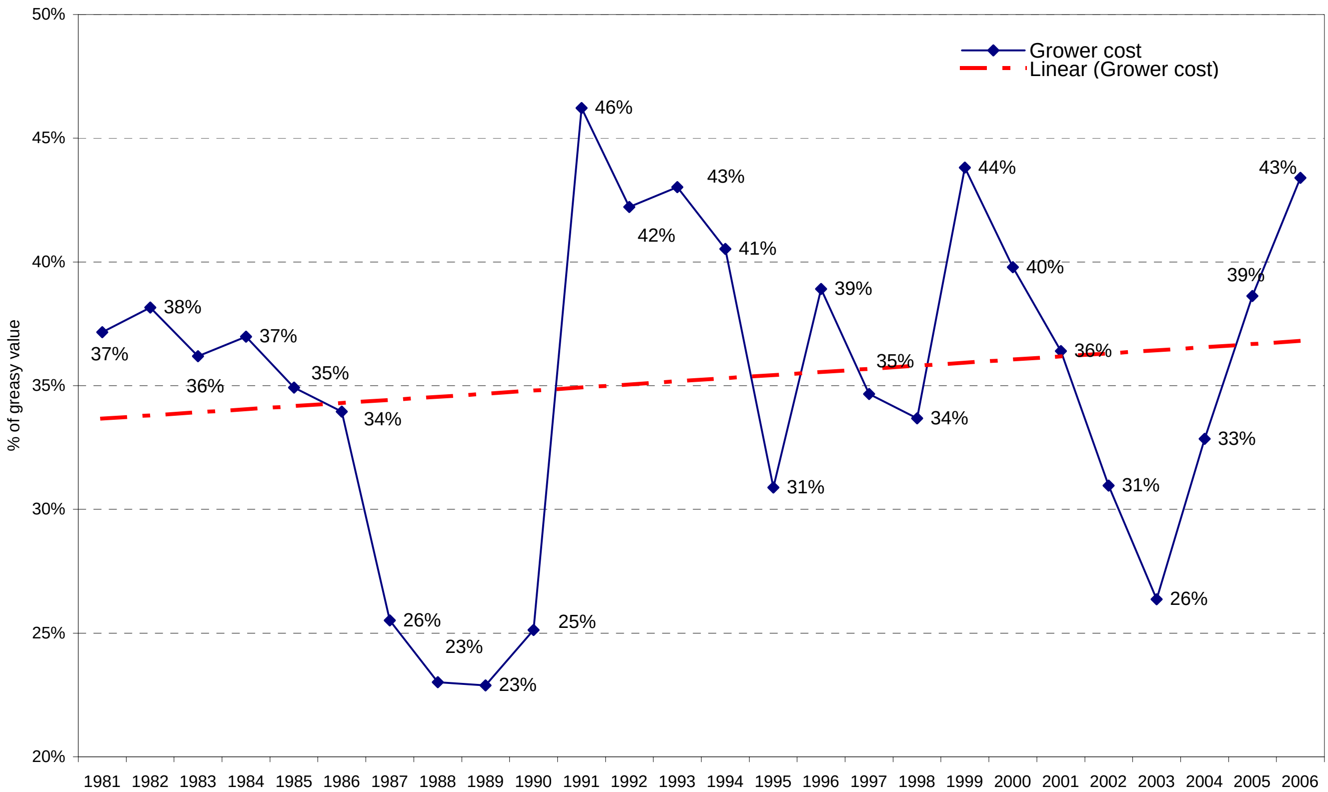


CHART 3 - HARVESTING, MARKETING AND DISTRIBUTION COST FOR AUSTRALIAN WOOL; GROWERS, BUYERS & TOTAL COST (cents/greasy kg of production) - deflated time series

