



Grain Trade Australia Limited
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14 June 2013

Mr Stephen Palethorpe
Committee Secretary
Senate Rural & Regional Affairs & Transport References Committee
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Mr Palethorpe,

Re: Inquiry into the ownership arrangements of grain handling

Grain Trade Australia (GTA) has pleasure in submitting the attached documents for consideration by the Committee.

As an apolitical organisation, GTA does not have a position on all points in the Terms of Reference, however, we appreciate the opportunity to supply information that will enable the Committee to conduct its deliberations with access to the current operating processes/condition that exist in the Australian grain industry.

Terms of Reference	GTA comments
(a) such arrangements are in the interests of: (i) Australia's farmers; and (ii) Australia's long term food security interests	GTA does not offer a comment
(b) there are potential impacts on competing grain traders' access to grain handling facilities, ports, silos and transport infrastructure	Reference Appendix B: Update on Prescribed Mandatory Code of Conduct for Port Access for Australian Bulk Wheat Shipments.
(c) there are potential impacts for grain traders, and a competitive marketplace, of access to warehoused grain stock information.	Reference Appendix C: Stocks information report from the Code of Conduct Advisory Committee on Port Access submitted to the Wheat Industry Advisory Task Force.
(d) there is potential for conflict between the responsibility to shareholders and the best interest of Australian producers and consumers	GTA does not offer a comment
(e) any other related matters.	Reference Appendix A: 1. Grain Trade Australia – the organisation 2. Performance of the industry since deregulation of the wheat export market 3. Australian Grain Industry Code of Practice – update 4. Export Certification Reform Program (outcomes) – DAFF Biosecurity – update 5. “Australian grain quality and standards” – article published in the: • Australian Grain Year Book 2013 ; and • GTA NewsInGrain, February 2013; 6. Presentation to the Conference of the International Grain Council, London, 11 June 2013, titled “Australian wheat – a quality product in a deregulated market” .

	<p>Reference Appendix D:</p> <ol style="list-style-type: none"><li data-bbox="632 98 1437 340">1. Funding industry development (good) functions. In July 2013, GTA released an industry discussion paper titled <i>Funding Post Farm Gate Industry Development Functions</i>. At the time, this proposal did not garner industry wide approval, however, GTA believes the concepts in that proposal to be sound and will, with the support of like minded grain industry organisations review this proposal and resubmit it for industry consideration. This is expected to occur during July 2013.
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GTA requests the opportunity to address the Committee on any of the above issues or other issues as directed by the Committee.

Yours sincerely,

Geoff Honey
Chief Executive Officer





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Appendix A

1. Grain Trade Australia – the organisation
2. Performance of the industry since deregulation of the wheat export market
3. Australian Grain Industry Code of Practice – update
4. Export Certification Reform Program (outcomes) – DAFF Biosecurity – update
5. Australian grain quality and standards – article published in the:
 - Australian Grain Year Book 2013 ; and
 - GTA NewsInGrain, February 2013;
6. Presentation to the Conference of the International Grain Council, London, 11 June 2013, titled "*Australian wheat – a quality product in a deregulated market*".

1. Grain Trade Australia – the organisation

Grain Trade Australia (GTA) is the focal point for the commercial grains industry within Australia. It facilitates trade and works to provide an efficient, equitable and open trading environment by providing leadership, advocacy and commercial services to the Australian grain value chain.

GTA members are responsible for over 95% of all grain storage and freight movements made each year in Australia. Over 95% of the grain contracts executed in Australia each year refer to GTA grain standards and/or trade rules.

GTA members are drawn from all sectors of the grain value chain from production to domestic end users and exporters. GTA members are involved in grain trading activities, grain storage, human and stock feed milling.

GTA also attracts membership from organisations to the side of the value chain in related commercial activities such as financial (banking, stock exchanges etc), communications, grain advisory services, and professional services (e.g. solicitors and accountants).

Vision

An efficient, equitable and open commercial grain industry in Australian

Mission

To facilitate trade by providing commercial products / services and advocacy for the Australian grain value chain.

GTA is non-political

GTA is a trade organisation

GTA core tasks

- ↪ Grain standards, - wheat & coarse grain
- ↪ Contracts (6) & Trade Rules
- ↪ Dispute Resolution Service
- ↪ Professional Development Programs

Technical Committees

- ↪ Commerce
- ↪ Grain Standards
- ↪ Trade & Market Access
- ↪ Transport, Storage & Ports

Advocacy - Domestic

- ↪ DAFF Biosecurity
- ↪ DFAT – UN Biosafety Protocol
- ↪ DAFF – general grain marketing / GM
- ↪ National Residue Survey
- ↪ Agricultural Biotechnology Council of Australia
- ↪ Grains National RD & E Strategy

Advocacy - International

- ↪ Member International Grain Trade Coalition (IGTC)

Professional Development Program

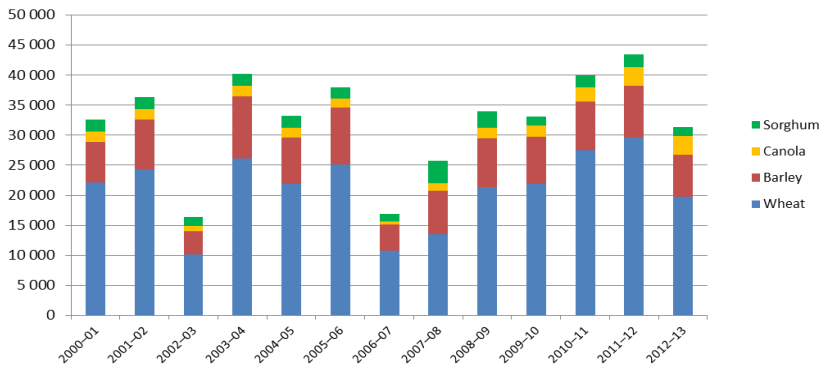
- ↪ Professional Certificate in Grain Trading
 - GTA Grain Standards
 - GTA Trade Rules, Contracts & Dispute Resolution
 - Understanding Grain Markets
 - Grain Merchandising
 - Grain Accounting
 - Export Contracts, Documentation & Chartering
 - GTA Arbitrator Training
- ↪ over 700 participants attend a GTA course each year

Australian Grain Industry Conference

- ↪ AGIC 2012, Melbourne, over 900 registrations
- ↪ AGIC 2013, 29 - 30 July 2013, Melbourne

2. Industry performance

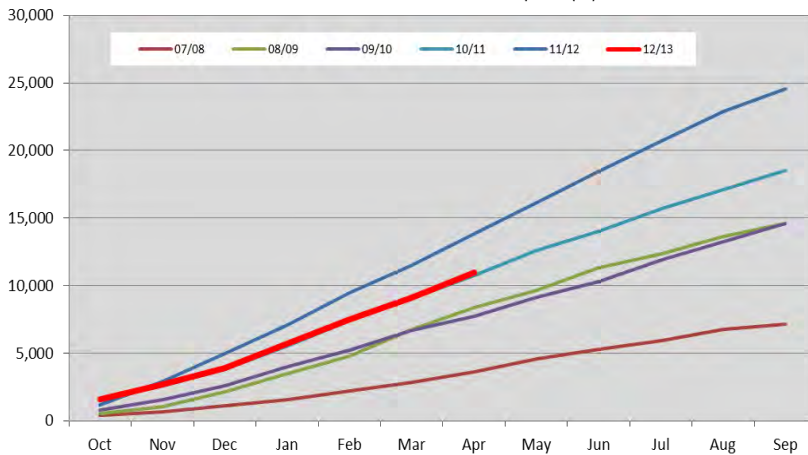
Australian major grain production (000 tonnes)



Record production years:

- 2010/2011 – wet harvest and record amounts of feed grain, particularly wheat. New export markets established for these grains.
- 2011/2012

Australian cumulative wheat exports (kt)



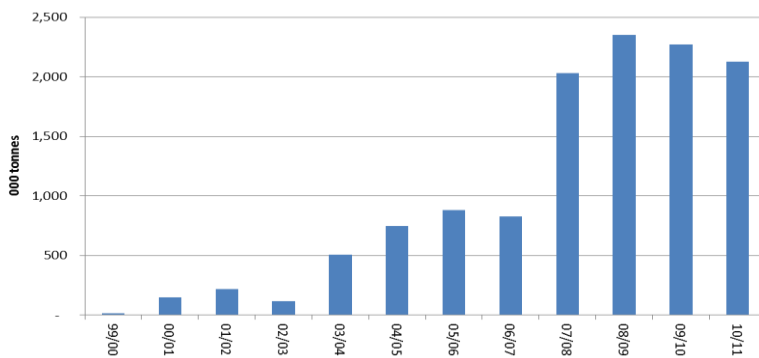
Record bulk shipping programs:

- 2010/2011
- 2011/2012

New export terminals developed/under development since deregulation of the export wheat industry:

