

**Response to the
Grain Producers Australia Discussion Paper –
Productivity Commission Inquiry into Wheat
Export Marketing Arrangements**

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Introduction

NSW Farmers is Australia's largest State Farming Organisation representing the interests of the majority of commercial farm operations throughout the farming community in NSW. Through its commercial, policy and apolitical lobbying activities it provides a powerful and positive link between farmers, the Government and the general public.

NSW Farmers is the key state representative body for both intensive and extensive industries ranging from broad acre, meat, wool and grain producers, to more specialised producers in the horticulture, dairy, poultry meat, egg, pork, oyster and goat industries. NSW Farmers also represents the interests of rural and regional communities and the important issues associated with natural resource management.

As mentioned in the Discussion Paper NSW Farmers endorses the need for grains industry good services such as varietal classification, industry strategic planning, promotion, technical market support, branding, receival standards and quality assurance.

NSW Farmers has supported Wheat Exports Australia throughout the process of the Productivity Commission's review into the Wheat Export Marketing Arrangements of 2009 and 2010. NSW Farmers has called for WEA's powers to be extended to allow it to publish market information and benchmark the performance of pool providers in the interests of providing transparency and lessening the effects of market dominance and minimise the effects of 'natural monopolies' in the supply chain.

NSW Farmers can see the benefits of having WEA act as a project manager of behalf of growers around the provision of industry good services and functions. WEA could oversee BRI and Agrecon however this may be premature as GGL may be able to do this independently and therefore not require Government interaction.

Models for an Industry Goods Body

NSW Farmers is dedicated to see that the instability around the National Grain Grower Representation is addressed in the near future and is and will continue to be actively involved in discussions with Grain Producers Australia, Grain Growers Limited and State Farming Organisations to bring a single effective voice that represents all Australian grain growers to fruition.

This outcome may not be; and is hopefully not too far away. NSW Farmers has met with Grain Growers Limited and understands that GGL is considering constitutional change in order to make its structure more representative and inclusive of State Farming Organisations. In the interim period, until that occurs and the grain grower representation is stabilised, the discussion paper proposes several changes to WEA to allow it to project manage industry good functions. This will be work that will be overseen by WEA will assumedly be conducted by GGL.

NSW Farmers assumes that GGL will want to have independence to conduct these services and functions in their own right and be democratic representative and accountable to growers, rather than to a statutory body such as WEA.

Therefore whilst supportive of the intent of the discussion paper in general and agreeing that industry good functions must be conducted in a coordinated manner, NSW Farmers perceives is concerned that the establishment of such a structure may be pre-emptive. Rather, NSW Farmers sees the immediate priority to be the concentration of industry efforts on getting the national grain grower representative organisation structure bedded down.

GGL has already conducted significant work in the provision of industry good information. The GGL “What the Market Wants from Australian Wheat” is a prime example of the expertise that exists. BRI and Agrecon are commercial resources in their own right and therefore GGL has the capacity and funding to generate significant industry good functions in its own right. Its constitution urgently needs altering to be more inclusive of Grain Producers Australia, State Farming Organisations and Australian grain growers. If this was implemented GGL would be answerable to growers, not Government and would have the full support of NSW Farmers.

The GPA proposal to abolish Wheat Quality Australia and divert the classification and quality management aspects to WEA could be beneficial, however NSW Farmers believes it is premature given that a single national representative organisation is not yet established.

NSW Farmers understands that the members of WQA, Grains Research Development Corporation and Grain Trade Australia have committed to funding WQA for 5 years. We recognise the importance of having all parts of the supply chain involved when discussing wheat classification, which has been achieved through WQA in which breeders, marketers, end users and growers are engaged. However, NSW Farmers believes the lack of representation of growers on WQA is to its detriment, with only one grower amongst one miller, two breeders and five

bulk handlers. It is NSW Farmers belief that this issue should be addressed urgently.

NSW Farmers seeks to ensure that all aspects of classification are transparent and independent, and managed across the supply chain, and not by one sector of the supply chain. If run just by growers we could run the risk of, if not alienating the rest of the supply chain, isolating it.

Regarding technical market support, wheat promotion and wheat branding, the Discussion Paper makes the point that “While it is apparent that Grain Growers Limited sees itself in this role, the service is not currently endorsed and the proposal is not widely supported at this time”. It is the preference of NSW Farmers to concentrate on the negotiation necessary to finalise this “proposal” and have it endorsed by Grain Producers Australia and SFOs in the near future.