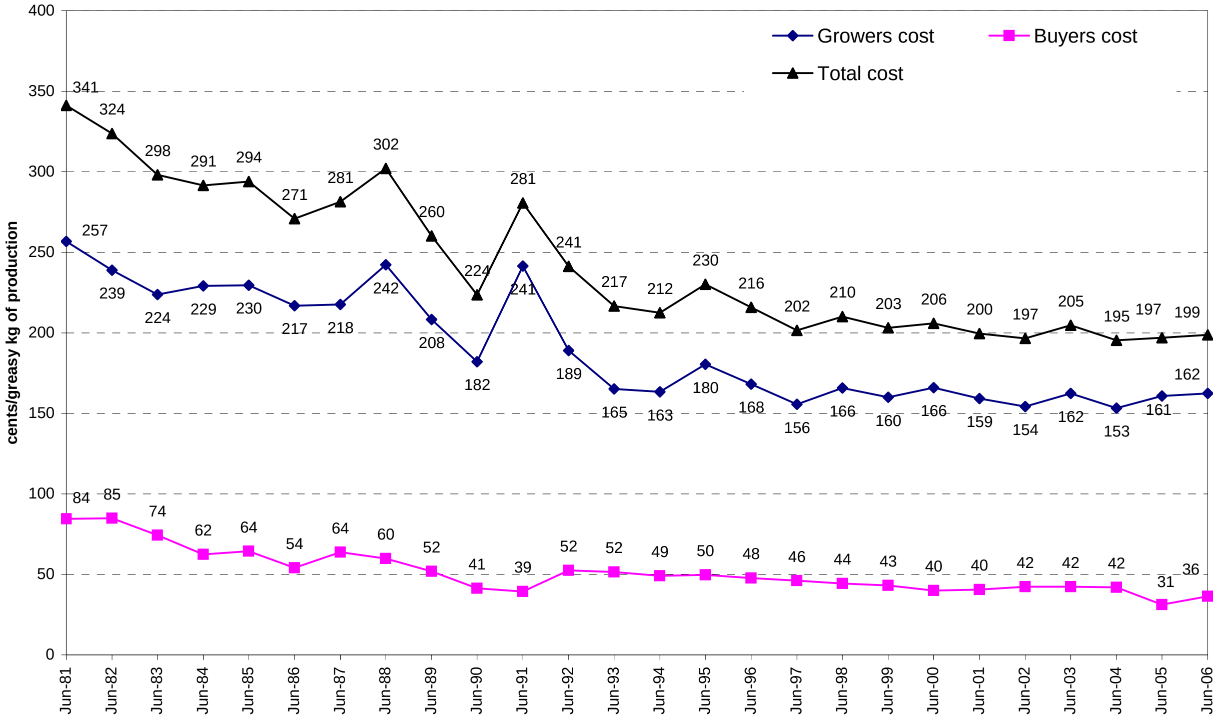
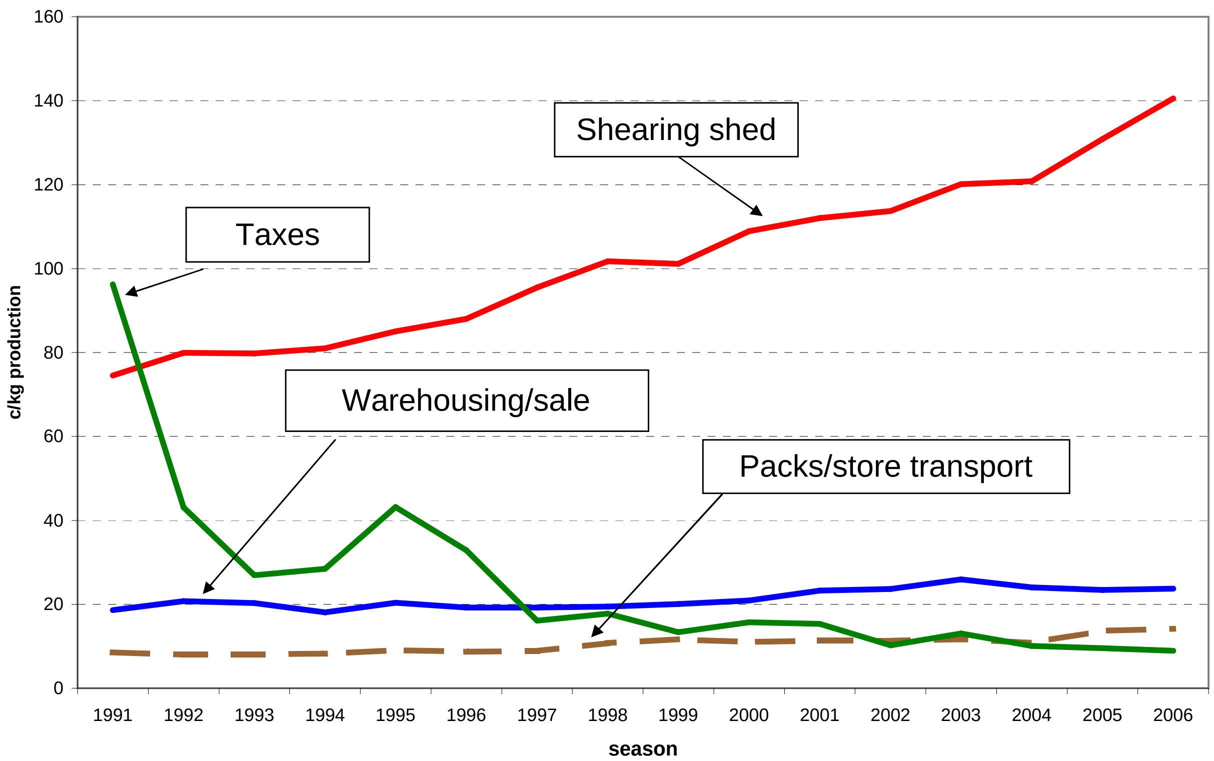


CHART 4 - WOOLGROWERS' MAIN COST COMPONENTS c/kg production



Items

Entries in parenthesis show changes from the previous year.

(1) On Farm Fibre Measurement

The cost of on farm fibre measurement is estimated at $1.75 per test which reflects a rise by 9% since the previous season. It is also estimated that in the 2005/06 season the number of tests amounted to 1,652,000.

Total cost Australia	=	$2.892 m	
Average cost per kg production	=	0.63 cents/kg	(-4.2%)

Source: Independent Wool Management P/L, Tamworth and AWTA

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(2) Crutching

Non-contract rate:		Cents per sheep
Award rate, full crutch and wig		67.17
Workers compensation @11.8%		7.93
Superannuation @ 9%		6.05
	Total	81.14
Contract rate:		183.00
On trailers rate:		154.44

Note:
It is estimated that 10% of sheep crutched in 2003/04 were crutched at contract rates, 60% at non-contract rates and 30% at on trailer rate. It is also estimated that 80% of total sheep numbers in Australia were crutched in 2005/06.