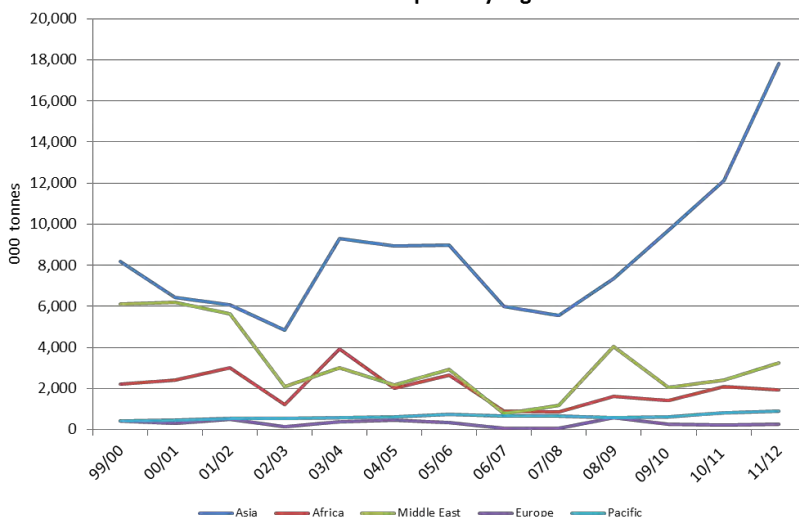
- Queensland Bulk Terminals – Brisbane, QLD
- Newcastle AgriTerminal – Newcastle, NSW
- Louis Dreyfus – Newcastle, NSW
- Heilingjiang Feng Agriculture – Albany, WA
- Bunge Australia – Bunbury, WA

Wheat exports in containers



- Growth in container exports accompanied by investment in infrastructure, particularly in regional locations
- Export Certification Program – major activities have been implemented.
- GTA conducted an Export Container Forum, 16 May 2013

Australian wheat exports by region



Shift from Middle Eastern to Asia where Australia:

- enjoys a freight advantage; and just as importantly
- produces the type and quality of grain increasingly being sought by Asian consumers.

3. Australian Grain Industry Code of Practice

With evolving market conditions and the industry's desire to demonstrate a high level of quality, integrity and self-regulation, GTA Members and the broader grain industry have identified the need to develop a Code of Practice which formally defines processes and procedures.

A Draft Code is on the GTA website for industry comment.

The purpose of this Code of Practice is to describe practices that the grain industry use to ensure Australian grain and grain products meet domestic or export customer requirements. Customer requirements include those stipulated in contracts and regulatory requirements at the Australian State, Territory and Federal levels and international and overseas country level. There are also a range of industry standards that are covered under the Code.

By following this Code, the grains industry, including all sectors related to the grains industry, governments, researchers and consumers will gain confidence that processes exist in Australia to successfully produce, store and supply grain that meets the expectations of the entire grain supply chain.

The grain industry is committed to self-regulation. This Code assists that purpose by providing a process that is transparent and which outlines minimum requirements of all involved in the Australian grain supply chain.

A copy of the draft Code is available on the GTA website www.graintrade.org.au.

It is planned to launch the Code of Practice at the Australian Grain Industry Conference in July 2013.

4. Export Certification Reform Program – DAFF Biosecurity

Background

Following the outbreak of Equine Influenza in Australia in August 2007, the Federal Government commissioned an independent review of quarantine and biosecurity arrangements — *One biosecurity: a working partnership* (the Beale Review) — which, amongst other things, concluded that export certification functions should return to 100 per cent cost recovery as scheduled on 30 June 2009. Government accepted this recommendation.

In April 2009, in recognition of the return to full cost recovery, the then Minister for Agriculture Fisheries and Forestry, the Honourable Tony Burke MP, implemented six Joint Industry — AQIS Export Ministerial Taskforces (MTFs) to identify reforms to export regulatory services and systems for the dairy, fish, horticulture, grain, livestock and meat export sectors.

Outcomes

A range of benefits and costs arise from the DAFF Biosecurity grain export reforms, some of which can be evaluated numerically and some of which are not readily evaluated in monetary terms. These included:

- modernisation of the legislation,
- use of a new service delivery model with Authorised Officers (AOs),
- changes to the pre-clearance inspection of grain prior to end-point export,
- facilitated vessel inspection by AOs at anchor or prior to berth,
- a prioritised and more comprehensive market access process,
- better training in import country requirements,
- reform of the information technology systems and databases,
- re-balancing of fees and charges; and
- better information processing and capture by DAFF Biosecurity.

Industry support

There is unanimous support from the members of the MTF for the introduction of the reforms as agreed during the MTF process.

Ongoing

The major issue relating to these reforms will be the introduction of the initiatives pan Australia. This will be a challenge to DAFF Biosecurity to ensure a common understanding and interpretation in all locations. This particular applies to:

- Inspection regimes; and
- Fees and charges.

Grain & Plant Products Export Industry Consultative Committee (GPPEICC)

Industry	DAFF
Australian Fodder Industry Association - Malcolm May	Kylie Calhoun (Chair) - Plant Export Operations
Australian Grain Exporters' Association – Rosemary Richards	Bill Magee - Plant Biosecurity (Grains & Forestry)
Australian Grain Exporters' Association –Adrian Reginato	Linda Magee - Plant Export Operations
Australian Mungbean Association - Andrew Boundy	Kerry Scarlett - Plant Export Operations
Australian Nut Industry Council - Chris Joyce	
Australian Oilseeds Federation - Nick Goddard	
Australian Seed Federation - Bill Fuller	
Eastern Bulk Handlers/Port Operators - Phil Clamp	
Grain Growers Ltd - Chris Kelly	
Grain Producers Australia - Barry Large	
Grain Trade Australia - Geoff Barker	
Grain Trade Australia - Geoff Honey	
Pulse Australia - Tim Edgecombe	
Southern Bulk Handlers/Port Operators – Andrew Hannon	
Western Bulk Handlers/Port Operators - Narelle Moore	

5 article published in:

- Grain Year Book 2013; and
- GTA NewsInGrain, February 2013;

Managing Customer Requirements - Quality Systems in the Australian grain industry

Gerard McMullen – GTA Project Manager Grain Quality

Significant debate has arisen in recent months on the need for additional measures to be implemented in the industry to meet the requirements of our customers. This is not new for the Australian grain supply chain. Debate on the effectiveness of existing and potential new programs and processes and their place in the grain industry has occurred many times over the last 20 years.

So why have additional regulations and systems such as recognised Quality Assurance (QA) programs been talked about but not adopted widely throughout the supply chain? There are many reasons but one could be that processes have to date been sufficient to supply grain of a quality that meets customer needs.

Processes Required

There are a range of activities undertaken when participating in the supply of grain to customers. These arguably may be distilled down to seven key elements:

- Commitment to be a part of a sustainable long term and profitable industry
- Control of suppliers of products and services
- Control of production and other activities for an enterprise operating along the supply chain
- Knowledge of product through inspection, sampling and testing
- Documentation controls and record keeping
- Product identification and traceability, and
- Compliance with regulations and industry standards

Existing Processes

While the grain industry is complex, involving many stakeholders, a key theme is the promotion of industry common good and the desire for self-regulation. Some of the processes and players involved are outlined below, noting this is by no means a complete list.

Pre-Production

This sector operates in the supply chain before grain is commercial grown by producers. Technology providers produce grains or material with traits designed to meet market requirements. Potential material is trialled in a range of environments under programs such as **National Variety Trials**. If judged suitable, the material is developed and seed is eventually made available for commercial sale. A range of promotional material extolling the virtues of each variety, and the opportunities to maximise its quality, are provided with each variety.

Prior to release of this seed for commercial production, organisations such as **Wheat Quality Australia** and **Barley Australia** may require grain to be assessed under their classification guidelines in order to verify the quality of the grain for the marketplace. Strict classification rules exist that ensure new varieties released will meet the needs of the customer.

The **Australian Seed Federation** has a range of controls over the quality of seed produced, labelled and sold commercially. Companies selling such material generally do so under various legislative controls and may use **Plant Breeder's Rights** to obtain revenue for their efforts.

Grain Production

Producers undertake a range of on-farm activities to maximise the quality and quantity of grain produced. Seed is selected and graded to maximise the potential of the grain sown. The growing of the crop is managed to minimise contamination, maximise crop yield and quality. Regulations set by various government departments covering a range of activities must be complied with, such as chemical application to the growing crop through **Australian Pesticides and Veterinary Medicines Authority** (APVMA) governance.

A range of agronomic practices are implemented. Third party providers' knowledge and equipment may assist. Much of this agronomic information is provided through activities of organisations such as the Grains Research and Development Corporation (GRDC), grower groups or State Departments of Primary Industries. A significant benefit to all involved in the pre-farm gate sector arises from co-ordination of a research strategy by the GRDC. (While the range of activities conducted by the GRDC focuses on on-farm grain production, some research, extension and communication is also invaluable to the post-farm gate sector).

Grain is harvested keeping in mind quality standards set by the marketplace and the needs of other sectors of industry. Grain may be stored on-farm, delivered direct to the market or commercial storage providers.

Records are kept to identify parcels of grain and to provide relevant information with the grain as required by the marketplace.

Grain Receival, Storage and Transport

Grain is received and stored according to individual storage providers operating procedures outlining the range of activities conducted at each premises. Some storage providers implement recognised quality assurance systems such as those complying with the International Standards Organisation (ISO). Staff is trained to ensure grain is correctly classified. Equipment used in the sampling and testing process is checked prior to and during use, to comply with regulations such as those set by the **National Measurement Institute**.

