

Productivity Commission Review of the Wheat Marketing Arrangements

I, Trevor Badger, make this submission in my personal capacity as a wheat grower of Western Australia and not as a Grower Elected Director of Cooperative Bulk Handling Ltd. The views in the submission are mine and do not represent Cooperative Bulk Handling Ltd.

Accreditation of Bulk Exporters

Information gained by the WEA is not used by growers selling on the export market as it has no surety or security attached to it. The WEA process is an additional layer of bureaucracy in what is meant to be a free market. Wheat is a very simple bulk commodity to handle and market and should be treated that way. Any acquirer exporting in containers is probably doing so due to small tonnages or storage and handling issues at its destination.

I believe there is no need for accreditation of bulk exports as the rest of the world operates efficiently without such bureaucracy and it simply places Australian growers at a disadvantage. This layer of bureaucracy is paid for by the Australian grower and brings no benefits. If there was a cover of financial security it would be worth looking at but how would the government be able to guarantee payments. The days of government assisting Australian industry are long gone. Accreditation should be stopped now as there are adequate levels of protection in existence such as the Trades Practice Act and Bulk Handling act 1967 (WA)

Criteria and Conditions

The WEA is totally out of touch with reality as was seen when initially they were not going to accredit Australian Co-Operatives. The bias has always been to advantage foreign companies over Australian growers. Have we yet seen any of these new traders rebate excessive profits to growers? The little profit that our industry earns needs to stay in Australian bank accounts and not those of other countries. As a grower I have never received a cheque from my government - unlike most of my competing grain growing colleagues in other countries. I need every advantage I can get to compete and don't need government hindrance.

Level of Assessment

Assessment costs are unnecessary and simply prevent the normal grower from having a go at exporting his own wheat. To develop new markets or varieties growers or groups of growers must be able to easily access the world markets. Research and development happens a lot quicker if we can get straight to our needs. An example of this is a request from an Italian miller to supply Durum and APW wheat. He was frustrated trying to deal with bureaucracy and wanted to deal direct with growers like me to fasttrack our findings. I could find many to do the task in containers but the expense meant I needed to go bulk. The accreditation for me was too costly for a deal that may have fallen through at any stage. The whole process was counter to the passion I had to provide wheat to a new high value end user.

Role and Funding of WEA

Why should I fund 22c per tonne to an organization that that does not help my bottom line or provide security? This season I will be producing wheat at below the price of production, meaning that the WEA will get a share of my income but my wife, children and myself won't. Put yourself in my position and try to think who deserves to benefit from growing wheat. I won't suffer the same indignity when I export my barley, oats and canola.

Port Terminal Access and Services

I will answer this issue from my perspective as a WA grower. CBH is a grower owned Cooperative that has been built by the growers of WA. Its mission is "to link growers with customers in a uniquely valuable way". It is owned and controlled by the growers of WA. Three generations of my family have built the Co-operative and we are proud to be a part of the world's biggest and best grain handling, storage and marketing supply chain.

CBH Ports operate under the Bulk Handling Act 1967 (WA). This act insures that all growers in WA can use the ports and that CBH cannot exclude or hinder anyone who wants to use the ports. To the best of my knowledge they have never breached the act and I can think of no reason for them to do so. My handling charges as a grower are low due to the huge volume of grain they handle. Why on earth would they want to drive a user of their port away? When you are set up for business you want to do business. The accreditation process has provided a way for some users of the ports to try and leverage a cheaper service that what the owners of the service pay for. I paid for the port and I believe that cost and access should be the same for all. Remember that I want the world to buy my wheat at the highest price and have invested in the great CBH system to get them to the wharf. From the wharf to my paddock belongs to me and will be used for my benefit and not theirs. It sickens me when my government tries to give Australian advantage to foreign companies.

You can see in this state that we already have groups who are going into competition with CBH. Have a close look at what they are doing and a look at what they are saying. They are quoting lower charges yet are still going to use the CBH system. It is all a smoke screen. They have not been prevented access but are clearly having problems with their economics proving that the CBH system is cheapest and best.

The publish-negotiate-arbitrate access test approach would have to be a scheme straight from the Sir Humphrey-Applegate policy manual. Would a standard transparent set of rules be too simple or is it just politically unpalatable? Not knowing what you want and making the rules up as you go is stuff of dictatorships and has no place in Australia. A little corporate governance could go a long way here.

Ring Fencing is a very poor choice of term to use to in the grains industry as it was an AWB invention to rip off the wheat pools of Australian growers to the advantage of AWB Ltd. A better term is quarantining, and I believe that it is necessary to an extent. The bulk handlers should publish statewide receival figures by grain and grades (as they do) but should have no obligation to disclose the owner of that grain. That is the growers personal information and no other businesses have to disclose similar info' in Australia. The grain is my asset and how would you feel about disclosing your assets to

the public. If I have to make the disclosure of ownership then would the marketers disclose the destination and provider of what they have purchased? I think not. My power is that the buyer can't tell how much of my grain is sold or unsold and I hold the arbitrage opportunity. This is a normal scenario for any trader/salesman.

Land Banking

Land at WA ports is controlled by the Port Authorities and it is their obligation to make ports profitable and efficient. To my knowledge they have not prevented any alternate supply chains from establishing. This is backed by the proliferation of new storage and handlers now operating.

Shipping Problems

It is unfair to blame CBH for last season's shipping as there were a number of reasons for the delays. I personally spoke to one crew member in Albany and he stated to me the ship owner was losing less money at anchor than he would have been if he was sailing so he wasn't too concerned.