Weighted average cost	=	113.32 cents/sheep	
Total cost Australia	=	$98.546 m	
Cost per kg production	=	20.94 cents/kg	(+7.3%)

Source: National Grazing Services P/L (NGS) Dubbo NSW, Federal Pastoral Industries Award, Allen White – Shearing Consultant

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(3, 4, 5, 6) Shearing Shed

Assumptions for shearing shed activities are as follows:

- 65% of clip shorn on contract rate, 30% on non-contract rate and 5% outside award rate
- four stand shed working five days a week for two week period
- average 125 sheep shorn per shearer day
- the team comprising four shearers, one presser, two shedhands one classer/overseer and one cook.

Contract Shearing (65%) *- Cents per Sheep:*

Item	Shearers	Classer	Shedhands	Presser	Total
Labour	67.17	67.17	67.17	67.17	67.17
Work Comp (11.8%)	24.77	3.95	7.39	3.89	40.00
Mess & Cook	17.50	4.37	8.75	4.37	34.99
Travel Allowance	8.25	2.06	4.12	2.06	16.50
Other costs (a)	69.89	11.14	20.86	10.98	112.86
Total cost/sheep	**330.31**	**54.99**	**103.76**	**54.27**	**543.33**

(a) Other Costs

Bank Charges	9.32
Cheque forms + FID	0.78
Payroll Tax	15.25
Superannuation (9%)	30.51
Levy for Shearing	55.00
Sundry costs	2.00
	112.86

Non-contract Shearing (30%) *- Cents per Sheep:*

Item	Shearers	Classer	Shedhands	Presser	Total
Labour	67.17	67.17	67.17	67.17	67.17
Work Comp (11.8%)	24.77	3.95	7.39	3.89	40.00
Mess & Cook	17.50	4.37	8.75	4.37	34.99
Travel Allowance	8.25	2.06	4.12	2.06	16.50
Total cost/sheep	**260.42**	**43.85**	**82.90**	**43.29**	**430.47**

Note: Values in tables may not add due to computer rounding.

Outside award shearing (5%) *- Cents per Sheep:*

Item	Shearers	Classer	Shedhands (2)	Presser	Total
Cost/sheep	**396.38**	**65.99**	**124.51**	**65.13**	**652.00**

(3) Shearing

Total weighted cost per sheep	=	312.65 cents/sheep	(+4.1%)
Total cost Australia	=	$332.972m	(+4.6%)
Average cost per bale	=	$127.82/bale	(+8.3%)
Average cost per kg production	=	72.73 cents/kg	(+7.7%)

Source: NGS Dubbo, Federal Pastoral Industries Award, Allen White – Shearing Consultant

(4) Classing

Total weighted cost per sheep	=	52.20 cents/sheep	(+1.1%)
Total cost Australia	=	$55.588 m	(+1.8%)
Average cost per bale	=	$21.34/bale	(+5.3%)
Average cost per kg production	=	12.06 cents/kg	(+4.7%)

Source: NGS Dubbo, Federal Pastoral Industries Award, Allen White – Shearing Consultant

(5) Shedhands

Total weighted cost per sheep	=	98.54 cents/sheep	(+4.1%)
Total cost Australia	=	$104.945 m	(+4.6%)
Average cost per bale	=	$40.29/bale	(+8.3%)

Average cost per kg production	=	22.76 cents/kg	(+7.7%)

Source: NGS Dubbo, Federal Pastoral Industries Award, Allen White – Shearing Consultant

(6) Pressing

Total weighted cost per sheep	=	51.52 cents/sheep	(+4.2%)
Total cost Australia	=	$54.869 m	(+4.7%)
Average cost per bale	=	$21.05/bale	(+8.4%)
Average cost per kg production	=	11.90 cents/kg	(+7.8%)

Source: NGS Dubbo, Federal Pastoral Industries Award, Allen White – Shearing Consultant

(7) Wool Packs

The average retail price of nylon wool packs is estimated at $10.33 in the 2005/06 season ($10.88 previous season). This estimate is based on the average price of new packs of $10.45 (97% of market share) and the average price of $6.50 per second hand pack (3% of market share).

Total cost Australia	=	$26.907 m	
Average cost per kg production	=	5.84 cents/kg	(-5.6%)

Source: Market share - AWEX; Prices – Country Wide Woolpacks, NSW

(8) Grower Storage

It is estimated that 9% of total clip is stored by growers in brokers' stores for one year at the unchanged cost of $1.00 per bale.

Total cost Australia	=	$0.234 m	
Average cost per kg production	=	0.05 cents/kg	(+11.5)

Source: Elders, Landmark and other wool brokers

(9) Transport to Store

State	Production share (%)		Average cost per bale	
Queensland	4.8	=	$17.39	(+ 9.1%)
New South Wales	33.5	=	$15.62	(+19.2%)
Victoria	19.9	=	$11.28	(+13.9%)
South Australia	12.6	=	$12.22	(+ 4.9%)
Western Australia	26.4	=	$11.33	(+12.0%)
Tasmania	2.8	=	$22.50	(+ 4.7%)
Weighted average Australia		=	$13.47/bale	(+12.6%)
Total cost Australia		=	$35.125 m	
Cost per kg production		=	7.62 cents/kg	(+12.1%)

Source: Production share – AWI, Australian Wool Production Forecast Report
Transport costs – Telephone Survey

(10) Insurance - Sheep's Back to Store

Average 0.150% of gross value	=	0.65 cents/kg	(+6.1%)

This was based on brokers' receivals and it was assumed that a similar figure applies to other wool.