Grain is supplied with a **Commodity Vendor Declaration** (CVD) form detailing relevant information such as chemical use. Grain is sampled using industry sampling protocols. Grain testing occurs according to methods and standards set by various industry organisations such as the **Australian Oilseeds Federation, Pulse Australia** and **Grain Trade Australia** (GTA). Most standards define:

- varieties to be received by grade
- quality standards by grade
- methods and procedures for applying the standards.

During storage, grain is monitored to ensure its quality and integrity is maintained. Grain may be protected from stored grain insect attack using a range of measures including chemical and non-chemical.

The **National Working Party on Grain Protection** (NWPGP) is a focal point for reference and advice on market requirements and chemical use. It discusses a range of matters to assist industry to safely and effectively store grain. Chemicals are applied to storages and/or grain according to those defined on the registered label by APVMA, and to comply with market limits as documented in the NWPGP document “**Australian Grains Industry Post Harvest Chemical Usage Recommendations and Outturn Tolerances 2012/13**”. Meeting Codex and national regulatory levels is a key focus of that document.

Non-chemical insect and quality control measures may be applied in storage. Again, the GRDC provides a range of reference material for industry to consider. Both chemical and non-chemical strategies occur according to industry best practice and legislation on chemical use. For example the **CRC for National Plant Biosecurity** provides advice to industry on prolonging the use of phosphine through their document “**Strategy to manage resistance to phosphine in the Australian grain industry**”.

Transport Codes of Practice exist for both road and rail – either industry codes or individual company codes. These include a range of measures to ensure the integrity of grain is maintained and grain is not contaminated by prior loads.

Grain Outturn, Marketing and Processing

Grain is purchased and marketed according to individual customer contracts or using recognised industry contracts and trade rules such as those set by GTA. Grain is supplied with relevant documentation, showing compliance with quality, food safety and other contractual terms, whether documented in the contract or not. Again, CVDs are used where required.

Grain for export must only be shipped from **Department of Agriculture, Fisheries and Forestry** (DAFF) approved Registered Establishments. Prior to loading, all containers or vessel holds must meet DAFF requirements to show the absence of quarantine material such as stored grain insects. Independent inspections may also occur to ensure freedom from material that may compromise the quality of grain loaded.

During loading, grain is inspected by DAFF Authorised Officers to ensure it meets the quarantine requirements of the importing country (such as freedom from particular pests and diseases). Industry works closely with **DAFF Biosecurity** and the Trade Marketing Group through organisations such as the Grains Industry Market Access Forum to ensure market requirements for phytosanitary and non-phytosanitary parameters are not unnecessarily restrictive.

All grain out turned must be free of live stored grain insects, as determined by industry in consultation with DAFF and documented in government legislation. Grain is also inspected to ensure compliance with market requirements and industry standards.

Where required, independent service providers are used to sample, test and certify grain out-turned. For the majority of exports and for some grain supplied to the domestic market, testing independent of industry is conducted. For example, the **National Residue Survey** conducts testing for a wide range of chemicals on grain to ensure compliance with regulatory limits set in Australia and overseas.

Once grain is received, end-processors implement a range of systems, including QA systems and codes of practice to produce the end-product prior to consumption.

The Future

As can be seen from the brief listing of processes and organisations listed in this article, the production and marketing of grain in Australia is complex and diverse. The Australian grain supply chain involves a wide range of stakeholders.

The supply chain is getting better at producing, storing and marketing grain. More robust processes are being developed to show compliance with customer and regulatory requirements. As market requirements continue to evolve there will be an ongoing need for both informal and formal QA systems to be developed and used, especially in niche areas of the industry.

History has shown the industry does not and should not rest on its laurels and rely on past performance. It is up to all in the industry to continually strive to meet market requirements through the use and development of whatever systems and processes are required. The grain industry has shown it is highly capable in this area.

It is hoped that the recently drafted GTA Code of Practice, which covers many of the industry best management practices listed above, will be a sound basis for that to continue in future.



International Grains Council – London – 11 June 2013 Australian wheat – a quality product in a deregulated market

Geoff Honey, Grain Trade Australia

Good morning ladies and gentleman and many thanks to Mr Kitahara and the International Grains Council for the opportunity to speak this morning.

Australian wheat – a quality product in a deregulated market.

Australia has a largely deregulated market, the challenge is to ensure we have a quality product. So what is quality?



To an Australian wheat producer, quality may well be aligned to protein percentage.



To the Australian government official responsible for issuing the export phytosanitary certificate, quality may mean that the wheat did not contain any live insects and conformed in all respects to the requirements of the importing country.



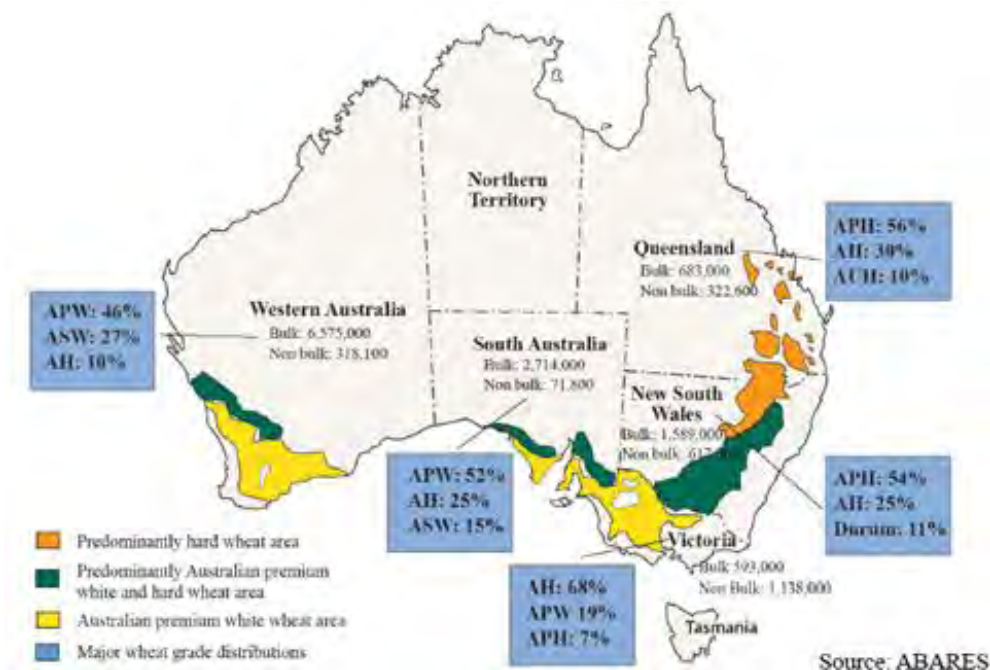
To the Korean baker using flour derived from Australian wheat, quality means a product with certain physical characteristics, i.e. did the bakery products perform as expected?

So the word “quality” has different interpretations and emphasis depending on where you are positioned in the grain supply chain.

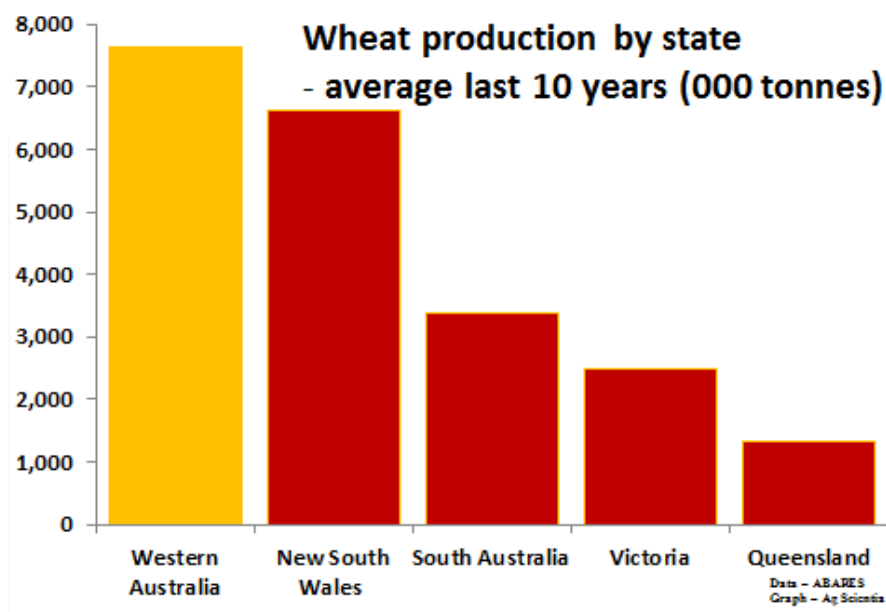
This morning I would like to give an overview of the processes that the Australian wheat industry has established to ensure that the ultimate end user, be they in Australia or in a global export market, receives a quality product.

However, by way of introduction I would like to give an overview of the wheat industry in Australia since the export market was deregulated in 2008.

Wheat is grown in all states except the Northern Territory. In general terms, the higher protein wheat is grown in the northern and drier regions of Australia.



The eastern states have a strong domestic focus, though there is a different story in Western Australia¹, a state 3.6 times the land mass of Texas². (Yes folks – there’s a state bigger than Texas!). The Western Australia market is totally export focussed due to a very small domestic demand.

