

Wendy Craik AM
Presiding Commissioner
Inquiry into Wheat Marketing Export Arrangements

Dear Ms Craik,

SUBMISSION TO THE DRAFT REPORT ON THE PRODUCTIVITY COMMISSION
INQUIRY INTO WHEAT EXPORT MARKETING ARRANGEMENTS.

I am writing to draw attention to some current and emerging issues in relation to wheat marketing arrangements which would benefit from further consideration by the Productivity Commission prior to finalising the report. In particular, the issue of continued access to international markets and the maintenance of Australia's share of the world wheat market deserve close attention and are of paramount importance to all participants in the wheat industry. The cornerstone of continued market access and market share is reputation and there is a need to place a greater focus on this than is currently evident in the draft report.

Since the deregulation of the wheat export market in 2008, there has been a steady increase in media reporting of outturn problems in Australian wheat, in many cases due to chemical residue violations but in some cases also due to other quality parameters not meeting market requirements. The risks to Australia's reputation as a reliable and high quality supplier of wheat increase each time there is reporting of an outturn incident. Initially, overseas buyers may seek to address such problems through commercial arrangements, but the net effect over time is that export markets will form a collective view about the quality of Australia wheat generally which will adversely affect all exporters and ultimately growers.

Given that the evidence available points to an increase in outturn problems since deregulation, the recommendation in the draft report to remove accreditation of wheat exporters must surely amplify such risks even further due to more exporters entering the market with little or no knowledge of wheat quality parameters or chemical residue issues.

It is no accident that two of Australia's main competitors in the export wheat market, Canada and the USA both have a long history (1916 for USA and 1912 for Canada) of independent quality inspection and certification for export wheat and other grains. Such services provide an unbiased third party assessment of grain quality to maintain uniform grain standards and to underpin the marketing of grain. This has the benefit of maintaining the reputation of export wheat and preventing entrepreneurial or opportunistic exporters sending poor product which could otherwise damage national reputation. In a deregulated market, Australia must give serious consideration to the need for some form of independent oversight of export wheat to preserve Australia's reputation. Reputation can be easily damaged but may take many, many years to restore. The draft report needs strengthening in this area as reputation is fundamental to the effective ongoing marketing of Australian wheat.

The longer term marketing benefits to Australia that will accrue from maintenance of reputation will always outweigh any perceived benefits which accrue from competition. History has proven this principle time and time again.

The draft report foreshadows a landscape of many exporters with no accreditation and no uniform application or any independent oversight of export quality standards. For the benefit of Australian wheat growers and the wider industry, some urgent focus is needed to ensure that Australia has the necessary systems and structures in place to ensure that export quality standards are observed by all parties. Long term business relationships for the export of wheat (or any other commodities) are built around reputation, trust and integrity and any proposed reforms to wheat marketing must embrace these as enduring themes.

Yours Sincerely

Hart Krtschil