Total cost Australia	=	$2.984 m

Source: Mr Phil Fyfe, care of the National Council of Wool Selling Brokers of Australia (NCWSBA)

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(11) Warehousing

99.9%	Sold by sample at auction	$18.55 per bale
0.1%	Sold "traditionally" at auction	$23.46 per bale

Average cost = $18.55 per bale (assuming non-auction wool costs are similar to auction wool costs).

Total cost Australia	=	$48.335 m	
Cost per kg production	=	10.48 cents/kg	(+1.4%)

Source: Mr Phil Fyfe, care of NCWSBA

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(12) Broker's Commission (net of wool tax)

Calculated to average 1.129% of gross proceeds less wool tax,
ie. 1.129% of 98.0% of 431.52 cents/kg = 4.77 cents/kg.

Total cost Australia	=	$22.010 m	
Cost per kg production	=	4.77 cents/kg	(+2.2%)

Non-auction wool was assumed to incur a similar commission to wool sold at auction.

Source: Mr Phil Fyfe, care of NCWSBA

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(13) Insurance - Store Fire

Calculated to average a rate of 0.227% of value of wool sold at auction; this rate was applied for all wool.

Total cost Australia	=	$4.516 m	
Cost per kg production	=	0.98 cents/kg	(+3.9%)

Source: Mr Phil Fyfe, care of NCWSBA

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(14) Core Test Certificate: Pre-Sale

In 2005/06 the AWTA pre-sale tested 441,145 lots (2,657,454 bales) at the total cost of $17.941 millions.

Total cost of pre-sale testing	=	$17.306 m

Cost per kg production	=	3.68 cents/kg	(-0.7%)

Source: Australian Wool Testing Authority (AWTA); Key Test Data & Raw Wool Testing Fees

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(15) Staple Length and Strength Certificate : Pre-Sale

In 2005/06 the AWTA issued 302,260 lots with pre-sale Staple Length and Strength Certificates (318,173 lots in 2004/05) at the total cost of $7.140 millions.

Total cost Australia	=	$7.140 m	
Cost per kg production	=	2.22 cents/kg	(-1.3%)

Source: Australian Wool Testing Authority (AWTA); Key Test Data & Raw Wool Testing Fees

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(16) Interlotting

It was estimated that 2.75% of auction wool was interlotted in 2005/06 (2.77% in 2004/05 season) at an average rate of $7.48 per bale. Assuming a similar cost applies to non-auction wool, then:

Total cost Australia	=	$0.536 m	
Cost per kg production	=	0.12 cents/kg	(-2.1%)

Source: Interlotting share – AWEX Data Base, average interlotting rate – Mr Phil Fyfe, care of NCWSBA.

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(17) Rehandling or "Bulkclassing"

It was estimated that in 2005/06 season 8.41% of auction wool was sold after being rehandled (8.03% in 2004/05) at the average cost of $30.74 per bale ($31.05 previous season). Assuming that similar costs apply to non-auction wool, then:

Total cost Australia	=	$6.734 m	
Cost per kg production	=	1.46 cents/kg	(+3.1%)

Source: Rehandling share – AWEX Database, average rehandling rate – Mr Phil Fyfe, care of NCWSBA.

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(18) Wool Tax Levy

In 2005/06 season the wool tax levy remained unchanged at 2%. The levy has been collected by Australian Wool Innovation since 30 April 2002. It does not stipulate the split between Promotion and Research / Development.

Total cost Australia	=	$39.786 m	
Cost per kg production	=	8.63 cents/kg	(-6.6%)

Source: Australian Wool Innovation (AWI)

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(19) AWEX fees

It is estimated that AWEX common fee (0.2c/kg) applied to the 100% of sales and the trading fee (0.2 c/kg) was charged to 30% of wool sold.

Total cost Australia	=	$1.077 m	
Cost per kg production	=	0.26 cents/kg	(0.0)

Source: AWEX and Mac Stats & Analysis

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(20) Buying Costs

In 2005/06 season the average buying cost is estimated at $10.15 per bale. This estimate is based on the outcome of survey conducted by the Australian Wool Industries Secretariat (AWIS).

Total cost Australia	=	$23.737 m	
Cost per kg production	=	5.73 cents/kg	(-8.5%)

Source: Australian Wool Industries Secretariat (AWIS) - survey

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(21) Post Service Charge

The average post service charge (PSC) in 2005/06 was estimated at $18.30 per bale. In majority of cases the PSC comprises the component of transporting wool from store to the dump in main centre.

Total cost Australia	=	$42.826 m	
Cost per kg production	=	10.34 cents/kg	(+11.3%)

Source: Australian Wool Industries Secretariat (AWIS) and Mr Phil Fyfe, care of NCWSBA,

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(22) Buyer Finance Costs

Buyer finance cost is estimated at $6.22 per bale for the 2005/06 season. The annual rate of 7.90% over 35 days period (1 month previous season) was applied to such buyer cost items as: greasy price, post service charge, buying cost, shipment preparation, sea freight and insurance.

Total cost Australia	=	$14.560 m	
Cost per kg production	=	3.52 cents/kg	(+42.4%)

Source: Mr Phil Fyfe, care of NCWSBA, ACWE survey.