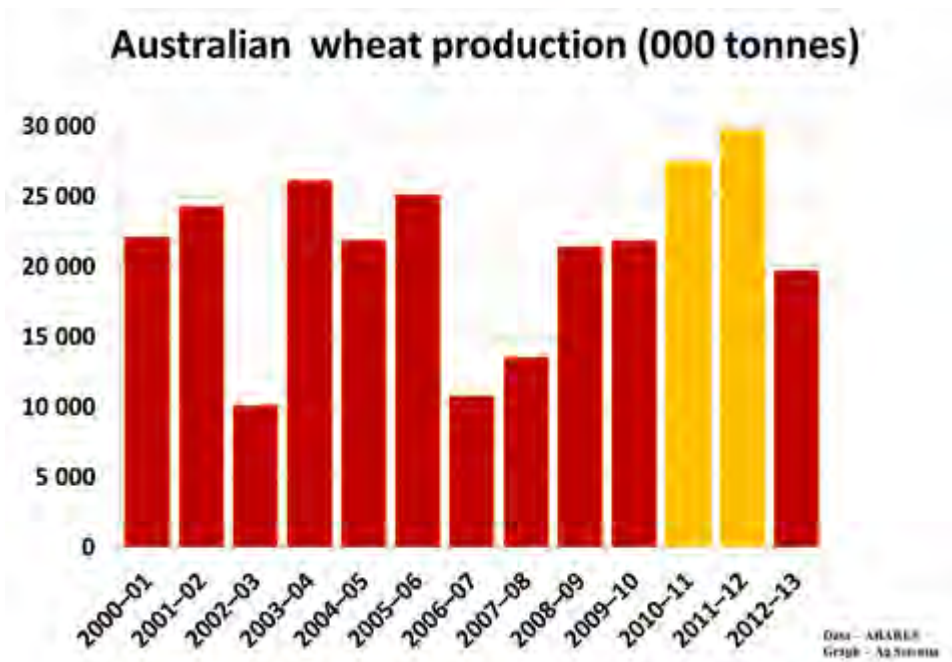


The headline item in regards to **production** in recent years was the record production of 27.5 million tonnes for the crop grown in 2010 and just under 30 million tonnes for the crop grown in 2011.

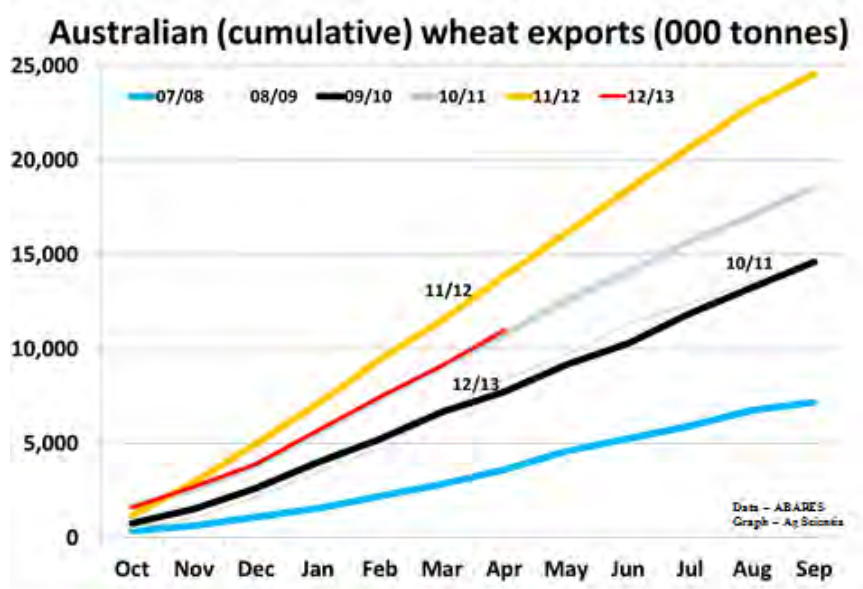
Typically, Australia will consume approximately 5.5 to 6.5 million tonnes of wheat leaving a substantial exportable surplus.

¹Western Australia - 2,529,875 sq kms

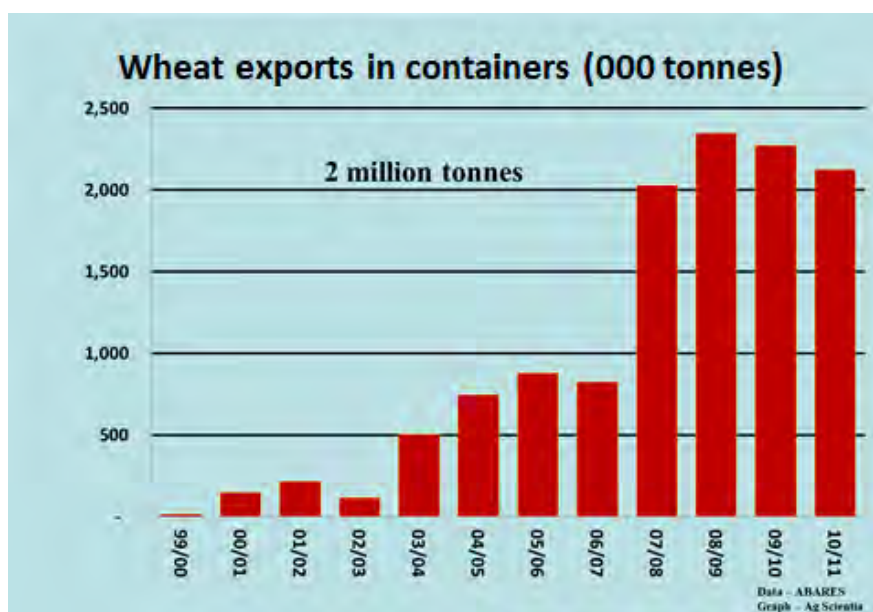
² Texas - 695,621 sq kms



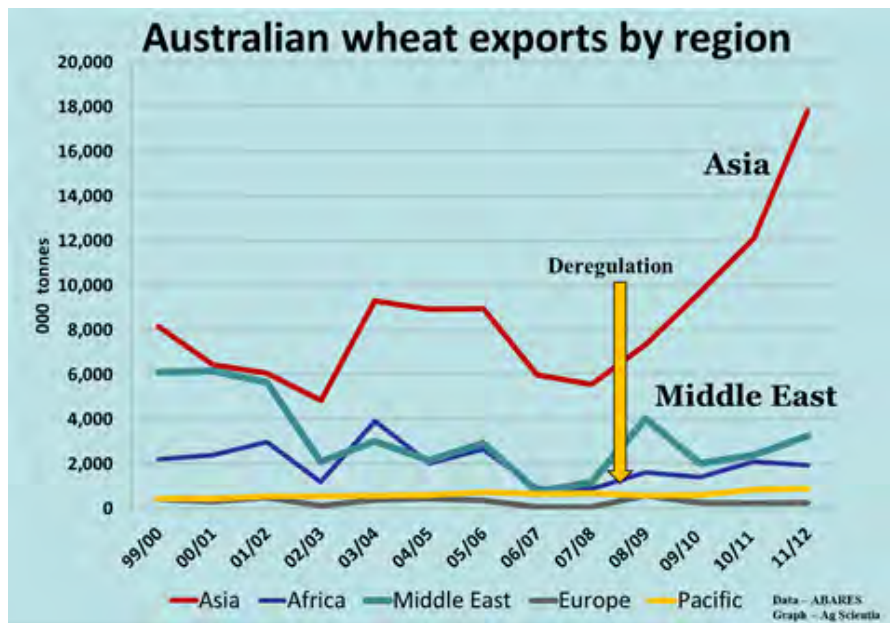
Bulk shipping programs have been running at record levels in recent years.



The tonnes of wheat exported in **containers** has grown in the last four years from a base of 0.5 million tonnes to over 2.0 million tonnes.



In regards to the export markets – have destinations altered? Historically, the Middle East was a major market for Australian wheat, however, this has changed.



Up to 2008, Asia took 30% of the exported wheat from Australian, whereas it now accounts for 70% of our exports. This change reflects our natural freight advantage over our Northern American competition and also the ability and quality of Australian wheat to satisfy the contemporary needs of Asian markets.

Summing up, in the last four years, the Australian wheat industry has seen record production, record shipping programs, record growth in container exports and a swing into new markets - sound evidence of the success of the deregulation process.

Quality and wheat exports pre 2008

Prior to 2008, AWB Ltd had the legislated rights to the export of wheat from Australia and controlled all aspects of the quality process. Key functions conducted by AWB included:

1. Crop shaping activities – what does the market require and therefore where should wheat breeding be focussed.
2. Wheat variety classification – what are the functional properties of a variety that then place that variety in a grade which is then aligned to the;
3. Wheat standards, which specify the type of wheat that is contracted.
4. Technical market support to the customers of Australian wheat
5. Research & development, both on farm and at the processing / milling end of the supply chain
6. Trade and regulatory advocacy to ensure secure and ongoing market access and development of new markets.

That was 2008. So what are the processes that are now in place to deliver that “quality product” that will suit the needs be they the Australian wheat producer, the government inspection official or the Korean baker?

In essence the quality story can be told in four parts:

- 1. Pre-Production**
- 2. Wheat Production**
- 3. Wheat receipt and storage**
- 4. Wheat Out turn & marketing**

Pre-Production

When one thinks of wheat production you immediately imagine fields of golden wheat bending in the wind. However, the base to deliver that image is set by a myriad of individuals and organisations responsible for breeding and variety accreditation.

