

17 November 2009

Productivity Commission  
Locked Bag 2, Collins St East  
MELBOURNE VIC 8003

Dear Commissioners,

### **Wheat Export Marketing Arrangements**

The Victorian Farmers Federation (VFF) Grains Group thanks you for the opportunity to provide a submission to the Productivity Commission (the Commission) for the purpose of its inquiry into the Wheat Export Marketing Arrangements.

The VFF is Australia's largest state farmer organisation representing around 10,000 farmers including over half of Victorian grain farms.

The VFF Grains Group acknowledges that the Commission has been asked to examine the operation and effectiveness of the current wheat export marketing arrangements.

We have considerable concerns about the timing of the public hearings and roundtables being in the middle of harvest this year and then further consultation following the draft report in the middle of sowing next year. Whilst the VFF understands the timelines the Productivity Commission is working towards, the timing will raise questions amongst growers as to the willingness of the Productivity Commission to truly consult with farmers.

For many Victorian farmers this harvest is the first in many years. This season provides a good opportunity for the Productivity Commission to undertake a real life evaluation of the issues occurring in the industry. And see for themselves the clear roles still required by Government.

Our members would be happy to provide yourselves with the opportunity to view first-hand harvest in action at their property. Furthermore, the Grains Group would like to offer the Commission the chance to be a part of its Annual Grains Conference to be held in Horsham next year. Being involved will allow the Commission to hear the views of a large number of Victorian growers regarding the newly liberalised wheat market. Rather than holding a single community forum, being involved in the Conference would provide the Commission with the opportunity to run three workshops with growers from right across the State. Whilst the Conference is being held slightly earlier than your proposed consultation timelines it would not only give you a unique opportunity to truly consult with a wide range of Victorian growers, but

it would also reassure growers that the Commission took consultation with farmers seriously.

### **Level of competition in the transport and supply chain for wheat**

The VFF Grains Group is concerned about monopolies forming in the wheat supply chain. We believe that the *Wheat Export Marketing Act 2008* (the Act) should have included requirements for owners of upcountry storage facilities to not discriminate against other accredited exporters. Given there are only three major up-country storage providers and they are for the most part geographically separated so as not to compete, it would be naive for the Commission to believe that behaviour does not occur which costs Australian growers substantial amounts of money and restricts options. There have been a number of examples over the past year which should have caused concern to both the ACCC and the Commission. It is of considerable concern to the VFF that these issues do not appear to have been fully investigated by either party.

Wheat Exports Australia (WEA) should continue as industry umpires to ensure marketers are fit and proper companies to export. They provide much needed checks, balances and security during the transitional period, a role that is still required as the industry is by no means prepared for total deregulation.

While some moves have been made by industry to develop Codes of Practice to provide some assurances to growers, actual outcomes are a long way off.

### **Port access test requirements**

Port access test requirements under the Act are not sufficient in our view, to guarantee that other accredited bulk wheat exporters would not be unfairly discriminated against by the joint owners of Melbourne Port Terminal (MPT), being three accredited exporters themselves.

MPT is jointly owned by AWB Limited (AWB) and Australian Bulk Alliance (ABA), and operated by Melbourne Terminal Operations, which is wholly owned by ABA - in turn a 50/50 joint venture between ABB Grain Ltd (now Viterro) and Sumitomo.

AWB, ABB (Viterro) and Sumitomo are accredited bulk wheat exporters. MPT does not fit the narrow definition under the WEMA of an associated entity of either of those companies and therefore was not required to have an access undertaking approved by the Australian Consumer and Competition Commission (ACCC).

The federal access undertakings allow for fair and equitable treatment of bulk wheat exporters but were also designed to provide consistency of port regulation. VFF Grains Group believes the loophole of the wheat marketing legislation is unfortunate as it allows MPT to be the only exempted grain port terminal, causing inconsistency.

Without a federal access undertaking in place future disputes at MPT will have to be resolved via the *Trade Practices Act 1974* alone. Such disputes are often lengthy and

cause loss of business long before any resolution is reached. If the ACCC is going to be the lead agency charged with taken action when disputes arise, they should be able to address the issues that arise at an effective speed and avoid using lengthy processes.

Prior to even considering total deregulation, a more timely and cost effective process must be put in place. Currently this is not in place and the WEA provides the only potential avenue towards this and even then along only very narrow parameters.

### **Availability and transparency of market information including stock level reporting.**

Despite a massive increase in funding, by the time information is published by the Australian Bureau of Statistics (ABS) it is already six weeks old. This provides no true transparency for the industry and certainly does not assist growers to make effective marketing decisions.

WEA should be able to acquire the data from Customs as the Permit Issuing Agency, and also be able to publish the aggregated data as it has previously done in its former roles. This would allow the published information to be more timely and useful for industry participants.

The VFF Grains Group has always argued for better stock reporting. We believe WEA should carry out this important function so stock levels at least by state, are publicised in a more timely fashion to ensure transparency and enable growers to make more informed marketing choices.

### **Industry good functions**

The VFF Grains Group is very concerned about the lack of promotion for Australian wheat. Whilst this function was previously carried out by AWB we now need a single Australian voice promoting our varieties and product on the world stage. The dairy, horticulture and livestock sectors undertake positive generic industry promotion both domestically and internationally and the Australian grains industry is lagging behind when the situation can be easily rectified.

The process of classification of wheat which has been initiated by the Grains Research and Development Corporation looks promising but is still in initial stages and needs to be monitored and supported to ensure its delivery runs smoothly.

There seems to be a general misconception amongst Government decision makers at the Federal level that they can simply leave everything up to industry. Unfortunately, they did not do the hard work prior to removing the single desk to ensure that appropriate bodies were in place to take over established roles such as classification and wheat promotion. Rather than simply being able to keep moving forward, the grains industry is now significantly behind.

## Consistency across bulk and containerised exports

There are growing concerns amongst growers and industry regarding problems of quality control in containerised wheat exports, which are completely deregulated. The Government needs to work with industry to put in place an appropriate system of checks and balances. Current systems need to be strengthened as the problem has potential to have a detrimental impact on broader Australian grain exports.

There would be significant advantages of expanding the scope of the *Wheat Export Marketing Act 2008* to include wheat exported in containers. It would improve the standard of companies exporting Australian wheat, quality of the wheat itself and provide some level of protection to growers and the broader industry.

In conclusion the VFF Grains Group feels the above issues warrant addressing in the Commission's review of the Act.

Please contact me on 03 9207 5534 if you have any questions regarding this letter.

Regards,

A handwritten signature in black ink, appearing to read "Russell", is positioned above the printed name.

Russell Amery  
VFF Grains Group President