



SUBMISSION TO THE PRODUCTIVITY COMMISSION

Review of Wheat Export Marketing Arrangements

Introduction

The Grain Industry Association of Western Australia (**GIWA**) was established in 2008 to represent the interests of the grains industry across the supply chain. It was formed through an alliance of NACMA WA, Oilseeds WA, the Western Oat Alliance, the Western Region Barley Council and Pulse WA.

The Executive of GIWA is comprised of Tony Critch Chairman (Grower), Rod Birch (Grower), David Falconer (ConsultAg / AccountAg), Chris Maughan (Quaker Oats Australia), Peter Metcalfe (Department of Agriculture & Food WA), Rob Proud (Emerald Group Australia), Chris Reichstein (Grower), Jon Slee (AusOils & Oilseed and Protein Solutions), Crawford Taylor (Rabobank) and Steve Tilbrook (Grower).

GIWA is a broad based organisation and its membership includes grain growers, consultants, processors, storage and handlers, government as well as other grain related businesses.

GIWA's objective is to create a grains industry that is sustainable and profitable in the long term. It is pro-active in identifying issues and developing responses on critical issues for the grains industry. It services cover:

- Policy Development;
- Identifying and overcoming supply chain constraints;
- Communicating with industry;
- Conducting industry fora on key issues and themes; and
- Advocacy for the industry at a state and national level.

The grains industry is undergoing substantial structural reform. The Commonwealth Government deregulated export wheat marketing in June 2008, and, from November 2009, there is no export market regulation for barley, lupins and canola in Western Australia. GIWA supports the deregulation of export marketing and recognises the need for ongoing reform of the industry.

GIWA's objective is to ensure that the grains industry is internationally competitive and responsive to changing market requirements. State and Federal Governments should support initiatives that are in the long term interests of the grains industry. The government and industry need to work collaboratively to establish an organisation that delivers market information and 'industry good' functions. GIWA is pro-actively working with industry on these issues in Western Australia.

Information Provision and Market Transparency

In August 2009, the Western Australian Minister for Agriculture and Food requested that GIWA conduct a review of grain market information. The Terms of Reference (TOR) of the review were to identify:

1. The market information needs of key stakeholders in the grains industry;
2. The type, quality, frequency and cost of market information provided in the United States, Canada and South Australia;
3. Appropriate mechanisms for the delivery and provision of market information; and
4. If there is a role for government in the provision of market information.

The Review was conducted in two stages. Stage one involved a desktop study of the different models of collecting and publishing market information. Stage Two of the Review centred on an industry forum. It was held on 22 October 2009 and participants were drawn from key industry sectors. The report on the Forum will be tabled with the Productivity Commission when it has been approved for release.

Market information needs of key stakeholders in the grains industry

The participants at the grains industry forum identified their market information needs, whether the information was collected, who owned it and if it was publicly available. A summary of the market information needs are listed in the table below:

Topic	Provider	Frequency	Public/Private
Pre-Harvest			
Ha planted, grain type, variety by September each year	S&H	Annual	Private
Ha planted, variety, grain type, anticipated yield	S&H	As required	Private
Production			
Production area planted by region (actual)	ABS, ABARE	Annual	Public
All grains by area sown by variety	S&H	Annual	Private
Crop production forecasting by grain type and anticipated yield	DAFWA, ABARE	Monthly	Public
Predicted stock harvest	S&H	As required	Public
Domestic			
Demand information	ABS	Monthly	Public
Stocks in hand	ABS	Monthly	Public
Malt barley – varietal purity of stacks	S&H	On delivery	Private
Stored grain by volume, commodity, grade, quality, zone	S&H	Monthly, weekly	Private
On-farm stocks by grade	ABS, individual growers	Annual	Public & Private
Carry in stocks (new stock), carry out stocks (old stock)	Traders, S&H	Daily	Private
Committed & warehoused	S&H, growers, customers	Daily	Private
Export			
Policies in importing countries	Austrade, DAFWA	As required	Public
International supply and demand	ABARE, private providers	Annual, daily	Public & Private
Shipping stem	Port terminal service providers	Daily	Public
Exports to date by destination	ABS, WEA, AQIS		Public & Private
Exports by grain type, quality and port zone	AQIS (all) WEA (bulk)		Private Public
Emerging trends in end product uses and market changes	DAFWA, research institutions		Public & Private

Most of the information required by industry is collected and much of it is publicly available. There are data that sections of industry would like to access but are unable to do so as the information is confidential. There are also some data that are not collected and this includes stocks at port by type, barley exports by state and old crop by zone.