Like every other product, service or commodity for sale in the world, the Australian wheat producer needs to produce wheat to suit the needs of the consumer, cognisant of their own environmental constraints.

In recent times, the breeding of wheat has moved from public breeding programs into privately owned and operated technology providers. This shift in ownership has resulted in breeding programs that are focussed on delivering wheat varieties that contain those functional properties required by the eventual end user, be they a baker, noodle manufacturer or food processor.

These market requirements are channelled back to the wheat breeders via [Wheat Quality Australia](#), with much of this pre-breeding work funded by the [Grains Research & Development Corporation](#), a federal government statutory authority which collects a levy from grain farmers. The purpose of this levy is to allocate and manage investment in grains research & development and last year collected over AUD54 m from wheat farmers with contributions from government on a matching formula.

Varieties that have the potential to be commercialised are trialled in a range of environments under programs such as the [National Variety Trials](#) and if judged suitable, the seed is made available for commercial sale.

Prior to release of this seed for commercial production, [Wheat Quality Australia](#) assesses the wheat varieties under their classification guidelines. These guidelines are not so much focussed on agronomic issues but on the functional performance of that variety from a customer context, be that a flour miller or baker.

The grade is then aligned to the wheat standards that are used in trading activities. This ensures that the functional requirements of the end user are enshrined in the contract.

To ensure sufficient income is raised to continue wheat breeding, Australia has legislative controls, known as [Plant Breeder's Rights](#) whereby the plant breeder receives a royalty from farmers who use their seed.

Wheat Production

Wheat production - where the skill and professionalism of the Australian farmer comes to the fore. Pre-production techniques ensure sowing seed is suitable for Australian growing conditions and it is **the farmer's role to use that sowing seed to produce wheat required by the world markets.**

However, in their endeavours, farmers are required to comply with regulations set by various government departments covering a range of activities, such as chemical application. The [Australian Pesticides and Veterinary Medicines Authority](#) oversees the approval and use of chemicals applied in farming be that in crop or wheat storage.

In regards to tillage operations, a range of agronomic practices are implemented. Much of this agronomic information is provided through activities of organisations such as the [Grains Research & Development Corporation](#), grower groups and State Departments of Primary Industries. A significant benefit to all involved in the production sector arises from national co-ordination of research and development led and coordinated by the [Grains Research & Development Corporation](#).

Wheat Receival and Storage

Standards set by the International Standards Organisation (ISO) form the basis of quality processes adopted by all the major storage operators.

These processes are supported by nationally agreed methods to sample and test wheat developed by [Grain Trade Australia](#). These methods are further enhanced with the requirement that equipment that is used being compliant with the regulations set by the [National Measurement Institute](#), a federal government agency.

When delivering their wheat, Australian farmers must declare the chemical regime that the wheat has been exposed to, if any, and the wheat variety in order to determine the royalties to be paid for that variety.

The wheat standards published by Grain Trade Australia are the basis for trade standards used by industry. Importantly, industry recognises that when wheat is out turned from a storage it must comply with the Grain Trade Australia standard.

Australia has a proud history of regulatory requirements in regards to chemical use. Adherence to the Maximum Residue Levels, be they set by CODEX or the country of import, is critical. These activities are handled by the [National Working Party on Grain Protection](#) which is the focal point for reference and advice on market requirements and chemical use.

Wheat Outturn and Marketing

Question	What is a quality product?
The classic response is	One that satisfies the customer's needs.
So	How does the customer of Australian wheat convey their requirements to the seller?
Answer	In the contract.

Within the Australian grain industry there is strict adherence to contracts which detail the buyer's requirements which are either embedded in the contract proforma or annexed in the form of a wheat specification or standard.

Wheat for export can only be shipped from Registered Export Establishments approved by the [Department of Agriculture, Fisheries and Forestry](#). Prior to loading, all containers or vessel holds must meet government requirements to show the absence of quarantine material such as stored grain insects or other material that may compromise the quality of wheat to be loaded.

The wheat is also inspected by government Authorised Officers to ensure it meets the quarantine requirements of the importing country which may include freedom from particular pests and diseases.

Where required, independent service providers are used to sample, test and certify that wheat out **turned satisfies the export customer's requirements** as per the contract. For the majority of exports and for some wheat supplied to the domestic market, testing independent of industry is conducted by the [National Residue Survey](#) which tests for a wide range of chemicals in wheat to ensure compliance with Australian or the country of import Maximum Residue Levels.

The need to provide technical support to the customers of Australian wheat will be enhanced by the recent establishment of the [Australian Export Grain Innovation Centre](#) in Perth, Western Australia. The Centre will aim to provide an independent source of Australian wheat quality information, analysis and technical support to overseas customers of Australian wheat.

Australian Grain Industry Code of Practice

To market quality wheat is complex and diverse with continually evolving processes being developed to ensure compliance with customer and regulatory requirements. As market requirements continue to evolve there will be an ongoing need for both informal and formal quality assurance systems to be developed and used, especially in niche areas of the industry.

To evidence the activities occurring across the supply chain from pre breeding activities to the supply of the wheat to an end user, Grain Trade Australia will shortly release the **Australian Grain Industry Code of Practice** at the Australian Grain Industry Conference to be held at the end of July. This Code will detail all the practices that the industry uses to ensure Australian wheat and other grains meet domestic or export customer requirements.

International alliances

So, is this, albeit at a high level, the sum total of the quality processes embedded into the Australian wheat industry?

I would say NO! For instance, do Australian wheat breeders conduct their activities in isolation?

The [International Maize and Wheat Improvement Centre](#), more commonly referred to as **CIMMYT** is based in Mexico and collaborates with national agricultural research institutions worldwide, in providing farmers with the best seed, agronomy, and information needed to increase yields. The CIMMYT Board of Trustees are drawn from, Australia, Great Britain, India, Mexico, the United States of America, Japan, Germany, Canada and Zimbabwe. A truly international effort.

Are there other international examples that enable Australia to market quality wheat to the world? The international development of international food standards is conducted by [Codex](#) which was established by the Food and Agriculture Organisation, whilst phytosanitary standards and guidelines are established by the [International Plant Protection Convention](#). As an export wheat nation, Australia is dependent on the work of the IPPC.

At a commercial level, there is international cooperation across like-minded grain trade organisations through the work of the [International Grain Trade Coalition](#) that is tasked by its members with ensuring the facilitation of the international trade of grain. Currently the **International Plant Protection Convention** is considering the development of an international standard for phytosanitary measures. The **International Grain Trade Coalition** will participate in this process to ensure that the standard(s) developed will meet the best interests of the parties involved in the contract.

And last up, how could we ignore the International Grains Council? Time precludes a detailed list; however Australians are in constant touch with their international counterparts irrespective of the sector of the supply chain they come from.

Quality and wheat exports 2013

So what has changed since the export market was deregulation in 2008? Has the industry covered off on those critical functions that protect and enhance the quality reputation of the Australian wheat industry?

1. **Crop shaping activities** are now conducted by Wheat Quality Australia, a joint venture between Grains Research & Development Corporation and Grain Trade Australia and via the market signals from customers in their contractual requirements.
2. **Wheat variety classification** is conducted by Wheat Quality Australia
3. **Wheat standards** are developed by Grain Trade Australia

4. **Technical market support** is conducted by:
 - a. wheat exporting companies as part of their customer service; with the technical expertise from
 - b. Australian Export Grain Innovation Centre and other commercial providers.
5. **Research & development**
 - a. On farm - conducted by Grains Research & Development Corporation
 - b. Customer - Australian Export Grain Innovation Centre
6. **Trade and regulatory advocacy** conducted by trade organisations and the recently established Grain Industry Market Access Forum who work in conjunction with government agencies such as the Department of Agriculture, Forestry & Fisheries and the Department of Foreign Affairs and Trade.

In conclusion

Ladies and gentlemen, Australia continues to supply quality wheat to the world and for that, I, like all my compatriots in the Australian grain industry are proud. The evolution from a regulated to deregulated export marketing environment has been achieved by a cooperative approach across the supply chain. This was achieved without an overbearing and bureaucratic regulatory structure or involvement.

In conclusion, these developments are a combination of hard work, innovation and determination within Australia assisted by considerable international input at various stages of the grain supply chain.

Thank you



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Appendix B

Code of Conduct for Port Access for Australian Bulk Wheat Shipments

In February 2012, GTA convened a Port Access Code Development Committee that was tasked with developing an industry agreed Code. The major imperative for the Committee was to agree on the key principles to be covered by the Code and a sanctions regime that would cover all operators of bulk terminals, whether they were covered by current access undertakings or not. Also, the reporting of stocks information was agreed by industry to be part of the Code.

The Committee was to release a draft Code for industry comment in December 2012.

The passing of the amendment to the Wheat Export Marketing Act on 29 November 2012 overtook the Committee deliberations and the Government has determined that the Code will not be governed by industry but by the Australian Consumer & Competition Commission (ACCC).

The Government is looking to industry to provide the guiding principles and key elements to be included in the mandatory Code. Accordingly, the Committee has agreed to a new Terms of Reference and is now the Code Development Advisory Committee (CDAC).

