

**Submission to
Wheat Industry Expert Group**

**~ The Provision and Transition of Industry
Development Functions for the Australian
Wheat Industry ~**

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Introduction

The NSW Farmers' Association (the 'Association') is Australia's largest State farmer organisation representing the interests of the majority of commercial farm operations throughout the farming community in NSW. Through commercial, policy and apolitical lobbying activities the Association provides a powerful and positive link between farmers, the Government and the general public.

The Association welcomes the opportunity to provide a submission to the Wheat Industry Expert Group in response to their discussion paper titled 'The Provision and Transition of Industry Development Functions for the Australian Wheat Industry'.

Association Wheat Export Marketing Policies

That the Association supports the current wheat single desk export marketing arrangement and its management by AWB International with:

- a) Improved corporate governance within AWB;*
- b) Increased transparency and independence between AWB International and AWB Limited;*
- c) The provision of data demonstrating an increase in grower returns prior to any decision to change the current structure and marketing arrangement.*

That the Association;

- a) Work with members, other State Farming Organisations, the Federal Government and relevant industry organisations to develop a new grower controlled entity before 1 March 2008 to manage the wheat export single desk which;
 - i) maximises pool returns*
 - ii) has access to a capital base which ensures high first payments and an effective hedging strategy**
- b) Lobby to prevent any grower from sitting on its board who has been an AWB Board member over the last 5 years.*

As changes result in Australia's wheat marketing arrangements, NSW Farmers' Association should engage with key industry stakeholders and Government to support a broadening of Government policies relating to the export of wheat so that these policies incorporate:-

- a) A long term view /benefit of the wheat industry;*
- b) A retention of the basic business benefits available to growers under the current wheat marketing arrangements;*
- c) Support for pooling arrangements which are subject to strict public reporting requirements and which provide payment security;*
- d) Need for greater transparency of commercial signals and information across industry;*
- e) A regulated wheat export system that requires exporters to operate within predetermined compliance and enforcement frameworks*
- f) An openly contestable export market for bags and containers*
- g) A reduction of costs across the grain value chain*
- h) The provision of regular updates to members and requests for industry input for such negotiations".*

That during the imposition of a multi exporter wheat marketing system the Association work with Government and industry bodies to make sure it is equitable.

Industry Body

The Association believes that a grains industry body needs to be established and the key characteristics of this body should be as follows:

- a) Industry needs to be able to hold the industry body to account through formal reporting;*
- b) Leadership and accountability to reflect the funding sources (ie: growers, exporters);*
- c) Industry body needs to be able to hold contracted providers to account; and*

- d) Industry body needs to be funded by an extension to the Grains Research and Development Corporation ('GRDC') levy but remain at arms length from the GRDC.

Industry Development Functions

The efficient and effective delivery of Industry Development Functions ('IDFs') enables the wheat industry to remain competitive and profitable within a dynamic global environment and IDFs encompass a broad range of activities which therefore provide benefits to the wheat industry. The Export Wheat Commission has identified the urgent need to review the current model for provision of IDFs, as a key consideration in determining the future of Australia's wheat marketing arrangements.

Under the current wheat export marketing arrangements the management and delivery of IDFs has rested with the Single Desk manager - Australian Wheat Board International (AWBI). A list and brief description of the IDFs which AWBI has historically delivered is as follows:

- Industry Strategic Planning and execution - development of strategic business plan for the wheat export industry.
- Wheat Receival Standards - quality assurance (QA) function and regulatory compliance.
- Wheat Classification Panel - a framework providing market signals to new varietal development.
- Crop Shaping Activities - grade systems and incentives for matching production to customer demands.
- Australian Wheat Crop report - collation of data across Australian wheat grades.
- Technical Market Support - technical training to customers.
- Promotion of the Australian Wheat Industry - generic promotion of Australian wheat.
- Policy and Regulatory Advocacy - input into development of national and international policy and regulatory issues.
- Research and Development - to improve understanding and management of wheat quality across the industry.

One example of outcomes from IDFs is provided in the following case study regarding Sponge and Dough Research. This case study is from the Export Wheat Commission – Growers Report 2007.

Sponge and Dough Research – Case Study

The Sponge and Dough bread making method is different to the rapid dough method - which is the most popular form of baking in Australia, in that it requires two mixing stages and has a 4.5 hour fermentation time. The sponge and dough method requires stronger wheat types with high protein and high stability, which is not a typical characteristic of Australian wheat varieties. 14 Australian Sponge and Dough (ASD) project

The Shaping the Future strategy recognised current Australian wheat varieties were not suited to the Sponge and Dough baking processes in Asia. The main source for Asian customers for Sponge and Dough wheat was from US grade Dark Northern Spring (DNS) as well as the Canadian grade, Canadian Western Red Spring (CWRS). As a result of the unsuitability of Australian wheat for the Sponge and Dough baking process, Australia is missing out on this growth market opportunity. This led to the establishment of the 'Sponge and Dough for Australia' project in conjunction with the Grains Research and Development Corporation (GRDC) designed to breed Australian varieties which could be utilised in Asia for the Sponge and Dough baking method and be competitive with US and Canadian varieties. The funding for some of the stages of the project has been put on hold, owing to the recent drought, as was the case for a significant number of GRDC investments. The EWC believe this case study highlights the importance of the industry and Government reviewing the provision of Industry Good functions in order to maintain the competitiveness of Australian wheat.