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(23) Buyer Storage Costs

It is estimated that buyers would hold the wool on average 6 days (4 days previous season) over the “free storage period” in brokers’ stores. The daily cost of extra storage attracts on average 16.5 cents per bale or 99 cents/bale per the estimated storage time.

Total cost Australia	=	$9.651 m	
Cost per kg production	=	0.56 cents/kg	(+36.7%)

Source: AWIS survey, wool broker contacts.

(24) Shipment Preparation

Shipment preparation includes countermarking, dumping and packing, as well as the cost of positioning the empty container and delivery of the full container to the ship. This cost in 2005/06 was estimated at 9.89 cents/kg or $1,781 per TEU - twenty foot container equivalent unit. ($1,584/TEU in 2004/05).

Total cost Australia	=	$45.542 m	
Cost per kg of exported wool	=	9.75 cents/kg	(+12.3%)

Source: AWIS survey

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(25) Sea Freight

The total average freight cost has been calculated as the weighted average of freight rates adjusted by percentage share of each trade (ie. Europe, China, Japan, South Korea, India and USA); in the total exports. The sea freight rate includes port service charge (PSC) and terminal charge. The calculated freight rates do not include CABAF (currency and bunker adjustment factor).
The average freight rate for Australian wool was estimated at 6.29 cents/kg or $1,164 per TEU - a decrease from the previous season's rate of $1,315 per TEU. The decrease was basically due to the falling freight rates to China, which dropped by 14%. Exports to China constitute almost 60 % of total Australian exports in volume terms.

Total cost Australia	=	$29.397 m	
Cost per kg of exported wool	=	6.29 cents/kg	(-11.6%)

Source: Elders Wool Group, AWIS survey
Calculation performed by models created by AWC
Wool export flows to calculate averages – Australian Bureau of Statistics (ABS)

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(26) Insurance: Marine and Port to Mill

Based on AWIS survey the average marine insurance for the 2005/06 season is estimated at 0.09% (0.07% in the previous season). It applies to the value of greasy price, buyer's service charge and all up sea freight (shipment preparation, freight rate and transport to mill).

Insurance (cost): = 0.09% x (431.52 + 10.34 + 21.36) = 0.42 cents/kg of exported wool.

Total cost Australia	=	$1.947 m	
Cost per kg of exported wool	=	0.42 cents/kg	(+20.9%)

Source: AWIS survey

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(27) Transport : Port to Mill

Underlying the following method of weighting costs was the assumption that transport costs of greasy wool from port of discharge to mill for other countries of destination were similar to the weighted average.

Country	% Flow		A cents/kg
China	74.7	=	4.84
India	9.2	=	9.33
Italy	12.2	=	3.97
France	0.4	=	2.41
Germany	1.7	=	2.60
U.K.	0.4	=	4.01
Japan	1.3	=	10.99
Total	**100.0**	Wt Average	5.18

Total cost Australia	=	$24.183 m	
Cost per kg of exported wool	=	5.18 cents/kg	(-2.7%)

Source: Mr Phil Fyfe, care of ACWE
Elders Wool Group
Calculation performed by models created by AWC
Wool export flows - ABS
Average annual exchange rates were used to convert overseas costs to Australian dollars.

APPENDIX 1

WOOL FLOCK PERFORMANCE 2005/06 SEASON (PRELIMINARY)

Profitability of Wool Flocks 2005/06 ($/DSE*)	
INCOME	**Average**
Sheep Trading	$6.01
Wool	$20.46
Hedged Position	$0.01
Total Income/DSE	***$26.48***
EXPENSES	
Enterprise Expenses	
A/Health & Breeding	$1.91
Contract Services	$0.46
Freight	$0.28
Insurance	$0.07
Materials	$0.16
Selling Costs: Wool	$1.55
Selling Costs: Stock	$0.83
Shear & Crutching	$4.74
Supplementary Feed	$2.83
Total Enterprise Expenses/DSE	***$12.85***
Gross Margin/DSE	***$13.63***
Overhead Expenses	
Administration	$0.97
Chemicals	$0.27
Contract Services	$0.26
Depreciation	$1.13
Electricity & Gas	$0.33
Fertiliser	$2.31
Fuel & Lubricants	$0.75
Insurance	$0.38
Irrigation	$0.01
Landcare	$0.12
Lime/Gypsum	$0.26
Materials	$0.22
M/Vehicle Expenses	$0.54
Rates & Rents	$0.77
R & M General	$1.22
Seed	$0.24
Wages	$2.69
Wages (Owner)	$3.50
Total Overhead Expenses/DSE	***$15.99***
Total Expenses/DSE	***$28.84***
Net Profit/DSE	***-$2.36***

Key Performance Indicators for Wool Flocks 2005/06	
	Average
Cost Production/Kg Clean Wool	$8.06
Price Received/Kg Clean Wool	$8.00
Price as % of Micron Indicator	86%
Kg Clean/Adult Shorn	3.4
Average Adult Fibre Diameter (micron)	18.6
% Income from Wool	76%
Kg Clean Wool/Ha	32.0
Kg Clean Wool/Ha/100mm rain	5.1
% DSE's as Wethers	27%
Mid Winter Stocking Rate (DSE/Ha)	10.3
DSE/Labour Unit	5,123
Enterprise Size (Annual Ave DSE's)	8,381

Sheep Flock Profitability by Fibre Diameter 2005/06	
Micron range	**Average Profit ($/DSE)**
<17.6	-$2.32
17.6-18.5	-$3.54
18.6-19.5	-$2.95
19.6-20.5	$2.35
20.6-22.5	$1.11

Note:
1 Preliminary data for South East Australia
2 The data is biased, it is not industry average.
3 Subtotals have been calculated on un-rounded values.

