

Wool Prices Up... Wool Prices Down...

Risk or Opportunity?

Wool prices are always going to be going up and down from year to year.

For growers, this means **Risk AND Opportunity**.

- ✓ **Opportunity**—to secure prices when they are high;
- ✓ **Opportunity**—to ensure profitability;
- ✓ **Opportunity**—to protect against possible falls.



Sometimes the opportunities will be there, other times they will not. The important thing is not to ignore them when they are there—because in today's economic environment can you afford not to manage price risk?

At Schute Bell and associated companies we pride ourselves in our ability to help you get the most out of your wool marketing. To this end we have one of the most comprehensive risk management services available in the wool industry today. Our range of products has been carefully designed to suit the needs of wool growers and includes:

- ❖ **Wool Indicator Contract**—forward pricing combined with auction sale;
- ❖ **Minimum Price Wool Indicator Contract**—forward pricing with potential for upside;
- ❖ **Physical forward contracts**—forward sales direct to exporters/processors; and
- ❖ **Support services**—Clip analysis and revaluations, target price monitoring and strategy formulation.

These products are backed up by dedicated staff who are not only risk management specialists, but who also understand the business of wool growing. This gives us a unique ability to help you determine how and when to use forward selling products in your business.

To find out more about how Schute Bell can help you turn risk into opportunity contact your local representative, call our risk management desk on 07 3275 1277 or visit us at www.schutebell.com.au



Australian Wool & Pastoral Agency Ltd—A Guarantee of Personal Service

The Wool Indicator Contract

Simple and effective forward selling to help you manage risk and capture opportunity.

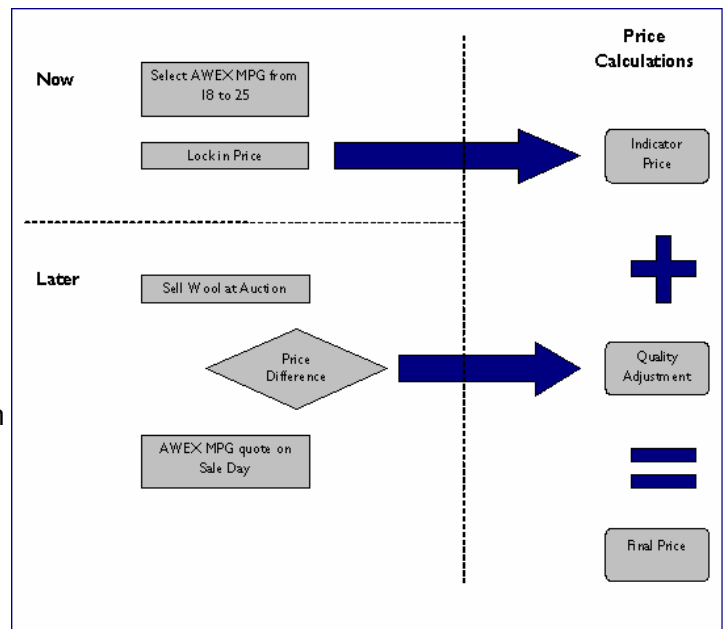
The Wool Indicator Contract is a forward sale contract specifically designed to suit wool growers.

It is the most user-friendly forward selling product available in the wool industry today, with:

- ❖ The ability to protect against prices falling on all or part of the clip;
- ❖ No need to enter into a contract with a complicated schedule of price adjustments;
- ❖ Continued participation in the auction system to ensure maximum competition on the clip.

The diagram shows how it works:

1. The grower locks into a price based on an AWEX Micron Price Guide between 18 and 25 micron (the “**Indicator Price**”);
2. Once the wool is delivered it is sold at auction (or by another method if you prefer); and
3. The **Quality Adjustment** is calculated as the difference between the average auction price and the AWEX Micron Price Guide quotation on the day of sale. The better your wool is the higher your Quality Adjustment will be.



What does it cost?

There are no costs other than our normal wool selling charges.

How is it different from other forward selling products?

Traditional forward sales contracts have specific wool quality requirements and a schedule of premiums and discounts for variation from the target quality. In some instances they may even require replacement with other wool if quality does not meet requirements. The Wool Indicator Contract avoids all of these issues by selling the wool at auction to determine the Quality Adjustment. This keeps the contract simple, minimises your risk and ensures that you still receive the benefits of auction competition.

What if I don't want to miss out on market rises?

As an alternative to the fixed price Wool Indicator Contract we can also offer **Guaranteed Minimum Price** contracts. The mechanism is the same—expect that if the market rises after you have locked in then your price will also rise. On the other hand—if it falls you are protected just as you would be if you had taken a fixed price contract. The cost of such a facility is built into the starting price—making it slightly lower than if you had elected a fixed price contract.