Grains Express

GE has to be the greatest system developed in the world to get multi owner/origin grain to the market at a guaranteed quality. It ensures that what I grow will be available for the world to buy in a timely and efficient manner. The environmental benefits of reduced transport emissions are an added bonus. The coordinated flow of traffic on road and rail allows government to direct spending on arteries that the industry has chosen to use. Without GE we would have ad hoc flows of road transport on unprepared roads and towns and then the inevitable clashes with school buses, town's residents and Shire Councils.

Transport and Storage

I don't believe that upcountry facilities have natural monopolies and don't see any behavior to prevent access or competition. There are a myriad of options for upcountry storage and handling available to me and in fact I have some of my own that competes as well. Although I haven't exported my own grain yet, I do have access to a direct to port service if I choose to use it. The biggest impediment to me currently is weevils. I have been storing grain for domestic markets for 14 yrs and have not been able to stay weevil free 100% of the time. To export I must be weevil free and it is an expensive task when you have to do it yourself. The second biggest impediment is being able to grow enough tons of the correct grade that I have chosen to market. It not until it is undercover that you really know what you have and by then many of the best opportunities have been taken by growers who have harvested earlier.

The GE system allows CBH to move road, rail and ships around the state to ensure grain moves no matter the environment or social pressure. This happened last year when my new season's barley wasn't harvested in time due to weather (rain) and didn't get to the Albany port in time for shipping. GE diverted the shipping to the Kwinana port and avoided demurrage that ultimately I would have paid. In an uncontrolled supply chain

the vessel would lay at anchor and wait for my cargo. Guess who pays for that privilege - that would be me again.

Rural Roads

My roads are really struggling to keep up with the amount of traffic on them now and would collapse if any more grain ended up on them. My route to port is the Chester Pass Road and it carries 15% of Australia's grain. It runs for 200kms in single lane and has no overtaking lanes. At public meetings with the Main Roads Dept we have been told that there is no money for maintenance because not enough people have been killed on it. This road is the lifeline of my business but is crumbling before my eyes. Any extra traffic from rail onto this road will significantly add to the cost of my business and cause more deaths.

Truck Access to Port

I have no problems delivering direct to port but try to avoid doing so because I understand that we don't want to block the port up thus denying shipping opportunities to the growers of WA. Port side land is the most expensive in the country and is not an economic place to store grain. It is best used for cargo accumulation and fumigation.

Additional Charges

Three years ago the Albany zone accepted the cheapest tender for road freight and ended up with a broke contractor and no grain moving to port. It is well and good to say that you can move one load of grain to port cheaper than Grains Express but can you move 10million tons. Flat charging may seem a little distorting but sure does take into account aspects of environment and social sustainability.

Ownership Structure

I have already addressed this but will reiterate that CBH is an extension of my farm gate to the spout of the ship loader. I paid for the system and any arbitrage belongs to me. The WEA and ACCC seem hell bent on handing this arbitrage to companies and individuals that have never invested a cent into the system to my immediate disadvantage. It is my system for me to get the most from the worlds markets and not for them to make the most they can from me.

Market Information

My grain is my property and the intellectual property belongs to me regarding that grain. When I want to sell I will offer that information to the market. Ask BP, Shell, Toyota, Nissan, Coles or Woolworths to disclose their stocks and I'm sure you will get the same response. Ask the Russians, Europeans or Americans to disclose theirs? Why should I be treated differently? If it is detrimental to my price why would I not disclose? The deregulated market is meant to empower me, not rape me. Currently the ABS provides enough information.

Wheat Classification

WA has no domestic market to fall back on so needs its own export standards. Our standard needs to ensure that every ton of wheat grown is exported. If CBH guarantees

quality at ship side for the buyers isn't it logical that they set the standards. They are smack in the middle of the market and economics dictates that they need all the tons they can get and will need to please both growers and buyers. If the quality is not good enough then the buyer will go elsewhere and CBH will bear the brunt of grower's wrath. From my personal experience they will do everything they can to facilitate the sale. This is how economics can set rules in a better way than any regulated system ever could.

Industry Good

I am part of the Better Farm IQ system and am pleased with its operation. Whilst it is rigorous it is still able to acknowledge that I need to make a return from my grain. This is a balancing act and I believe they have it right. I am an ardent believer that QA will never guarantee a higher price but will always deliver me a price higher than the PONC (Price of Non Compliance). That is when my parcel of grain comes up against a non QA parcel then mine will sell and the other parcel will now have to be discounted into a market of lessened demand. The thought of government being involved in QA horrifies me. It would be bureaucracy of bureaucracy with no benefit. R & D is adequately covered currently under the GRDC. The market through prices will deliver the needed industry good and our quality will be our brand.

Performance of the WEM Arrangements

Deregulation has given me more options but I don't believe the net result is measurable. I trust my Cooperative to market most of my export grain as I believe that they will be fair and honest with me. This so far has been the case when for the last season's crop they sent me a cheque refunding some costs. I have asked my other buyers for a refund and none have so far responded, in fact they think it is grossly unfair to rebate any over charges that they acquire from me.

Costs of Transitions

These have been considerable both financial and in time. I know I spend time every day studying the markets and prices. I have had consultants offer to perform the service for me but all offers have been at more than \$1 per tonne and with no guarantee that they could outperform me. These costs are hard to justify on a year like this where the enterprise will run at a loss.

Transition Period

The transition period is well and truly over and it is time to get rid of the valueless overlapping bureaucracy. Get rid of the WEA and the ACCC from wheat marketing and allow the BHA and TPA to regulate as in every other comparable business.

Thankyou for the opportunity to submit,

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