The forum revealed that traders and international buyers largely have access to sufficient information to make informed decisions. It was growers and some smaller traders that were seeking additional market information. An absence of market information facilitates the trade in arbitrage. Arbitrage can operate to the detriment of some sectors of industry as arbitrage can deliver financial benefits that do not flow across the industry. Arbitrage is less likely to occur where there is full disclosure of market information.

Some sectors of the industry cautioned against developing a solution that only compelled the large storage and handlers to provide information to the market or to a third party as the market structure is likely to change over time.

The discussion at the forum highlighted that there are divergent views across industry as well as within industry sectors on market information. The polarised views on market information indicate that it is unlikely that industry will develop a consensus position. There are sections of industry that contend that the release of market information will have a negative effect on grain pricing. To address these concerns, GIWA recommends that the Productivity Commission research the inter-relationship between the type and frequency of market information, price and Australia's international competitiveness.

The recommendations on market information that arose from the forum were that:

- Pre-harvest forecast information should be provided monthly on hectares planted and variety; and
- Post-harvest information should be provided weekly on crop type and port zone.

The recommendation on post-harvest information maintains the status quo. The Australian Bureau of Statistics currently provides this information in its publication on *Wheat Use and Stocks* albeit with a four week time lag. The time delay in publishing the ABS information renders it largely ineffectual for making commercial decisions. The information needs to be published in a timely manner, needs to include information on grade and be published weekly during harvest.

Delivery of market information

There is an abundance of data that are available to industry. There are difficulties for some sectors of industry to know what information is available, how to access the information and, most importantly, how to interpret the information so that it can be used as a business planning tool. The area of contention is equal access to information and particularly information that is held by private companies. The collection of market information should be under the *Census and Statistics Act*.

The overwhelming feedback from industry was that information should be available through a "one-stop shop". The industry wanted the information to be provided by an impartial body that did not have a vested interest in releasing, or withholding, the data. This was particularly relevant for pre-harvest crop forecasts.

There is a role for Government to ensure that market information is provided to all market participants. It is the view of GIWA that a joint industry/government body should be established for all grains and it should operate nationally.

Precompetitive industry good functions

While it may be argued some functions can be managed solely by commercial organisations, issues such as receival standards, quality assurance, varietal classification, international trade regulation and technical market support are functions that benefit the industry and the wider Australian community.

The United States Wheat Associates (USW) was formed in 1959 to develop and expand the United States' export markets. The USW provides assistance to US wheat buyers, millers, wheat food processors and government officials around the world. One of the key roles of the USW is the provision of market information. The information covers:

- Weekly Harvest Reports on the condition of the US wheat crop (from June);
- Crop quality reports (hardness, the kernel colour and planting time);
- Weekly Price Reports of all classes of wheat;
- Commercial sales reports; and
- US and World Supply and Demand reports (updated monthly).

The USW is funded cooperatively between the federal government and wheat producers. The USW may provide a useful model to deliver a range of industry good functions such as:

- Industry strategic planning;
- Product and market development (technical support)
- Research and development;
- Wheat variety classification;
- Wheat receival standards;
- Information provision;
- Crop shaping activities;
- Technical market support;
- Wheat promotion;
- Branding;
- Trade advocacy; and
- Regulatory advocacy.

The USW may serve as a useful model for the Australian grains industry.

Funding

The Federal Government provided \$9.3 million over three years to fund an Industry Assistance Package to assist the industry to make the transition to a deregulated export market. GIWA contends that these funds may be more appropriately diverted to a body that provides a range of 'industry good' functions.

Wheat Exports Australia has the legislative authority to raise funds through the Wheat Export Charge (WEC). The WEC may also be a suitable means of funding industry good functions. It is the view of industry that the cost of market information should be borne by the whole industry and not confined to growers or those exporting wheat.

The options available to fund a national industry body include:

- The Wheat Export Charge;
- Redirection of the Industry Assistance Package;
- Industry levy; or
- Pay as you use/subscription service

The current funding arrangements for WEC only apply to export wheat and if all industry good functions are to be covered then a funding model to cover the whole industry supply chain to incorporate all grains maybe more appropriate.

Recommendations

GIWA recognises that there is a need for a more sophisticated delivery of market information that enables equal access to information across the supply chain.

GIWA supports the improved delivery of market information as well as key 'industry good' functions. To achieve these objectives, GIWA recommends that:

- An independent national body be established to provide 'industry good' functions including market information;
- The Productivity Commission examines the efficacy of a government or industry body for the delivery of precompetitive industry good functions; and
- Funding options should cover all grain types and participants within the industry.

GIWA is also involved in the Strategic Grain Network Committee review of transport arrangements within WA with the report due before end of 2009 and hopefully this report will address many of the issues raised under section 3.

GIWA looks forward to the opportunity to discuss some of the issues raised in the submission at the public hearings in Perth