Information

The Federal Government should consider the development of an online information site to provide all the necessary information a farmer might require in order to market their grain.

This site might also underpin a market reporting service as part of the ABC Country Hour similar to the reporting service already given for livestock and horticultural industries.

The type of information we envisage appearing on a central open access site might include:

- Daily domestic and international market price and currency movements. This information may be a live feed from futures exchanges.
- Daily Top ten price comparisons, cash, pool. This may require a direction from WEA but indicative prices could be posted by trading companies with contact details attached.
- Weekly Crop sowing progress. This may need to be an agreement of the Primary Industries Ministerial Council (‘PIMC’) to supply information from regional agronomists.
- Weekly likely weather threats. This could be a post from the Bureau of Meteorology’s (‘BoM’s’) warnings site, or information more tailored to the grains industry.
- Weekly harvest progress reports. This could be a PIMC initiative.
- Weekly tonnage delivered. Direct feed from bulk handlers.
- Weekly stock on hand and export tonnage. Direct feed from bulk handlers and port operators – perhaps a directive from WEA

- Monthly Crop growth progress. This could be a PIMC initiative.
- Monthly export and domestic commitments or expected demand. WEA, PIMC, MLA Cattle on feed, APL pig industry, ADL expected dairy demand.

If the site is well constructed it may cost a considerable amount to establish but may be quite easy to administer over time. We believe it would be attractive to grains industry participants to advertise on and may be near revenue neutral in the long term.

We do not believe the proposed site should interpret the data provided as this is a legitimate role for consultants and other commercial interests to pursue.

Market Dominance

Some roles previously done either by AWB or by negotiation between AWB and others are now being done by Grain Trade Australia (GTA). We accept that GTA is an organisation representing the grain trade. Of particular concern is the setting of location differentials and wheat receival standards. NSW Farmers has a member of our Grains Committee on some of the relevant policy committees of GTA. However it is the experience of NSW Farmers that these committees are dominated by grain traders, with the agendas focussing on the issues pertinent to grain traders at the expense of grain producers.

Existing market dominance by providers of storage and handling infrastructure means that a significant amount of the required market information is held by very few and only released selectively to others. Stocks on hand are a case in point. Where a trader needs information about available stocks to facilitate a swap of grain stock, it is available; but the same information is not available to growers when deciding where to deliver grain.

NSW Farmers believes the grain industry will be much stronger when grain growers have equal access to essential market information which allows them to make better informed marketing decisions.

Further to this NSW Farmers believes greater transparency of the freight market must be enforced for the interim, in order to create an opportunity for competition.

Funding Mechanisms for an Industry Goods Body

NSW Farmers supports option 2 in the Discussion Paper as the most feasible option for funding in the absence of GGL. However as mentioned above there is an additional option of seeking amendments to the GGL constitution such that it is

truly representative, democratic and accountable. This will assist in gaining access to the significant grain grower funds. NSW Farmers is dedicated to work with GGL, Grain Producers Australia and all State Farming Organisations to ensure this happens in the near future.

11. The Productivity Commission Recommendations and findings

NSW Farmers agrees with the bulk of the responses made in the Discussion Paper to the recommendations made in reference to Wheat Exports Australia (WEA) by the Productivity Commission's inquiry into Wheat Export Marketing Arrangements.

4.1

NSW Farmers also does not agree with the Productivity Commission Recommendations to abolish the Wheat Export Accreditation Scheme 2008 on 30 September 2011.

NSW Farmers believes ongoing accreditation of bulk wheat exporters by WEA, or a similar independent body, is essential to at least give growers some assurance they are dealing with a fit and proper company to export bulk wheat from Australia. WEA is also essential to maintain Australia's competitive advantage as a provider of high quality wheat. It is the view of NSW Farmers that the reputation and quality of Australian wheat is worth far more than the cost of the Wheat Export Charge of 22 cents per tonne.

The Wheat Export Marketing Act 2008 should in fact go further to include the extension of powers for WEA to require it to benchmark the performance of all accredited exporters and publish export information in the interest of market transparency. This information would be independent and not prone to manipulation of any kind by the industry.

