



Regional
Development
Australia

SOUTHERN INLAND

TOWARDS A NEW WOOL SELLING FUTURE IN NSW

REGIONAL DEVELOPMENT AUSTRALIA SOUTHERN INLAND (RDASI)
WOOL SALES RELOCATION REPORT

EXECUTIVE SUMMARY

J A N U A R Y 2 0 1 7

1

EXECUTIVE SUMMARY

Regional Development Australia Southern Inland (RDASI) is part of a national network of 55 Regional Development Australia committees across Australia. RDASI's role is to facilitate the regional development efforts of all levels of government, Southern Inland businesses and the broader communities with the aim of maximising economic development opportunities for the region. In 2016, RDASI engaged with the Inland Wool Brokers Association and other interested parties to progress the proposal to relocate NSW wool sales from Yennora, Sydney to an outer Sydney regional area such as Goulburn, NSW.

It's estimated between 85 and 90 per cent of all wool produced in Australia is traded through auction, with the remainder being sold privately. Wool auctions are held in three auction selling centres in Australia, Yennora Sydney, (Northern Region: QLD, NSW), Brooklyn Melbourne (Southern Region: VIC, SA, TAS) and Fremantle WA (Western Region WA). Yennora conducts an average of 45 sales over a 12-month selling season, with sales being conducted over 45 weeks each year from June to July the following year.

NSW is the largest wool producing state in Australia, with the largest volume of wool transported through it. Wool is stored at various inland warehouses, including the largest storage facility in Goulburn.

With the head lease due to expire at Yennora in December 2017, there is discussion on the potential for industry savings in relocating wool sales in NSW from Yennora. Goulburn is one such location that has been put forward as a potential NSW selling centre.

Towards a New Wool Selling Future in NSW aims to provide information and analysis to assist decision makers on the costs and benefits of relocating wool sales from Yennora to regional NSW. In compiling this report, RDASI has examined the concept benefits of relocation and included scenario analyses to inform on the feasibility of the proposal.

There are clear concept benefits to all segments of the wool industry in relocation of the wool sales. With the volume of wool produced per annum in NSW and Queensland continuing to decrease, industry participants have been questioning whether the current wool selling arrangements and facilities remain appropriate and the most cost effective option available. The amount of wool being offered through the existing Sydney complex based at Yennora is significantly less than in the past when the Brisbane, Goulburn and Newcastle sale centres were closed and centralised to Yennora during the 1990's and up to now.

For woolgrowers and their wool selling brokers, the real costs of the selling system have increased beyond expectations when closures and centralisation decisions were made previously. Show floor space for sale samples, sale day office rental, sale room fees, dining facilities for clients and transport and accommodation charges associated with attending wool sales in Yennora have continued to rise above and beyond what is considered a reasonable cost percentage of the total income received in the selling of a bale of wool. Of most significance is the fact that the current "Northern" sale centre location at Yennora is in one of the most expensive commercial property rental zones in NSW and possibly Australia.

Contained within the 2009 Australian Farm Institute costs and benefits of alternative selling arrangement for Australian wool report, and subsequent industry meetings, also brought to the surface an agenda by some industry participants to close the NSW based wool selling centre and amalgamate to Victoria. This would leave NSW and Queensland based wool growers and brokers without a readily accessible selling facility.

Research undertaken by the Tablelands Property Group in 2009 demonstrates sound economic conclusions why this agenda could easily be made possible based on simple costings alone, with the Melbourne centre being able to realise a lease rate of almost half that of the cost per square metre being paid in Sydney at that time. This situation exists to this day, with lease rates of around \$65 to \$80 per square metre commonly available in western Melbourne for the better sized and standard of warehouses.

If the NSW wool selling centre was to close, there would be serious implications for the wool growers, buyers and brokers operating from this centre, and additionally for the state of NSW in losing the benefits associated with the transaction of significant bales of wool through a northern region wool auction sale centre.

RDASI commissioned Deloitte Financial Advisory to model a number of options for broker offices, wool storage and showroom facilities located in an outer Sydney region. The purpose was to assess the potential cost savings to the wool industry, including to wool growers, from moving the current facilities from Yennora to Goulburn. The full Deloitte analysis is at ATTACHMENT A of this report however, in summary, the analysis shows significant cost savings to industry in relocating wool sales to an outer Sydney regional area, such as Goulburn. Cost savings in relocating broker offices and showroom facilities are below:

Scenario 1

Relocation of Broker Offices and Showroom Facilities Only

RANGE OF COST SAVINGS	LOWER BOUND	UPPER BOUND
Broker Office	\$0.89m	\$1.04m
Showroom	\$1.00m	\$1.00m
Broker Travel	\$0.55m	\$0.55m
Transportation		
Net Cost Savings	\$2.44m	\$2.60m
Net Savings (\$ per bale)	\$5.00	\$5.32
5year/ 10 year NPV	\$10m/\$17m	\$11m/\$18m

Relocation of wools sales from Yennora to a regional city such as Goulburn, also offers potential to establish a wool education and tourism facility on site with the wool sales. Combined with the wool sales, an education and wool industry tourism centre, may offer marketing and promotional opportunities for the wool industry generally, particularly at the consumer stage. Some costs to establish a wool museum and education facility are included in the Deloitte report at ATTACHMENT A.

Such a development could be undertaken in Phase 2 of the wool relocation proposal and could offer opportunities to educate, showcase and demonstrate technology and innovation in the agricultural and/or wool industry.

Relocation of the Yennora Wool Sales is a decision for industry, primarily brokers who currently lease the Yennora wool sale and show floor space from Australian Wool Handlers (AWH). As the Yennora head lease held by Australia Wool Handlers' is due to expire in 2017, cost effective options for relocation of the NSW sales to an outer Sydney region are timely.

RDASI's role is one of facilitation only, assisting the industry and other relevant partnerships such as Local Government, to consider options for relocation.

However, any decision made to relocate must have the wide support of industry. To ensure a transparent decision-making process, this report recommends the formation of a Yennora Wool Sales Relocation Reference Group comprising industry membership across brokerage, growers, buyers and industry peak bodies. *Towards a New Wool Selling Future in NSW* recommends action beyond the tabling of this report to interested parties, and financial analysis of potential savings to industry in relocating the wool sales from Yennora to Goulburn or a nearby regional location.

Action Plan

Formation of a Reference Group -

to consider this report and accompanying financial analysis. Membership of the Group should be drawn from across the wool industry and consist of brokers, wool growers and relevant peak bodies. The Reference Group would be chaired and supported by RDASI with industry driving the proposal forward.

Facilitating industry consensus -

further action could be considered to assist the industry reach consensus of wool sales' relocation.

Partnerships - Decentralisation provides opportunities for regional jobs growth and, as such, funding opportunities from the Australian and NSW governments could be investigated. Local Government assistance in the relevant locations should also be investigated to determine the best ways Local Government can assist a relocation proposal.

A summary of this report could be released to the public, for example, and media releases following formation of the Reference Group could be distributed to local and regional media.

