

SUBMISSION TO PRODUCTIVITY COMMISSION BY THE FEEDGRAIN PARTNERSHIP

INQUIRY INTO WHEAT EXPORT MARKETING ARRANGEMENTS

PURPOSE

The purpose of this submission is to inform the Commission of the initiatives taken by the Feedgrain Partnership to enhance the transparency of the operations of the Australian feedgrain market.

In its October 2009 Issues Paper the Commission raised important points about the collection and related funding of wheat market data. Our submission suggests that similar issues arise with the collection and funding of non-wheat feedgrains, and that as wheat is an important feedgrain the Commission should sensibly report on grain data collection issues as a whole.

As with wheat data collection and funding, current arrangements are interim only, and longer term ones need to be agreed.

FEEDGRAIN PARTNERSHIP

The Partnership has two elements;

- a) An annual Forum in which companies and other stakeholders in the feedgrain industry provide input into the R and D planning process for Partnership R and D agencies
- b) The Partnership R and D agencies that collaborate in cross agency R and D planning and project funding to ensure efficient use of available R and D funds for deployment across the feedgrain industry. These agencies are: Grains Research and Development Corporation (GRDC); Meat and Livestock Australia (MLA); Dairy Australia (DA); Australian Pork Limited (APL); Australian Egg Corporation(AEC).

Among the collaborative activities funded are a multi year sorghum enhancement project, and interim funding of feedgrain data collection through a contract with ABS. In addition various members of the Partnership R and D agencies have invested significantly in other individual collaborative projects that address issues around the efficient production and use of feedgrains in Australia

It is the collection of data on production, use and stocks held of feedgrain that is the subject of this submission

FEEDGRAIN DATA COLLECTION BACKGROUND

Previous studies have drawn attention to gaps in the statistical coverage of the feedgrain industry in Australia; in particular a 2003 study of feedgrain security related issues by MacArthur Consulting drew attention to the lack of statistical information on feedgrain availability relative to demand at the regional level.

After detailed analysis and discussion the Partnership concluded that it was not technically possible to implement such a regional feedgrain supply and demand model.

Instead quarterly national feedgrain stock collection was funded by the Partnership as a drought preparedness measure; the experience of previous droughts has been that as drought conditions worsen across the grain belt there is growing uncertainty about the availability of grain in Australia that is uncommitted, and available for animal feeding. Resultant speculation pushes up feedgrain prices, even to above import parity, until a circuit breaker such as reported grain imports loaded into shipping and on the water cools the market down somewhat.

Such uncertainty related price speculation, due to lack of official information on feedgrain availability, in severe droughts is separate from the ongoing challenge to make feedgrain production more profitable to growers. So that forecast increased demand for grain from livestock industries can be supplied in Australia.

The Partnership convened a special Feedgrain Industry Forum in 2007 as the then drought intensified to explore the role that R and D might play to assist industry. The dominant feedback from this Summit was the need for more detailed information, down to regional level, if possible, on the availability of uncommitted feedgrain stocks.

We explored the feasibility of funding ABS to collect this more disaggregated stock data, but all the required survey respondents would not agree to provide the necessary information.

CURRENT SITUATION.

As a bridging step towards a longer term solution, the Partnership has funded enhanced feedgrain data collection by ABS through 2009/10, leveraging off the wheat data collections currently being carried out by ABS, and which are funded by the Australian Government as part of its assistance to the wheat industry to adjust to a deregulated export marketing structure.

Feedgrain data collection is therefore now linked to wheat data collection systems, although feedgrain data is collected quarterly.

POST 2009/10 FEEDGRAIN DATA COLLECTION

As referred to above, the Partnership has only committed to the funding of ABS feedgrain data collection until the end of 2009/10.

The Commission's timetable for the wheat export marketing review envisages a draft report by mid March and a final report to government by 1 July 2010. This timetable implies industry/ government decision-making on wheat data collection through to some stage in 2010/11.

Since wheat data collection is government funded until the end of 2010/11, and feedgrain data collection only until end of 2009/10, there will be a gap in grain data collections through 2010/11 unless further interim feedgrain data funding arrangements can be put in place.

FUTURE FEEDGRAIN DATA COLLECTION AS A COMMISSION INQUIRY ISSUE

Since the Commission is explicitly reviewing post 2010/11 wheat data collection requirements and funding., it makes sense for the future of feedgrain data collection to be also taken into account by the Commission in this Inquiry for the following reasons:

- 1) Wheat is an important, although variable in usage, feedgrain, and the feedgrain industry data requirements are best addressed on a whole of feedgrains basis.
- 2) The largest market for east coast grain growers is the livestock industry. While the west coast grains industry has a strong export focus, most grain grown in eastern Australia is consumed there.
- 3) The collection of wheat data, and other feedgrains data, by ABS is currently a technically integrated process.
- 4) The key issues raised by the Commission regarding wheat data collection (e.g. utility; future funding) similarly apply to feedgrain data collection.
- 5) The Partnership sees the Commission findings on data collection as a key input into the decision-making about future feedgrain data collection funding. The R and D agencies involved will be seeking guidance from industry and government on this issue, and it is clear that the Commission report will be pivotal to this debate

Given the data collection gap referred to above, it would be useful if the Commission could make any specific recommendations on that gap in its interim report.