Industry Development Functions – Under Proposed New Arrangements

The following part of this submission will compare the preliminary recommendations of the Wheat Industry Expert Group with the views of the Association in terms of the future options for the delivery of industry development functions.

Industry Strategic Planning

The Association is supportive of the preliminary recommendation by the Wheat Industry Expert Group that industry strategic planning should be delivered by industry. This recommendation further emphasises the need for the establishment of an industry body as it would enable a coordinated plan across the entire industry to be developed and maintained.

Research and Development

The Association is supportive of the preliminary recommendation by the Wheat Industry Expert Group that research and development should be delivered by the Grains Research and Development Corporation as they have demonstrated a high level of competency in the ability to undertake research and development activities. The Association believes it is extremely important that no effective reduction occurs in funding by the introduction of additional research or development roles.

Wheat Variety Classification

The Wheat Industry Expert Group has made a preliminary recommendation that wheat variety classification should be undertaken by the Grains Research and Development Corporation with the Wheat Classification Panel comprised of representatives from producers, major exporters, the domestic processing industry and independent expertise as required. However the Association believes that a framework should be developed which provides signals to the market on varietal performance and accordingly wheat variety classification should be delivered by plant breeders and the Australian Crop Accreditation System ('ACAS') which provides accredited information on the performance of field crop varieties for use by farmers and their advisers.

ACAS would need to:

- a) establish funding from GRDC
- b) use a panel of breeders and millers /exporters to carry on the existing functions.

Wheat Receival Standards

The Association is supportive of the preliminary recommendation by the Wheat Industry Expert Group that wheat receival standards should be provided by NACMA. Furthermore the Association believes there is also a role for the Australian Quarantine and Inspection Service, Australian Competition and Consumer Commission and the National Association Testing Authority in the delivery of this industry development function. This is because out turn standards and the accreditation of testing equipment are additional activities that should be included in this function.

Information Provision

The Association is supportive of the preliminary recommendation by the Wheat Industry Expert Group that information be required to be provided by the Australian Bureau of Statistics and the Australian Bureau of Agricultural and Resource Economics. Additionally the Association believes that the Bureau of Meteorology, CSIRO and other competent crop forecasting bodies should also be involved in the delivery of publically available crop condition and production prospect reports. These new roles should be a required reporting function of the lead government. This function is essential to ensure an appropriately informed market.

The Association is supportive of the preliminary recommendation by the Wheat Industry Expert Group that information provision be provided by the Australian Bureau of Statistics

and the Australian Bureau of Agricultural and Resource Economics. Additionally the Association believes that the Bureau of Meteorology and Australian Crop Forecasters should also be involved in the delivery of this industry development function due to the need for the industry to continue to closely monitor climatic conditions as well as the gathering of market sensitive information.

Crop Shaping Activities

The Wheat Industry Expert Group has made a preliminary recommendation that crop shaping activities should be undertaken by private organisations. However the Association believes that Wheat Exports Australia, the GRDC, NACMA as well as grain marketers and end users should undertake this function as it is a national crop and not restricted to a region where one or two marketers may flourish.

Technical Market Support

The Association is supportive of the preliminary recommendation by the Wheat Industry Expert Group that technical market support should be delivered by the industry as accordingly this will be left to the market to determine and action. At the same time the Association believes there is a role for the accredited laboratories such as the Bread Research Institute and Australian Grain Technologies in assisting the delivery of this function.

Wheat Promotion and Branding

The Association is supportive of the preliminary recommendation by the Wheat Industry Expert Group that wheat promotion should be delivered by industry stakeholders, however the generic promotion of wheat may be an issue for consideration by both a peak grower and peak industry body.

Trade Advocacy

The Association is supportive of the preliminary recommendation by the Wheat Industry Expert Group that trade advocacy should be undertaken by the industry in conjunction with the Government and the Association believes this function would be an activity which could be handled in an effective manner by a peak industry and peak grower body.

Regulatory Advocacy

The Association is supportive of the preliminary recommendation by the Wheat Industry Expert Group that regulatory advocacy should be undertaken by bodies other than Government. The Association holds the view that this function could be carried out by a peak industry and peak grower body.

Quality Assurance

The Association that quality assurance should be established as a new IDF as the reputation of Australian wheat in the export market should be protected by ensuring that manifest and contractual descriptions are met. Independent externally audited systems which underpin product integrity should be required by all wheat exporters. The independent auditing standards and accreditation are an appropriate industry development function.

Furthermore the Association believes there should be a requirement for the collection of end point royalties ('EPRs') on plant breeder rights wheat varieties. Accordingly the Association recommends that the new legislation for export wheat marketing include a requirement for licencees to have systems and processes in place so they are able to report annually to their licencor that *'to their reasonable knowledge and belief the obligations to pay EPRs on the grain they have purchased and plan to export have been met.'* The requirement for traders to have systems and processes relating to EPR obligations is a component of the accreditation process for an organisation to be confirmed as one that is "fit and proper" to receive a bulk wheat export licence. Accordingly this requirement should be specifically included in the

legislation through an addition to the eligibility for accreditation for a company which wishes to export bulk wheat.