CDAC has provided the key principles they believe should be covered in the Code to the ACCC and Government agencies for their review and integration into a draft Code for public comment.

Membership

Membership of the CDAC is based on ACCC guidelines for such committees. It is independently chaired with members from:

- Australian Grain Exporters Association (x2)
- CBH Grain Pty Ltd
- Emerald Group Australia Pty Ltd
- QLD Bulk Terminals
- GrainCorp Operations Limited
- Grain Producers Australia
- Louis Dreyfus Commodities Australia Pty Ltd
- National Farmers Federation
- Newcastle AgriTerminal
- Viterro Ltd

Given the need for the Code to be endorsed by government, including its consistency with ACCC guidelines, the Department of Agriculture, Fisheries and Forestry (DAFF) and the ACCC are invited to be observers to the Committee and provide advice where necessary.



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Appendix C

**Stocks information report from the Code of Conduct Advisory Committee on Port Access
submitted to the Wheat Industry Advisory Task Force.**



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8 March 2013

Dr Michele Allan,
Chair
Wheat Industry Advisory Taskforce

Dear Dr Allan,

Re Submissions from the Port Access Code of Conduct – Code Development Advisory Committee (CDAC)

On behalf of the CDAC, I would like to make submissions on certain aspects of the scope of activities for the Wheat Industry Advisory Taskforce (WIATF).

The CDAC, originally the Code Development Committee, was convened by industry in January 2012 to develop a Port Access Code of Conduct which was subsequently amended due to legislative requirements, to become a prescribed mandatory Code of Conduct to be administered by the Australian Consumer & Competition Commission.

As detailed in Appendices 1 & 2, the CDAC is representative of all the organisations and industry sectors who have a commercial interest in port access arrangements for the export of bulk wheat.

The CDAC would like to make submissions on the following Terms of Reference for the Wheat Industry Advisory Taskforce:

- *provide options and advice on the most appropriate mechanisms to enable publication of timely and accurate port capacity information.*

CDAC requests that the WIATF accept the Principle detailed in Appendix 3 as satisfying the requirements of the above Term of Reference.

- *provide options and advice on the most appropriate mechanisms to enable the publication of timely and accurate grain stocks information outside of the port zone.*

For the reasons outlined in Appendix 4 and Appendices 5,6 & 7, the CDAC recommends that an alternative mechanism other than the Code, should be reviewed as a key priority by the Wheat Industry Advisory Taskforce.

Resolution of the two issues above will determine the timetable for the development of the Code.

Therefore, delays in WIATF consideration of the issues for the Code and thus Government approval will result in Port Terminal Operators being exposed to the need to renew their Access Undertakings with ACCC. This would be a costly and inflexible approach to allocation of port terminal services.

On behalf of the CDAC, I would like to thank the Taskforce for their consideration of the above matters and once again emphasis the need for these to be prioritised.

Yours sincerely

Tom Keene
Chairman - Code Development Advisory Committee (Port Access Code of Conduct)

Appendices	Document	Author	Agreed by all members of CDAC	
	CDC Terms Of Reference		29 Mar 12	
1	CDAC Terms Of Reference (CDC ToR amended to reflect legislative requirements)		12 Dec 12	
2	CDAC Membership		12 Dec 12	
3	Publication of timely and accurate port capacity information CDAC Proposed Code Principles (Extract)	CDAC Sub Committee	6 Mar 13	
4	CDAC Subcommittee Report – Information Disclosure	CDAC Sub Committee	6 Mar 13	
	The following reports were considered by the CDAC Subcommittee tasked to consider the disclosure of grain stocks information under the proposed mandatory Code for port terminal access			Commissioned by
5	Independent Wheat Market Information Study Report	GHD Pty Ltd		DAFF/Grain Growers Ltd
6	Information Requirements fFor An Effective Bulk Wheat Export Market	Peter Reading		DAFF
7	The Value Of Additional Stock Information	The Centre For International Economics		Grain Growers Ltd

Appendix 1

Terms of Reference

CODE DEVELOPMENT ADVISORY COMMITTEE

Relating to the

PRESCRIBED MANDATORY CODE OF CONDUCT FOR PORT ACCESS

For

AUSTRALIAN BULK WHEAT SHIPMENTS

Terms of Reference
CODE DEVELOPMENT ADVISORY COMMITTEE
Relating to the
PRESCRIBED MANDATORY CODE OF CONDUCT FOR PORT ACCESS
For
AUSTRALIAN BULK WHEAT SHIPMENTS

The bulk wheat export market is transitioning to full deregulation under reforms being implemented by the Australian Government. Under the *Wheat Export Marketing Act 2008*, as amended in 2012, the requirement for port terminal operators that export bulk wheat to have access undertakings in place with the Australian Competition and Consumer Commission (ACCC) will be removed on 1 October 2014, provided a mandatory industry code of conduct (the Code) is prescribed under the *Competition and Consumer Act 2010*. Access to port services will then be governed by the Code and general competition law.

The Code Development Advisory Committee

The Code Development Committee (the CDC), which was established to oversee the development of a voluntary industry Code, will reconvene as the Code Development Advisory Committee (CDAC) and will report to the Minister for Agriculture, Fisheries and Forestry (the Minister) on its views on key elements of the mandatory code (Code). All major stakeholders will continue to be represented on CDAC, if they so choose.

Mr Tom Keene, who was accepted by CDC as an individual of significant standing in the Australian grains industry and independent of commercial conflict for the purpose of the Code, will continue as Chair of CDAC.

Membership of the CDAC comprises representatives of key stakeholders across the industry representing growers, exporters and port terminal operators, and includes nominees appointed on behalf of the following organisations:

- Established port owners - CBH, GrainCorp, Viterra and ABA (Emerald) (4 nominations)
- Major users - Australian Grain Exporters Association (AGEA) (3 nominations)
- Production - Grain Producers Australia (GPA) (1 nomination)
- Production - National Farmers' Federation (NFF) (1 nomination), and
- Industry - Grain Trade Australia (GTA) (1 nomination).

Membership may be extended through agreement by CDAC from time to time, including any other party that may be bound by the Code when it comes into force. This may include owners of port terminal infrastructure pending commission.

Representatives of the Department of Agriculture, Fisheries and Forestry (DAFF) and the ACCC will continue to attend Committee meetings as observers and provide guidance where necessary.

The Treasury, which is responsible for administering industry codes under the *Competition and Consumer Act 2010*, will provide guidance where necessary and observe the outcomes of CDAC discussions and meetings.

Context

The *Wheat Export Marketing Act 2008* established an 'Access Test' relating to the provision of port terminal services to accredited bulk wheat exporters. In November 2012, amendments to the Act were passed by the parliament to allow for the abolition of the Access Test as a condition for exporting bulk wheat on 30 September 2014, should an approved prescribed mandatory industry Code of Conduct be in place.

DAFF will be the lead agency for the development of a prescribed mandatory industry code of conduct for all grain export terminals, for the purposes of bulk wheat exports. The Minister supports the role of CDAC in providing its views on the key elements of the Code.

The Code should:

- (a) deal with the fair and transparent provision to wheat exporters of access to port terminal services by the providers of port terminal services; and
- (b) require providers of port terminal services to comply with continuous disclosure rules; and
- (c) be consistent with the operation of an efficient and profitable wheat export marketing industry that supports the competitiveness of all sectors through the supply chain.

Scope of the Code

The scope of the Code will include the following matters relating to port terminal access:

1. Cover all grain export terminals involved in the shipment of bulk wheat;
2. Obligations on port terminal operators not to discriminate or hinder access in the provision of port terminal services to third parties;
3. Obligation on port terminal operators to provide port terminal services on standard terms and prices to third parties and provide third parties with a framework to negotiate non-standard terms and prices;
4. Dispute resolution processes; and
5. Obligations on port terminal operators to comply with the 'continuous disclosure rules' as defined in the *Wheat Export Marketing Act 2008* (as amended).

The Code will not specify the commercial terms required to be contained in port loading protocols or the standard terms and prices.

Role of the Code Development Advisory Committee

The CDAC is established to provide its views to the Minister on the content of a prescribed mandatory code of conduct for port terminal access relating to the export of bulk wheat, in accordance with the:

- Australian Government's response to the 2010 Productivity Commission recommendations on wheat export marketing arrangements;
- Access Test provisions of the *Wheat Export Marketing Act 2008*, as amended; and
- the *Competition and Consumer Act 2010*.

The CDAC will give consideration to issues relevant to the development of the Code, including but not limited to:

- Specific standards of conduct for the Australian wheat export industry in relation to port terminal access.
- Continuous disclosure rules, including the publication of the 'shipping stem' for each port terminal service.
- Data collection and publication of key port terminal information and performance indicators.
- Record keeping
- Code review procedures.
- An appropriate dispute resolution mechanism
- Any other factors required in gaining Ministerial approval for the implementation of the Code.

CDAC should aim to reach decision by consensus wherever possible.

Code Development Process and Consultation

In assisting to develop the Code, CDAC will ensure the needs of the wheat export industry are taken into account, by considering the views of key stakeholders throughout the drafting process.

