

AgForce Grains Ltd.

A commodity council of AgForce Queensland ABN: 212 416 791 71



23 April 2010

Wheat Marketing Arrangements
Productivity Commission
Locked Bag 2
Collins Street East
MELBOURNE VIC 8003

RE: Wheat Export Marketing Arrangements

AgForce is the peak representative body for rural broad acre producers in the cattle, grain and sheep and wool sectors of Queensland. AgForce Grains is the grain commodity representative of the peak Queensland rural lobby group AgForce Queensland. AgForce has established a vast regional and rural network in Queensland and represents a comprehensive geographical coverage of the Queensland grains industry.

AgForce Grains also provides strong representation for Queensland's farmers nationally through its federal affiliations with the Grains Council of Australia (GCA), and National Farmers Federation (NFF).

Through the combined strength of our members, AgForce Grains is an extremely effective lobby group for Queensland Grain producers and we continue to work closely with government, industry and the community to ensure the viewpoints and concerns of farmers are professionally represented at the highest level.

After reviewing the Productivity Commission's Draft Report into the Wheat Export Marketing Arrangements, AgForce Grains was disappointed to read some of the draft recommendations and findings. Given the importance of the situation AgForce Grains has expressed our concerns regarding some of the draft recommendation below.

Whilst every effort is made to accurately provide accurate information, we realise that not all our members may agree with the following statements.

Chapter 3 – Marketing and pricing

AgForce Grains agrees overall with the draft findings for this chapter.

Chapter 4 – Accreditation of exporters

AgForce Grains does not agree with the draft finding of this chapter and would like to add the following comments.

Deregulation is really only two seasons old and the market is still stabilising and adjusting to a significant change. As mentioned in our original submission there are problems with the container and bag trade regarding quality. It seems extremely pre-mature to recommend that the Wheat Export Marketing Authority Scheme 2008 be abolished in 2011.

It was raised by other groups that other grains do not need this regulation and the market weeds out bad exporters. However given that wheat is the most important grain exported in Australia AgForce Grains do not believe that the industry can afford to let market forces expose the bad exporters, at this early stage.

Wheat should not be compared to other grains, as most other grains are age exported as feed grain. Wheat has many different grades with many quality parameters. For the benefit of growers and the long term benefit of the Australian Wheat industry we need to maintain and protect the quality reputation that Australia has in the world wheat trade. World markets are very competitive, with some still highly subsidised. Australian growers are already operating on slim financial margins, to compete in the corrupt world markets. We reiterate there are already problems appearing with the container and bag trade regarding quality. Australia needs to do all it can to maintain its quality marketing edge.

While it is not being suggested that the regulation/accreditation be in place indefinitely, AgForce grains believe it is vitally important that there be some form of accreditation process for the near future. This would help provide some checks and balances to assist the industry through the transition period. Given the current situation; the Wheat Export Marketing Authority Scheme seems to be the best placed body to continue to oversee this function.

Chapter 5 – Access to Port terminal facilities

AgForce Grains does not agree with draft recommendations 5.1 and 5.3.

AgForce Grains believes it is far too early to remove the access test; the test should be reviewed in 2014. It has been suggested that bulk handling companies need volume and so would not discriminate on price to other marketers. When securing new markets, the initial tonnage could be relatively small (for an independent exporter), and would grow in time as the buyer gained confidence with the marketer. The initial tonnage would have very little impact on the volume of the bulk handler.

We would have thought that the major cost to the bulk handling companies would have been the establishment costs for the access test, and that ongoing costs should be minimal. It is interesting to

note that the only people who believe that the access test is not necessary is the bulk handling companies, and that the former monopoly operator believes that it is necessary.

Access to port terminal facilities is one of the keys to marketing wheat in a deregulated environment. If access is not open and transparent we run the real risk of going from one monopoly exporter to three. We are sure this is not what the Minister intended when he deregulated wheat marketing. If the cost of the access test is an issue for bulk handling companies, perhaps there should be a separation of business activities so that there can be no possible conflict of interest. This could be achieved by not allowing grain marketers to own or operate port terminals. The size of the Australian crop means it is highly unlikely that new export terminals will be built.

It is far too early to remove the access test.

Chapter 6 – Transport, storage and handling

Transport in Queensland remains one of the biggest issues regarding the movement of grain to port. Since our first submission the Queensland Government announced that they would be privatising the above ground rail network. While we have some short term comfort (due to the GrainCorp three year take or pay agreement) it is unknown what access grain will have to rail in the future.

This is seen as a major problem as the Fishermans Island port terminal, in particular, is designed to receive grain via rail. In Queensland coal is a major user of the rail network and is more profitable to the rail providers. Therefore there is a possibility that when the rail is privatised more profitable commodities will be allocated more trains, and grain will be taken by road. This makes it difficult for exporters to accumulate sufficient grain in time to meet shipping requirements etc.

We would also like to make comment regarding a statement, *“In New South Wales, Victoria and Queensland, 80-100 per cent of export wheat is transported by rail.”* on page 182 of the draft report. While we cannot comment on the situation in New South Wales and Victoria, we would certainly question the validity of this statement in regards to Queensland, as we don’t believe it to be correct.

Chapter 7 – Information Provision

AgForce Grains does not believe that another levy imposed on industry is necessary, as outlined in draft recommendation 7.1. As stated in our original submission, one of the big problems with information is the timeliness and transparency.

There is often a delay for much of the information collected and there is often very little if any explanation as to how figures/results were arrived at. Without up to date and clear information, it is often meaningless to growers except for historical purposes.

There should be no reason why data collection agencies require further funding to provide the same data in a more timely manner. However if the industry agrees that further information needs to be collected, then funding this will need to be sort, however AgForce Grains still does not agree with a levy.

Chapter 8 – Wheat Quality Standards and Market Segmentation

AgForce Grains still believes that the Wheat Classification Council is adequate for ensuring wheat quality and the usefulness of wheat classification. As growers already contribute to GRDC we believe that producers are already funding a “user pay” mechanism to a certain degree.

Chapter 9 – Other Industry Good Functions

Industry good functions should not be lost for consideration or development.