* DSE - Dry Sheep Equivalent

Source:
Holmes Sackett & Associates Pty Ltd

APPENDIX 2

SUBSET SUMMARY

INTRODUCTION

This is the second year of production for the extended set of SBTM cost models. These include three regionally based sets (Wheat & Sheep, High Rainfall and Pastoral) and three farm level sets (Fine Wool, Prime Lamb and Mixed). The purpose of these additional subsets was to provide a more disaggregated set of SBTM cost models that would be of more relevance at the farm level.

Wherever possible these subsets are calculated using state based costs compared with the overall Australian average costs used in the main Australian SBTM series. In all bar one case the underlying subset parameters were recalculated from new sample data for season 2005/06. This resulted in different outcomes for some of the key variables like production and the overall sample size for each subset. The Fine Wool Tasmanian subset used identical model variables as the 2004/05 series due to the unavailability of data for 2005/06.

Only two of the subsets (Pastoral and Prime Lamb) recorded a higher percentage of revenue than the Australian series. In season 2004/05 only the Prime Lamb subset had a higher cost percentage than the Australian average.

When comparing the subset results in terms of their percentage cost outcomes they varied from almost 30% below the Australian average (Fine Wool) to almost 9% above for the Prime lamb series.

Table 1 below contains a brief summary of the main outcomes for the subsets compared with the Australian aggregates.

Table 1: SBTM Subset Summary 2005/06

SBTM Data Item	2004/05 Australia	2005/06 Australia	Wheat Sheep WA	High Rainfall VIC	Pastoral QLD	Fine Wool TAS	Prime Lamb SA	Mixed NSW
Average Price (*)	462	431.5	421.0	524.0	395.0	685.0	410.0	460.0
Average Cost (*)	218.4	229.1	215.1	246.7	220.1	256.5	236.9	239.5
% Revenue	47.3	53.1	51.1	47.1	55.7	37.4	57.8	52.1
Ratio with Australian(*1)	NA	100.0	96.2	88.7	104.9	70.4	108.9	98.1

* In cents/kg greasy.
*1 Compared with % Revenue

All subsets experienced a rise in their proportion of income devoted to covering the SBTM costs. This was in line with the Australian series which rose by over 12%. The main driver for this change was the lower prices received during the 2005/06 season. However, a number of the subsets (High Rainfall, Pastoral and Mixed) recorded significantly higher percentage rises compared with the Australian series (see Table 2 below).

When compared with the Australian average for SBTM costs the subsets generally recorded similar ratios in 2005/06 compared with the previous season. The main change was recorded by the Pastoral series which moved from 5% below the national average to 5% above. The High Rainfall and Mixed series also moved closer to the national result in relative terms.

Table 2: SBTM Subset Comparison 2005/06 and 2004/05

SBTM Data Item	Australia	Wheat Sheep WA	High Rainfall VIC	Pastoral QLD	Fine Wool TAS	Prime Lamb SA	Mixed NSW
% Revenue							
2004/05 (*)	47.3	45.4	39.7	45.1	34.7	51.1	43.7
2005/06 (*)	53.1	51.1	47.1	55.7	37.4	57.8	52.1
% Change	+ 12.3	+12.6	+18.6	+23.5	+ 7.8	+ 13.1	+19.5
Ratio with							
Australia (*1)							
2004/05	100.0	96.0	83.9	95.3	73.4	108.0	92.4
2005/06	100.0	96.2	88.7	104.9	70.4	108.9	98.1

* In cents/kg greasy.
*1 Compared with % Revenue percentage

A full summary of the individual cost items for each subset and the Australian series is detailed in Table 3 below. The items with the highlighted background represent the variables where state based costs were used. All other items used the same costs as calculated for the Australian series. The OFFM cost item was calculated using estimates of average testing use in each state.

Total costs for the combined series in 2005/06 varied between 221 and 256 cents/kg greasy with the Australian series totaling 229 cents/kg. Interestingly the two subsets with the highest aggregate costs (High Rainfall and Fine Wool at 246 and 256 cents/kg respectively) recorded the lowest overall percentage devoted to the SBTM costs. This reflects the higher average prices received for these subsets which more than offsets the increased costs.

These higher costs are mainly derived from the shearing related variables, wool taxes and lot based fees when compared with the other subsets. This is expected as the fine wool sheep represented in these series tend to have lower fleece cuts per head (therefore higher harvesting costs per animal). Wool clips from these regions also have lower lot sizes therefore testing fees are relatively higher. Finally value based fees like wool taxes, commission and insurances will also be higher than the other series given the higher value of their wool clip.

