

# SELLING AND BUYING WOOL



After sheep are shorn the harvested fleeces are pressed into bales according to quality. The wool bales are transported from the shearing shed on large trucks and taken to a wool receival warehouse.

At the warehouse, the wool bales from a single property are grouped into **sale lots** of similar quality. Samples are taken from all the bales in the **sale lot** and **core tested** for important processing characteristics such as fibre diameter (**micron**), vegetable matter, staple strength and length and potential yield.

A pre-sale certificate is issued that lists all the results from the testing and

stays with the **sale lot** right through to processing.

The wool bales are held in storage until they are sold and then transported to the buyer's processing factory. More than 90% of Australian wool is bought by overseas buyers, mostly from China, India and Italy.

Most Australian woolgrowers (about 90%) sell their wool through the open-cry (live) auction system, other less popular selling methods include private and electronic sales.

## Live auction system

At a wool auction, **grab samples** are placed on a show floor (wool inspection area) for potential buyers to inspect in conjunction with the pre-sale certificates, before the auction starts. Each potential buyer determines which **sale lots** they will bid on, and the top price they are prepared to pay.

The **auctioneer** names the starting price and bidders (potential buyers) yell out the price they are willing to pay for each **sale lot**, starting lower than their top price and gradually increasing their bid until they are successful or have reached their top price and someone else is prepared to pay more. This traditional auction system is called an 'open-cry' system.

## Fast facts

- About 90% of Australian woolgrowers sell their wool through the open-cry auction system.
- All wool is tested and issued with a pre-sale certificate so buyers can be confident of the quality of the wool they are purchasing.
- Wool can be sold via an online auction system and even on the **futures market**.

## Did you know?

- Weekly market reports and production forecasts are available online to keep woolgrowers up to date with the latest market intelligence.

When the highest price is reached and no more bids are made the auctioneer brings a wooden hammer down on the auction stand and the auction for that **sale lot** is over.

## Private sales

Woolgrowers can sell their wool privately to buyers either in Australia (private treaty) or overseas (direct to mill). Only a small amount of wool produced in Australia is sold this way and producers selling through this system usually engage the services of a specialist wool broker.

Sometimes a group of woolgrowers with similar quality wool will join together to sell their wool directly to an overseas processor.

## Electronic sales

Wool can also be sold online through an auction or wool trade (offer board).

Electronic auctions work much the same way as open-cry auctions, but bidders do not inspect the sale lots before auction. **Grab samples** can be provided at the request of the buyer, or they can buy on the specifications given on the pre-sale certificate.

With an electronic offer board, the wool broker, on behalf of the woolgrowers, places all available lots and their specifications online. The **wool broker** sets the price for each sale lot.

Buyers go online and search for the type of wool they need to purchase at the price set by the wool broker.

Producers can also 'forward sell' their wool online using wool futures if they think the price of wool is going to drop before they are ready to shear.



**Open cry:** About 240 sale lots are sold every hour in an open-cry auction.

Woolgrowers estimate how much wool they will harvest at shearing and the expected quality of their wool clip.

A wool price on the **futures market** is offered on a daily basis and a producer and a buyer will enter into a 'forward contract' when the price meets both their expectations.

After shearing, the woolgrower then sends the agreed amount of specified quality wool, or equivalent monetary settlement if there is not enough suitable wool, to the buyer.



**Quality assured:** A pre-sale certificate is issued with each sale lot that lists all the **core testing** results so buyers can be assured they get what they pay for.

## What is contamination?

One of the features buyers are interested in is the level of contamination in the fleece. Contaminated fleeces are more expensive to process and yield less than clean fleeces.

### Coloured wool

Sheep come in a range of colours from white through to brown and black. The most valuable fleeces for large-scale processing are bright white.

Fleeces are colour tested before sale and the results are recorded on the pre-sale certificate on a scale from Y-Z from 'increasingly white to increasingly yellow'. Any fleeces with coloured (brown or black) fibres are unsuitable for general processing. White and cream wool can be dyed any colour during processing. Brown or black wool cannot be dyed any other colour.

Less than one gram of black wool is enough to contaminate a 200kg bale of white wool.

Woolgrowers work hard to breed sheep with no black wool and woolhandlers remove any dark fibres they see during skirting and alert the grower.

### Vegetable matter

The most common contaminants found in wool are plant seeds, sticks and twigs. Processors do not want any pieces of plant material in the yarn or fabric that could affect the final product, so this vegetable matter needs to be removed during processing.

Woolgrowers try to minimise the amount of vegetable matter in their sheep's fleeces by controlling the types of plants that grow in their pastures.

During the **core-testing** process, fleece samples are tested for vegetable matter contamination type and amount and results are recorded on the pre-sale certificate.

### Other contaminants

Other contaminants include manure and urine-stained wool, sand and objects such as baling twine and rubbish.



**Contamination:** Contaminants, such as baling twine (above) can impact the end product.

## Glossary

**Auctioneer** — the person who runs the auction and keeps a tally of the bids until the highest bid is reached.

**Core test** — core tests measure the most important wool characteristics, such as fibre diameter, staple length, staple strength, yield, vegetable matter content and colour.

**Futures market** — a 'virtual' market where producers sell their wool, before shearing, at a price they are happy with and deliver at some time after shearing.

**Grab sample** — samples of wool (about 3–4kg each) from a sale lot that can be inspected by potential buyers before auction.

**Micron** — a millionth of a metre and the unit of measurement used to describe wool fibre diameter.

**Wool receival warehouse** — warehouse for storing and testing wool.

**Sale lots** — a group of bales from a single producer that is of similar quality.

**Wool broker** — a wool broker acts on behalf of a wool producer, or group of producers to sell their wool.

### More information

To find out more about how wool is sold, take a look at:

- [learnaboutwool.com](http://learnaboutwool.com)
- Beyond the Bale: [beyondthebale.wool.com](http://beyondthebale.wool.com)
- [wool.com/marketintelligence](http://wool.com/marketintelligence)
- [awtawooltesting.com.au](http://awtawooltesting.com.au)
- [woolmarklearningcentre.com](http://woolmarklearningcentre.com)