CDAC will build on the work already achieved and will report to the Minister in the first quarter of 2013. CDAC will provide a set of principles and details of provisions that will give effect to them, such as those outlined above, in consultation with DAFF, ACCC and the Treasury, to inform the key elements of the Code for the consideration of the Minister. Following approval from the Minister to progress work in drafting the Code, DAFF will engage with other government agencies to develop an exposure draft based on the work of CDAC.

The government, through DAFF, will undertake a public consultation process on the exposure draft to obtain stakeholder comments on the Code. CDAC will continue to be engaged during this process.

Once drafting of the Code is finalised, the final draft will be submitted to the Assistant Treasurer for approval before it is prescribed as a mandatory code under s 51AE of the *Competition and Consumer Act 2010*.

Secretariat

DAFF will assist Grain Trade Australia (GTA) with secretariat services for CDAC.

Tenure

The CDAC will cease operations when an industry code of conduct for the provision of port services related to bulk wheat exports has been declared by regulations under s 51AE of the *Competition and Consumer Act 2010*.

Further Information

For further information please contact Grain Trade Australia, Secretariat, on +61 2 9235 2155.

The CDAC will accept written submissions from interested parties at any time:

Email cdc@graintrade.org.au

Mail Secretariat – Port Access CDC
 Grain Trade Australia
 PO Box R1829
 Royal Exchange NSW 1225

Appendix 2

Membership

CODE DEVELOPMENT ADVISORY COMMITTEE

Relating to the

PRESCRIBED MANDATORY CODE OF CONDUCT FOR PORT ACCESS

For

AUSTRALIAN BULK WHEAT SHIPMENTS

Port Access Code of Conduct

Code Development Advisory Committee (CDAC)

Membership

Name	Company/Organisation	Representing
Tom Keene	Chairman	
Georgie Aley	Grain Growers Ltd	National Farmers Federation
Andrew Weidmann	GPA	Grain Producers Australia
John Snooke	PGA of WA	PGA of WA
Chris Aucote	Bunge	Australian Grain Exporters Assn.
Rosemary Richards	AGEA	Australian Grain Exporters Assn.
Richard Codling	CBH Group	CBH Group
Caroline Rhodes	Viterra	Viterra
Neil Johns	Graincorp Operations	Graincorp Operations
John Warda	Emerald Group	Emerald Group
Robert Green	Louis Dreyfus Commodities	Louis Dreyfus Commodities
Bret Reid	Wilmar Gavilon	Wilmar Gavilon
Jock Carter	Newcastle Agri Terminal	Newcastle Agri Terminal
Geoff Honey	Grain Trade Australia	Grain Trade Australia

Observers

Peter Ottesen	DAFF
Des Naughton	DAFF
Roxy Auld	DAFF
Richard Weksler	ACCC
Kim Parker	ACCC
McGinness, Clare	ACCC
Kerry-Leigh Taylor	ACCC
Michael Eady	ACCC
Ben Smith-Stubbs	Minister's Advisor

Appendix 3

Extract from the Principles
**Publication of timely and accurate port
capacity information**
Agreed by the CDAC - 6 March 2013

CODE DEVELOPMENT ADVISORY COMMITTEE
Relating to the
PRESCRIBED MANDATORY CODE OF CONDUCT FOR PORT ACCESS
For
AUSTRALIAN BULK WHEAT SHIPMENTS

Port Access Code of Conduct

Code Development Advisory Committee (CDAC)

Extract from the Principles agreed by the CDAC - 6 March 2013

1 Background to the CDAC and the Principles

The Port Access Code Development Advisory Committee developed a set of Principles to give the Government industry based guidance on the content of the Code.

Importantly, this guidance takes into account the commercial imperatives for port access seekers and port terminal operators.

2 Terms of Reference - WIATF activities

The WIATF is tasked with, amongst other things, to:

b. provide options and advice on the most appropriate mechanisms to enable publication of timely and accurate port capacity information.

3 Extract from the Principles

The CDAC considered the above Term of Reference as part of its deliberations and agreed on the following terms which are an extract from the Principles submitted by the CDAC to Government.

Capacity Publication and Management

- *PTO's must publish on their public website:*

 - *On a weekly basis, the amount of Capacity at a port terminal that is currently available to be acquired for the export of grain for either a month, half month or week (each being a Shipping Window, as decided by the PTO).*
 - *On an annual basis, by no later than 1 August in a year, the amount of Capacity at a Port Terminal that the PTO reasonably expects to be available to be utilised for the export of grain from the following 1 October to 30 September (i.e. the upcoming season).*

- *Published Capacity is for the export of bulk cereal grains, oilseeds (excluding cottonseed) and pulses. Capacity to be determined as what the PTO wishes to make available to all Exporters (including its own related exporter).*
- *Publication of capacity management procedures is covered under the Continuous Disclosure Rules.*
- *PTO's and Exporters must comply with the Port Loading Protocols / Port Terminal Rules / Port Protocols.*

4 CDAC recommendation

That the WIATF accept the above Principle as the "most appropriate mechanisms to enable publication of timely and accurate port capacity information".

Appendix 4

Report from the sub-committee (information disclosure)

CODE DEVELOPMENT ADVISORY COMMITTEE

Relating to the

PRESCRIBED MANDATORY CODE OF CONDUCT FOR PORT ACCESS

For

AUSTRALIAN BULK WHEAT SHIPMENTS

CODE DEVELOPMENT ADVISORY COMMITTEE

Report from the sub-committee (information disclosure)

Background

The Code Development Advisory Committee (CDAC) agreed to establish a sub-committee to consider the scope and appropriate delivery mechanism for the disclosure of grain stocks information under the proposed mandatory code for port terminal access. A meeting of the sub-committee was convened on Thursday, 21 February 2013, under the guidance of professional facilitator, Tim Powell.

In considering the issue of grain stocks disclosure, the sub-committee had regard to a number of published industry reports relating to this subject matter. A range of views and policy positions were presented by attendees and observers during the course of the meeting, which have not been attributed to any individual or representative organisation for the purpose of this report.

The following recommendation to CDAC has been developed by consensus view of the sub-committee.

A list of meeting participants is attached to this report.

Scope

The sub-committee considered the characteristics of grain export supply chains from on-farm production, to the loading of bulk vessels at port, across different regions in Australia. The meeting identified a range of commercial up-country storage facilities operated by parties other than port terminal operators (PTOs), including:

- third party bulk handling companies
- private stores
- container packers
- growers (on-farm storage).

It was also acknowledged that significant stocks are held by domestic grain consumers (such as flour mills) in particular port zones, most notably in eastern Australia. The relationship between domestic stocks and the available exportable surplus becomes even more significant in drought events.

The group mapped key events in the commerce of the supply chain to help identify where information of value is created or could be disclosed. It was agreed this is a dynamic system where the events described may occur in different sequences, or may be repeated, or may not all occur in every supply chain.

The sub-committee identified two relevant categories of aggregated grain stocks information collected by grain storage providers along the supply chain:

- 1) Receivals – ticketed grain delivered by a grower to a commercial storage facility, in a defined harvest period.
- 2) Stocks on Hand – aggregate stock held in storage at a location/zone at a certain point in time.

As characteristics of grain export supply chains vary significantly between regions, reporting standards of either receipt or stocks on hand by port zone, would not be uniform across Australia if imposed exclusively on PTOs. Under this scenario all export oriented regions, particularly in Western Australia, would be forced to disclose aggregate positions on a larger proportion of grain stocks (up to 90% of production in some port zones) relative to the eastern states with a strong domestic market. This raised concerns about

potential market inefficiencies and risks of competitive distortions across port zones due to the absence of competing supply chains in these regions.

There was consensus in the meeting that the publishing of **stocks on hand at port terminal level was useful information and should be captured and published as part of the mandatory Code**. The meeting saw value in pursuing the publishing of stocks on hand by port zone, but as with receival data, this would have to apply to all supply chain participants in order to produce meaningful data.

For these reasons, the sub-committee formed the view that the Code may not be the most appropriate mechanism to require additional stocks information reporting by a port zone basis, due to the limited volume of stocks held at port by individual PTOs, as a proportion of the overall supply chain.

Mechanism

The sub-committee noted the binding obligations of the proposed mandatory prescribed Code will apply only to the providers of port terminal services, for the purpose of bulk wheat exports.

The sub-committee was cognisant of the Minister's desire for greater information disclosure regarding the tonnage and quality of wheat by port zone. It was agreed this will require the cooperation of all storage providers operating within a port zone, in addition to individual PTOs bound by the Code.

The sub-committee explored a range of possible delivery mechanisms to require additional stocks information to be made available by supply chain participants, including:

- Industry self-regulation – via the Australian Grains Industry Code of Practice, Trade Rules and / or Contract terms administered by Grain Trade Australia.
- Additional regulation – a new prescribed mandatory code of conduct for all grain storage operators to require the disclosure of stocks inventory, including stocks held on-farm of significant volume.
- Existing regulatory agencies – collection of grain stocks data by the Australian Bureau of Statistics (ABS) and / or Australian Bureau of Agricultural Resource Economics and Sciences (ABARES).
- Voluntary arrangements – individual bulk handling companies agreeing to extend existing voluntary reporting of grain receival statistics, to include parameters such as tonnes /commodity / grade / site and stocks-to-use data.
- Warehouse disclosure agreements – individuals authorising the disclosure of uncommitted stocks held in warehouse (ie. title retained) within a bulk handling facility.