Table 3: SBTM Subset Summary 2005/06 (cents/kg greasy)

SBTM Data Item	2004/05 Australia	2005/06 Australia	Wheat Sheep WA	High Rainfall VIC	Pastoral QLD	Fine Wool TAS	Prime Lamb SA	Mixed NSW
Average Price	462	431.5	421.0	524.0	395.0	685.0	410.0	460.0
OFFM	0.65	0.63	0.56	1.03	0.08	1.28	0.42	0.58
Crutching	19.66	20.94	18.12	23.03	16.72	23.03	23.96	20.81
Shearing	67.55	72.23	66.66	79.76	72.37	76.26	75.34	73.92
Classing	11.60	12.06	11.13	13.32	12.08	12.73	12.58	12.34
Shedhands	21.29	22.76	21.01	25.14	22.81	24.03	23.75	23.30
Pressing	11.12	11.91	10.99	13.14	11.93	12.57	12.42	12.18
Wool packs	6.18	5.84	5.80	5.76	5.52	6.08	5.89	6.00
Transport to store	6.80	7.62	6.37	6.29	9.28	13.24	6.97	9.07
Insurance to store	0.61	0.65	0.63	0.79	0.59	1.03	0.62	0.69
Warehousing	10.34	10.48	10.42	10.35	9.90	10.92	10.58	10.77
Brokers Commission	4.67	4.77	5.43	6.76	5.10	8.84	5.29	5.93
Testing	5.96	5.90	5.05	6.90	4.71	7.71	5.58	8.49
Insurance in store	0.94	0.98	0.96	1.19	0.90	1.55	0.93	1.04
Interlotting	0.12	0.12	0.56	0.05	0.03	0.12	0.15	0.08
Rehandled	1.42	1.46	1.05	0.46	0.39	1.18	1.88	1.23
Wool Tax	9.51	8.89	8.82	10.88	8.30	14.10	8.60	9.60
Storage Fees	0.45	0.61	0.61	0.60	0.58	0.64	0.62	0.63
Buying Costs	6.27	5.73	5.70	5.66	5.42	5.97	5.79	5.89
Post sale charges	9.29	10.34	10.13	10.37	8.30	9.80	10.21	11.61
Buyer Finance	2.47	3.52	3.49	3.47	3.32	3.66	3.55	3.61
Shipment preparation	8.68	9.75	9.75	9.75	9.75	9.75	9.75	9.75
Sea freight	7.09	6.29	6.29	6.29	6.29	6.29	6.29	6.29
Insurance Marine	0.34	0.42	0.42	0.42	0.42	0.42	0.42	0.42
Transport to Mill	5.32	5.18	5.18	5.18	5.18	5.18	5.18	5.19
Total	**218.39**	**229.1**	**215.1**	**246.6**	**220.0**	**256.4**	**236.8**	**239.4**
% Gross Revenue	**47.2**	**53.1**	**51.1**	**47.1**	**55.7**	**37.4**	**57.7**	**52.0**

The following tables contain the main demographic variables for each of the models used in the subset series. The regional subsets (the first three) are based on complete Wool Statistical Areas (WSA's) whilst the farm level subsets are based on indicative averaged farm model datasets from various sources.

Table 4: Wheat/Sheep (WA) Subset Data Summary

Subset Data Item	Value	Unit	Source	Comments
Gross Revenue	96,833,384	$	Ave Price x Production	
Average Price (Gsy)	421	cents/kg	AWEX Annual Statistics	
Flock Numbers	4,904,223	Head	AWPFC	Use fleece weights
Numbers Shorn	4,904,223	Head	AWPFC	Use % shorn data for WA
Average Cut	4.69	Kgs Gsy	AWPFC	
Average Micron	20.80	Micron	AWEX Annual Statistics for WSAs	
Production	23,000,804	Kgs Gsy	AWEX WSA data	First hand wool only
Bale Weight	178.0	Kgs Gsy	AWEX Annual Statistics	
Bales Offered	129,218	Bales	AWEX Annual Statistics	
Lot Size	7.41	Bales	AWEX Annual Statistics	
Lots Offered	17,438	Lots	AWEX Annual Statistics	
Brands	Approx 1,500	Farms	ICS Database	Unique brands for WSAs

This series was one of the few with a higher sample than the initial series calculation last season. The data collection is based on the two Western Australian Wool Statistical Areas (WSAs) W08 and W09 which is representative of the wheat/sheep south eastern production zone. The larger sample size is due to increased production in these areas in season 2005/06. This also increased the total subset revenue for the season despite the lower average price received.

Table 5: High Rainfall (Vic) Subset Data Summary

Subset Data Item	Value	Unit	Source	Comments
Gross Revenue	45,590,792	$	Ave Price x Production	
Average Price (Gsy)	524	cents/kg	AWEX Annual Statistics	
Flock Numbers	2,210,241	Head	AWPFC	Use fleece weights
Numbers Shorn	2,219,524	Head	AWPFC	Use % shorn data for Victoria
Average Cut	3.92	Kgs Gsy	AWPFC	
Average Micron	19.80	Micron	AWEX Annual Statistics for WSAs	
Production	8,700,533	Kgs Gsy	AWEX WSA data	First hand wool only
Bale Weight	179.3	Kgs Gsy	AWEX Annual Statistics	
Bales Offered	48,525	Bales	AWEX Annual Statistics	
Lot Size	5.38	Bales	AWEX Annual Statistics	
Lots Offered	9,020	Lots	AWEX Annual Statistics	
Brands	Approx 870	Farms	ICS Database	Unique brands for WSAs

This subset recorded a significant reduction in its sample size in 2005/06 with production for the V21 WSA falling from 10.3 million kgs greasy to only 8.7 mkgs. Combined with a lower average price resulted in the subsets revenue base falling by over 20% for the current season. Average cuts per head also fell sharply compared with the previous season which helped increase the relative costs for harvesting cost items for this subset.

