Submission to the Wheat Export Marketing Arrangements Inquiry
From Ralph Billing "Rosemere" Marrar NSW November 13 2009

Introduction

My wife Marion and I are "small" wheat growers. We have been farming our property "Rosemere" of 638ha about 50 km north of Wagga Wagga since 1998. In the "good" years-1998 to 2001, we grew about 800t of wheat plus other grain crops, and produced prime lambs and vealers. Since 2002 our district has been EC declared and our average annual wheat production-including the 2009 harvest now in progress- has been about 300t.

We were and still are very strong supporters of the single desk system of marketing Australia's bulk wheat exports and believe the decision to deregulate has not been in the best interests of "family farmers" like us who make up the majority of Australian growers, or our rural communities which are vital for Australias' future, or for our national economy as Australia fights for survival in a world market economy dominated by much bigger players supported by government subsidies and more and more influenced by speculators completely out of our control.

We are very disappointed the terms of reference for this inquiry do not include an examination of what might have been had any attempt been made by government to seriously look at the best possible marketing system for our export wheat. The current act is not a marketing system-it is merely deregulation with a legislative program to support it.

We are also very disappointed with the timing of the inquiry with submissions and public hearings and forums being called for and held during the busy harvest period for wheat growers and before the current harvest and 09/10 marketing season.

We do not have the time or the background data to address all the matters covered in sections 1 to 6 in your issues paper received by mail this week but wish to make the following specific points which probably fit under section 7 "Performance of the wheat export marketing arrangements"

Specific comments on our experience of the new arrangements.

1. Risks The new system leaves wheat growers still carrying all the climate/production risks as well as now carrying most of the marketing risks,

transport and storage risks and costs. This is at the same time as the costs of our inputs-fertiliser, chemicals, fuel, seed etc.have all increased dramatically. The additional personal and financial stress created is enormous.

2. Loss of the National pool. This was a disaster for the 08/09 season as none of the licenced exporters did any hedging before August so growers lost any advantage of better futures prices in the January to June period which is the time most forward pricing opportunities occur. Similarly this season- 09/10- saw some traders offer pre commitment pool incentives from August onwards but clearly indicated to growers no prior hedging had been done.

It is all very well to say growers can do their own hedging and forward marketing but the last 9 years of drought has caused many contracts to be washed out at high cost for those who have tried.

3. Grain storage costs. Under the new system growers have been forced to take the cash price at harvest or else face the costs and stress of providing on farm storage or warehousing. Our experience has been that the major traders have been quite happy to stand back at harvest then play with growers without taking any financial or other storage risks by offering minimal price incentives to entice growers to sell knowing we will have to sell eventually to pay for next years crop.

4. Freight costs Growers have lost any bargaining power over freight costs to port either by rail or road. Rail freight rates to Port Kembla from our main delivery sites of Junee (Graincorp Sub terminal) and Coolamon-Marrar (Australian Bulk Alliance)- both about 30km from Rosemere- have increased from $22.26/t and $23.84/t in 07/08 to $38.75 and $41.50 in 09/10 respectively. This is a 74% increase over 2 seasons! Over the same period the local silo price of our wheat has declined by 51%. ($388/t to $190/t). The situation for many growers who are further away from the main railway lines or on lines facing closure is much worse. I am concerned the new marketing arrangements threaten the future of the bulk rail system which has traditionally been and should still be the most efficient and environmentally friendly way to transport bulk grain to the ports.

5. Increment payments for quality-protein, screenings, moisture (“Golden Rewards”) Since deregulation growers have lost these quality incentive payments which could amount to an extra $20/t above the price for both

contract and pool wheat. Most cash and contract prices now offered by traders are “flat” prices and I only know of one trader (Viterra) who are paying the full increments on pool products for the 09/10 harvest. This is a direct loss to growers from the new marketing arrangements with the quality payment income transferred from growers to traders and the consequent disincentive for growers to strive for quality.

6. Loss of quality reputation for Australian wheat. The highest payment offered so far this harvest in our area is for APH1 wheat which has no published Grain Trade Australia quality standards. Any variety of wheat- including ASW varieties- seems to be accepted into this classification as long as it has at least 14% protein. This is a watering down of Australias standards and will ultimately affect our excellent quality reputation on world markets.

7. Clear and competitive pricing at delivery sites This was one of the Governments major “spins” during the lead up to deregulation- that growers would have more buyers to choose from and clearer price signals. In practice during the 08/09 harvest and again this harvest, many buyers are not listing prices, some are listing then withdrawing during the day, while others are only listing on websites. Quoted prices may be “at the local silo”, “specific contract”, “at port” or “FOB”. Different freight rates may apply for different buyers and contract prices and site prices for a particular grade from the one buyer usually differ on the same day. It is virtually impossible for growers to find the best price for their wheat without spending all day in the office.

8. “Floor” in the market Before deregulation the single desk manager was able to set the floor in the Australian prices received by growers from both domestic and international buyers because of its hedging ability on their behalf. Now the floor is the world price so that all traders have to do is quote slightly better than the world price. Growers have lost any control they had over prices and all marketing premiums now go to the traders.

9. Inefficiency in transport and shipping Problems during the first year of deregulation have been well documented in the media with bottlenecks at port facilities for both road and rail, many ships waiting to be filled and high demurrage costs, not enough trains and wagons, concern over damage to roads and lack of commitment by both state and federal governments to rail upgrades. These all add to industry costs and are ultimately born by growers who cannot pass them on.

Concluding comment

This is all I wish to say at this stage of the Inquiry as we need to get on with our harvest for what it is worth!

In closing I hope you will change your policy not to make transcripts of the regional public forums and submissions to them available in print or online. Very few growers will be able to attend the hearings being held in the capital cities or the regional forums because they are being held during the busy harvest period.
The future of the Australian wheat industry and the rural communities it supports is at stake so it is vital as many people as possible (and especially growers and their families) can be involved and be able to study and comment on all the issues raised.

Ralph H Billing November 13 2009