The Productivity Commission's recommendation for the complete dismantling of WEA fails to appreciate the reasons for it being there in the first place. That being

- Open and transparent accredited buyers on offer to growers; and
- Open and transparent accredited traders on offer to buyers for export.

Any diminishing of these requirements will only serve to drive costing structures underground, with the resulting monopolies rapidly developing. Any foreseeable diminishing margins would be passed onto the grower. The Commission fails consistently to acknowledge growers are price takers not price setters.

The WEA accreditation process has another very important role and that is the integrity and accountability of the products on offer. Failure to vigorously and religiously guard this process will consistently undermine our national credentials.

Regarding streamlining the activities of WEA, NSW Farmers believes this is only acceptable if the benefits of accreditation have already been realised for existing exporters. NSW Farmers demands that accreditation remain for new exporters, requiring stringent accreditation initially to ensure the company is fit for purpose until their reputation, credibility and financial security track record can be established. NSW Farmers believes the accreditation system needs to be extended to exporters of bags and containers as these exports also risk the reputation of Australia's wheat exports if not monitored adequately.

4.2

NSW Farmers concurs with Grain Producers Australia that Regulation 9AAA of the Customs (Prohibited Exports) Regulations 1958, which prohibits bulk exports of wheat unless by an accredited wheat exporter, should not be repealed effective September 2011 as it empowers the accreditation process.

4.3

NSW Farmers agrees that Wheat Exports Australia should not be abolished on 30 September 2011.

4.4

NSW Farmers agrees that the Wheat Export Charge should not be abolished on 30 September 2011. However as mentioned before NSW Farmers feels it is too early to decide how the Wheat Export Charge should be spent in relation to industry good functions until it is clear how the GGL proposal looks like and is accepted by the SFOs. NSW Farmers is willing to engage in detailed discussions about this in the near future.

4.5

NSW Farmers agrees that any new or amended arrangements put in place by the Australian Government should be reviewed after no more than five years. NSW Farmers believes that the Wheat Export Charge should be charged on bags and containers and that exporters of bags and containers should be subject to the same accreditation as bulk exporters.

5.1

NSW Farmers agrees that the Australian Government should proceed with the scheduled independent review of the National Access Regime. This review should commence no later than 31 December 2011. The Access Regime should be independently reviewed in conjunction with the revised arrangements after no

more than five years. Issues such as a transparent shipping stem, infrastructure provision and port access in light of the likely booming coal exports and better planning approval with Port Corporations and State Departments of Planning.

5.2

NSW Farmers agrees that the Access Regime obligations should remain under the Wheat Export Act, therefore not requiring legislative amendment. Further, to improve efficiency and availability of information that shipping stems, port access protocols, and inventory information should be provided under the existing provisions of the Act with respect to Port Access and/or the Accreditation Scheme at direction of the Minister.

NSW Farmers agrees that the requirement for port terminal operators to pass the access test as a condition for exporting bulk wheat should not be abolished on 30 September 2014.

NSW Farmers agrees that availability of information regarding shipping stems, port access protocols, inventory should be provided under the existing provisions of the Act with respect to Port Access and/or the Accreditation Scheme.

NSW Farmers agrees that the requirement for continuous disclosure should continue after 30 September 2014 and that this should be a condition for exporting bulk wheat. NSW Farmers agrees that this would ensure transparency of market information and a more efficient market.

6.2

NSW Farmers agrees that when considering investment in road and rail infrastructure for the transportation of grain, decisions should be based on thorough cost-benefit analysis, including both economic and social costs and benefits. Where possible, the analysis should consider the benefits that can be obtained throughout other parts of the grain supply chain.

7.1

NSW Farmers agrees that the provision of stocks information should be much more detailed to include individual stack descriptions. Information also needs to be timelier to be of use. At the moment the limited information is at least 6 weeks old and is merely an inventory of past movements.

8.1

NSW Farmers agrees that the collection of End Point Royalties should be streamlined and centralised and focus shift from policing compliance to facilitating uptake and reducing administrative costs to improve returns to breeders and ensure correct market signals are being delivered along the supply chain.

Conclusion

NSW Farmers appreciates the opportunity to provide comment to this Discussion Paper and notes the importance of the progression of all of the issues presented in the paper in the near future. NSW Farmers will seek to continue to be involved in discussions with GPA, GGL and all State Farming Organisations to ensure that effective national grain grower representation and provision of industry good functions becomes a reality.