Table 6: Pastoral (QLD) Subset Data Summary

Subset Data Item	Value	Unit	Source	Comments
Gross Revenue	19,451,001	$	Ave Price x Production	
Average Price (Gsy)	395	cents/kg	AWEX Annual Statistics	
Flock Numbers	1,117,534	Head	AWPFC	Use fleece weights
Numbers Shorn	1,139,885	Head	AWPFC	Use % shorn data for QLD
Average Cut	4.32	Kgs Gsy	AWPFC	
Average Micron	20.70	Micron	AWEX Annual Statistics for WSAs	
Production	4,924,304	Kgs Gsy	AWEX WSA data	First hand wool only
Bale Weight	187.3	Kgs Gsy	AWEX Annual Statistics	
Bales Offered	26,291	Bales	AWEX Annual Statistics	
Lot Size	7.54	Bales	AWEX Annual Statistics	
Lots Offered	3,487	Lots	AWEX Annual Statistics	
Brands	Approx 200	Farms	ICS Database	Unique brands for WSAs

The subset series recorded almost identical production details in season 2005/06. Average micron rose while the average cut per head declined from the previous season. However, the major determining variable for this series in this seasons calculations was the large decline in average price (more than 13%). This resulted in a significant change in respect to its ratio with the Australian series. In season 2004/05 this series averaged total SBTM costs that were 5% below the Australian ratio. However, the current seasons result is 5% higher than the Australian outcome. This is the largest change calculated for any of the subsets for this year’s edition.

Table 7: Fine Wool (Tasmania) Subset Data Summary

Subset Data Item	Value	Unit	Source	Comments
Gross Revenue	224,680	$	Ave Price x Production	
Average Price (Gsy)	685	cents/kg	AWEX Annual Statistics	
Flock Numbers	7,841	Head	AWPFC	Use fleece weights
Numbers Shorn	8,000	Head	AWPFC	Use Actual Farm data
Average Cut	4.10	Kgs Gsy	AWPFC	
Average Micron	18.0	Micron	AWEX Annual Statistics for WSAs	
Production	32,800	Kgs Gsy	AWEX WSA data	First hand wool only
Bale Weight	170.0	Kgs Gsy	AWEX Annual Statistics	
Bales Offered	193	Bales	AWEX Annual Statistics	
Lot Size	5.1	Bales	AWEX Annual Statistics	
Lots Offered	38	Lots	AWEX Annual Statistics	
Brands	1	Farms	ICS Database	Data set sample size

This was the only subset that used identical parameters to the 2004/05 series. This reflected the unavailability of new data. The sample is only based on one fine wool property and future editions will attempt to obtain a broader representative sample for this series. Therefore the only variable that changed for this years calculations was the average price which declined by 4%.

Table 8: Prime Lamb (SA) Subset Data Summary

Subset Data Item	Value	Unit	Source	Comments
Gross Revenue	24,432	$	Ave Price x Production	
Average Price (Gsy)	410	cents/kg	AWEX Annual Statistics	
Flock Numbers	1,575	Head	AWPFC	Use fleece weights
Numbers Shorn	1,436	Head	AWPFC	Use actual farm series data
Average Cut	4.15	Kgs Gsy	AWPFC	
Average Micron	21.80	Micron	AWEX Annual Statistics for WSAs	
Production	5,959	Kgs Gsy	AWEX WSA data	First hand wool only
Bale Weight	174.0	Kgs Gsy	AWEX Annual Statistics	
Bales Offered	34	Bales	AWEX Annual Statistics	
Lot Size	7.00	Bales	AWEX Annual Statistics	
Lots Offered	5	Lots	AWEX Annual Statistics	
Brands	5	Farms	ICS Database	Data set sample size

This series also was based on a significantly reduced sample size for season 2005/06. The data is obtained from a DPI farm collection model (SW Monitor Program). The scope of this collection has declined which resulted in a sample size of only five farms compared with nine last season. Therefore overall production fell significantly and combined with lower average prices resulted in an almost 40% reduction in the revenue base for this subset. As with last season this subset recorded the highest proportion of revenue devoted to covering the SBTM cost items.

Table 9: Mixed Farm (NSW) Subset Data Summary

Subset Data Item	Value	Unit	Source	Comments
Gross Revenue	72,128	$	Ave Price x Production	
Average Price (Gsy)	460	cents/kg	AWEX Annual Statistics	
Flock Numbers	3,600	Head	AWPFC	Use fleece weights
Numbers Shorn	3,707	Head	AWPFC	Use data set numbers
Average Cut	4.23	Kgs Gsy	AWPFC	
Average Micron	19.0	Micron	AWEX Annual Statistics for WSAs	
Production	15,680	Kgs Gsy	AWEX WSA data	First hand wool only
Bale Weight	173.0	Kgs Gsy	AWEX Annual Statistics	
Bales Offered	91	Bales	AWEX Annual Statistics	
Lot Size	4.50	Bales	AWEX Annual Statistics	
Lots Offered	20	Lots	AWEX Annual Statistics	
Brands	20	Farms	ICS Database	Data set sample size

The results for this series were only slightly lower than the previous season which partially reflected a smaller sample size. The main driver of the outcome for this series in 2005/06 was the 20% fall in average prices which reflected the increase in average micron from 18.6 to 19 micron.