

22 December 2009

Ms Wendy Craik AM  
Commissioner  
Productivity Commission  
GPO Box 1428  
Canberra City ACT 2600

Dear Commissioner

**Re: Review of Wheat Export Marketing Arrangements**

From the Sydney public hearing of the current review of the Wheat Export Marketing Arrangements on Friday 11 December, one of the outcomes was for the NSW Farmers' Association (the 'Association') to provide the Productivity Commission with some examples of the dysfunction which has been reported in the Media regarding the current Wheat Export Marketing Arrangements.

An article in *The Land* dated 6 February 2009, with the headline 'Grain off the rails', says:

*Truck drivers were forced to wait as long as 16 hours to unload at GrainCorp's export terminal at Newcastle on Tuesday as trucks queued with grain for a ship taking 20,000 tonnes of wheat delivered almost entirely by road rather than rail. The situation was aggravated by the fact three grain ships failed survey at the port this week, delaying loading by at least a day until they were cleaned.*

The article goes on to say that:

*the incident highlighted the increasing frustration and logistic nightmares newly accredited wheat exporters are experiencing in their first year of exporting bulk wheat since AWB Ltd lost its single desk wheat export powers.*

[http://parlinfo.aph.gov.au/parlInfo/genpdf/chamber/hansards/2009-06-24/0063/hansard\\_frag.pdf;fileType%3Dapplication%2Fpdf](http://parlinfo.aph.gov.au/parlInfo/genpdf/chamber/hansards/2009-06-24/0063/hansard_frag.pdf;fileType%3Dapplication%2Fpdf)

It was reported in the *Australian Financial Review*, 24 March 2009, pg 6 'Logjam forces wheat customers into the arms of rivals',

*Asian customers are threatening to abandon Australia as a long-term wheat supplier.*

*Australia's three biggest wheat markets—Indonesia, South Korea and Japan—have each raised concerns that ships are being forced to wait for several weeks to load grain at four ports in Western Australia, the biggest grain producing state. Some Asian flour mills have turned to the United States and Canada to secure wheat at higher prices ...*

*The bottlenecks have been compounded by the deregulation of the wheat export market last year, which led to 23 exporters attempting to ship grain to Western Australia's ports immediately after the recent harvest, the second-biggest recorded. Under the old system, AWB held a monopoly over wheat exports and was able to better co-ordinate the timing of shipments.*

The article quotes several customers on their experience with deregulation, but the saddest indictment on the state of our supply chain is delivered by the chairman of Indonesia's Wheat Flour Association, Francis cus Welirang, who states that:

*his mills were being forced to secure supplies from Canada due to the long delays in Australia. He expected total imports from Australia this year to be far lower than the 2.7 million tonnes originally forecast.*

*"The first experience of deregulation has been very bad for us," Mr Welirang said. "The infrastructure in Australia is just not enough."*

*Mr Welirang, who is a director of Indonesia's biggest flour mill, Bogasari, estimated that Australia had lost up to 150,000 tonnes in wheat sales to Indonesia, worth about \$50 million at current prices.*

*"It is upsetting. We will see if it improves, but if this happens again our confidence in Australia will be less," he said.*

*"Clearly the preparations before deregulation were not good.*

*We have never experienced delays like this before. We are used to continuous delivery."*

<http://www.abc.net.au/rural/wa/content/2009/03/s2526014.htm>

<http://www.abc.net.au/rural/wa/content/2006/s2505234.htm>

<http://theland.farmonline.com.au/news/nationalrural/grains-and-cropping/general/port-logjam-forces-asian-wheat-customers-to-look-elsewhere/1468039.aspx>

<http://sl.farmonline.com.au/news/state/grains-and-cropping/general/allegations-fly-over-deregulated-wheat-market/1460312.aspx>

<http://thejakartaglobe.com/business/us-wheat-may-replace-stalled-aussie-shipments/308416>

The Association understands that Sayga Mills in Sudan had accumulated large quantities of Australian wheat from the National Pool prior to deregulation, however now sources it from another overseas origin.

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<http://www.sph.emory.edu/wheatflour/Comm/Resource/CDs/London04/TechnicalRESOURCES/NationalFACTsheets/SUDAN.pdf>

<http://www.ag.gov.au/www/inquiry/offi.nsf/indexes/images/AWB.5036.0244.pdf>

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[http://www.awb.com.au/NR/rdonlyres/72B3A39C9F7C4E039CDC20498669C7E8/0/Sales\\_and\\_Marketing\\_and\\_Risk\\_Management.pdf](http://www.awb.com.au/NR/rdonlyres/72B3A39C9F7C4E039CDC20498669C7E8/0/Sales_and_Marketing_and_Risk_Management.pdf)

These articles are in addition to the 2 articles written by Malcolm Bartholomaeus, which have already been referred to in the Association's submission to the Review. These articles were both in *The Land*, 'Learning from Pools', 12 November 2009 and 'Wheat price still false', 26 November 2009.

Yours Sincerely

**MARK HOSKINSON**

NSW Farmers' Association Grains Committee Chair