RESERVE PRICE SCHEME.

Last week the Government announced that agreement had been reached between the Commonwealth and the Executive of the Australian Wool Industry Conference concerning the proposed reserve price scheme. The main features of the agreement are these.

Woolgrowers will contribute by levy a capital fund of £30M. over a period of seven years. The scheme would have ready access to an additional £50M., the arrangements for which are still under negotiation. In addition, the Government has decided that it would guarantee the provision of any further funds that might be necessary beyond the £80M.

The levy for this scheme for promotion and research would not exceed 3% in any one year.

To enable the scheme to start before sufficient growers' funds have accumulated the Government would be prepared to make additional advances for the buying of wool.

The Government and the executive of the Conference agreed that the average reserve price should be kept within a conservative range. To this end, certain general objectives, guiding principles and standards have been agreed upon between the Government and the Executive.

An authority would be set up within the framework of the Wool Industry Act to administer the scheme. A reserve price authority would be autonomous in regard to the administration of the scheme.

The scheme would be subject to a complete review within the fifth year of operation.

Agreement was also reached not to ban private selling at this point of time.

The Executive of the Wool Industry Conference will now report to the full Conference, and it is hoped that the decision of the Conference will be known before the end of this month. The matter would then be put to a referendum of growers.

In principle this scheme does not differ from that which was proposed by the Executive some months ago, but there are significant, indeed vital differences. The original proposal envisaged a total fund of £80M. Many people have argued that this was quite unrealistic, that unforeseen events could occur which might make larger sums necessary for a short period, and that it would be essential if confidence were to be maintained for virtually unlimited funds to be available. It could be argued that the larger the total
fund available to the scheme the less money would, in fact, have to be used because buyers and operators in the market would know that the fund would not go bankrupt. The Government has recognised the realism of this argument and thus there is an unlimited guarantee although it will obviously be hoped that only limited funds will be required for the scheme.

In view of the fact that the Government has extended its obligation in quite a remarkable manner I don't think there should be too much concern about an increased obligation from £20M. to £30M. on the part of the woolgrowers themselves.

Growers will remember that the original proposal contained a provision to ban the private selling of wool. On all the advice available to me this would have meant the rejection of the scheme in Western Australia where 50% of the growers are reported to be selling privately. I was told in categoric terms that this was a right they would not give up even to obtain the reserve price scheme.

I could never understand why the Conference and the Executive of the Conference included this in the original proposal knowing the effect on Western Australia as they must have, but I am very glad to see that the Government and the Executive of the Conference have come to the decision that no action will be taken to ban private selling at this point of time. This change will markedly improve the chances of the scheme's adoption by woolgrowers.

Growers will have many differing reasons for wanting to support the scheme. To my mind there are two reasons which makes support for this scheme not only desirable but a necessity for the wool industry. Wool prices fluctuate up to 30% within a season and more than this between seasons. This makes it very difficult, for growers to plan their own development on their farms and at the same time it makes it impossible for the textile manufacturers to know where they stand in relation to wool. Textile manufacturers are becoming thoroughly tired of a raw material whose price fluctuates as does the price of wool. This might not have mattered so much when these manufacturers had no real alternative. The growth of synthetics and the modernization of their equipment has given them an alternative they can now use - wool or synthetics. Prices for synthetics have been stable for long periods with periodical reductions, thus manufacturers have known where they stand. They have known that their competitors would have to pay the same price for raw material. The present auction system for wool almost forces manufacturers to be gamblers or speculators in wool. They don't want this. This isn't their function, they are manufacturers not speculators. Wool's competitive position in this particular
matter must be improved. It can only be improved by reducing the fluctuations of wool prices.

If it is argued that a reserve price scheme will not achieve complete stability then this is so but it must be recognised that it will go some way towards achieving this end. If it can be recognised that it is necessary to get stability in the price of wool so that we can make wool more attractive for its customers, for the manufacturers, then possible critics of the scheme should ask themselves what else could be done at this point of time. I know of no other proposal that could be introduced at one stroke.

This proposal deserves supporting. I hope it will achieve an overwhelming majority at the A.W.I.C. and at a referendum.
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