After extensive deliberations, the sub-committee was not able to formulate an agreed recommendation for the appropriate mechanism for additional stocks information, outside of the agreed scope of the Code.

As with receival information, the meeting recommended the collection of stocks on hand information across the supply chain required the engagement of additional stakeholders and was a matter for consideration by the Wheat Industry Advisory Taskforce.

The sub-committee acknowledged the scope of the current access undertakings are similarly limited to services provided at ports in accordance with the 'access test' requirements of the *Wheat Export Marketing Act 2008*; and in approving the 2011 access undertakings, the Australian Competition and Consumer Commission (ACCC), had required each PTO respectively, to publish information on the tonnage and type of all commodities, as well as the top three wheat grades, held at port.

Accordingly, the sub-committee reached a consensus view that the stock information reporting obligations as outlined in the undertakings, should be continued under the proposed mandatory Code, and applied equally to all PTOs in the future. The sub-committee did not form a view on the nature of key performance indicators appropriate for the Code, but acknowledged this matter was under consideration by CDAC members.

Recommendations

The Code is an appropriate mechanism to establish formal obligations on all Port Terminal Operators (PTOs), to publish the same level of aggregated information relating to grain stocks held at port, at the same reporting frequency.

The Code should incorporate the following minimum mandatory requirements for the publication of stock information by all PTOs:

- Aggregate stocks of bulk wheat held at each port terminal (on a weekly basis);
- Aggregate stocks of barley and canola held at each port terminal (on a weekly basis);
- Aggregate stocks of any other bulk grains held at each port terminal (on a weekly basis); and
- The names of the three largest grades of bulk wheat (by volume) held at each port terminal (on a weekly basis).

In order to provide meaningful stocks information reporting by port zone; the sub-committee recommends that an alternative mechanism other than the Code, should be reviewed as a key priority by the Wheat Industry Advisory Taskforce, in accordance with its terms of reference.

MEETING PARTICIPANTS

Meeting of the sub-committee (information disclosure) held on Thursday, 21 February 2013

10:00 am – 3:30 pm

Viterra Head Office, 124 - 130 South Terrace Adelaide, South Australia

Attendees

Andrew Weidemann, Grain Producers Australia (GPA)

Angus Trigg, Graincorp Limited (proxy for Neil Johns)

Caroline Rhodes, Viterra Ltd

Georgie Aley, National Farmers' Federation (NFF)

John Snooke, Pastoralists and Graziers Association of Western Australia (PGA)

Karlie Mucjanko, CBH Group (proxy for Richard Codling)

Matt Albion, Queensland Bulk Terminals (QBT)

Rosemary Richards, Australian Grain Exporters Association (AGEA)

Observers

Darren Arney, Grain Producers South Australia (GPSA)

Mark Neo, CBH Group

Peter Ottesen, Department of Agriculture, Fisheries and Forestry (DAFF)

Roxy Auld, Department of Agriculture, Fisheries and Forestry (DAFF)

Facilitator

Tim Powell, Managing Director, Cox Inall Communications

Appendix 5

Independent Wheat Market Information Study Report GHD Pty Ltd

CODE DEVELOPMENT ADVISORY COMMITTEE
Relating to the
PRESCRIBED MANDATORY CODE OF CONDUCT FOR PORT ACCESS
For
AUSTRALIAN BULK WHEAT SHIPMENTS



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Independent Wheat Market Information Study

July 2011

With Australian Government funding for the ABARES/ABS market information project ending with the release of September 2011 data in November 2011, the Department of Agriculture, Fisheries and Forestry (DAFF) is funding an Independent Wheat Market Information Study (Report) to review market information needs. The study includes the development of options and recommendations for the long-term delivery of market information of benefit to the industry and is designed to help facilitate industry agreement on future arrangements and funding mechanisms that industry may wish to implement. Grain Growers Ltd has agreed to facilitate delivery of the project on behalf of DAFF. This report will contribute to a round table discussion with all major industry stakeholders invited to participate.

The study is being undertaken by GHD Pty Ltd (GHD). GHD has an extensive Australian business which serves clients in all market sectors including agriculture. Exclusively focused on delivering successful outcomes, GHD service clients in a collaborative network of more than 40 offices around Australia.

GHD and its servants, employees and officers otherwise expressly disclaim responsibility to any person other than Grain Growers Ltd arising from or in connection with this Report.

To the maximum extent permitted by law, all implied warranties and conditions in relation to the services provided by GHD and the Report are excluded unless they are expressly stated to apply in this Report.

The services undertaken by GHD in connection with preparing this Report:

- *were limited to those specifically detailed in section 1.1 of this Report;*
- *did not include undertaking consultation with all industry stakeholders.*

The opinions, conclusions and any recommendations in this Report are based on assumptions made by GHD when undertaking services and preparing the Report ("Assumptions"), including (but not limited to):

- *the information provided by interviewees is accurate*
- *the ABS cost estimates are indicative only.*

GHD expressly disclaims responsibility for any error in, or omission from, this Report arising from or in connection with any of the Assumptions being incorrect.

Subject to the paragraphs in this section of the Report, the opinions, conclusions and any recommendations in this Report are based on conditions encountered and information reviewed at the time of preparation and may be relied on until 1 January 2012, after which time, GHD expressly disclaims responsibility for any error in, or omission from, this Report arising from or in connection with those opinions, conclusions and any recommendations.

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Executive Summary

GHD was contracted to undertake an independent study of the provision of wheat market information in Australia.

The study involved a broad assessment of the market information currently available through public and commercial domains, combined with a review of the information requirements of different industry stakeholders, and the subsequent identification of information gaps.

The study analyses the adequacy of the current *Wheat Market Information Project* (the project) provided by the Australian Bureau of Statistics (ABS) and the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) in meeting industry information requirements.

A range of funding and delivery options were assessed, for industry to facilitate the delivery of market information given the cessation of government funding for the project in September 2011. Broadly industry can choose to recontract ABS and ABARES to continue their respective surveying and publication roles. Alternatively industry could choose to take on some or all of the surveying and publication roles.

The study involved desktop analysis combined with telephone and written survey consultation with relevant industry and government stakeholders.

Broadly, the study found the large majority of industry stakeholders to be satisfied with the availability of the following market and production information;

- ▶ Farm profile data
- ▶ Area Planted
- ▶ Expected Yield
- ▶ Actual yield
- ▶ Domestic use
- ▶ Exports
- ▶ Exports (by destination)
- ▶ Carry in (new stock)
- ▶ Carry out (old stock)
- ▶ Port capacity
- ▶ Domestic prices
- ▶ International price

The study found the cessation of the current ABS/ABARES project will result in considerable information gaps. In fact, to meet industry demands in this area, the current ABS/ABARES project would need to be improved through the following measures:

- ▶ Reduced lag-time in collection and publishing the data
- ▶ Improved accuracy of the estimates
- ▶ Provision of data aggregated by port zone/storage location
- ▶ Provision of data aggregated by grain class
- ▶ Provision of comparable stocks data for other grains.

Conversely, the study found the monthly domestic use estimates, provided through the current ABS/ABARES project, to be underutilised. Industry generally believes these estimates could be provided on a quarterly basis, as monthly variations are usually very small (0-4%).

Industry is increasingly relying on commercial forecasters and other information service providers to fill information gaps. However this study found that service providers such as Profarmer and Australian Crop Forecasters (ACF) are heavily reliant on the current ABS/ABARES project to form a basis for more detailed analysis. As such these service providers cannot be considered a direct replacement for the ABS/ABARES project.

Further market information is also being provided by the large bulk handling companies as required by port terminal service access undertakings. In addition to daily shipping stem data, bulk handling companies are required to report information including stocks held at port (wheat vs. other grains), cargo nominations and nominated monthly export capacity.

To meet the information gaps identified in this study the following delivery and funding options were considered:

Delivery Options	Funding Options
<ul style="list-style-type: none"> ▶ ABS (current service provider) ▶ Wheat Exports Australia (WEA) ▶ Grains Research and Development Corporation (GRDC) ▶ Grain Trade Australia (GTA) ▶ GrainGrowers (GG) ▶ National Grower Register (NGR) ▶ Private Service Provider ▶ Hybrid delivery options 	<ul style="list-style-type: none"> ▶ Wheat Export Charge (WEC) ▶ Grains Research and Development Corporation (GRDC) ▶ Co-contributions from industry bodies (e.g. GrainGrowers, Grain Trade Australia etc.) ▶ User pays

In addition to the above survey delivery options, industry has the option of recontracting ABARES to continue to publish the monthly report, or choose to publish the collected data by other means

The study found the ABS to be a more expensive delivery option than the other industry/private service providers. Furthermore the ABS is less able to adjust its survey process to address the gaps identified in this study, particularly the industry's request for reduced lag time. However the study also found that the ABS holds a considerable advantage over other delivery options, as it has regulatory powers to ensure survey participation.

An analysis of the current ABS/ABARES project shows that the most cost effective surveys are the *Bulk Handler Stocks Survey* and *Wheat Export Sales Surveys*, which estimate approximately 75% of total stocks and 88% of total use respectively. The remaining stocks and use data is provided by the *Wheat Use Survey* which is by far the most expensive as it involves a large sample of growers and domestic users.

To facilitate the provision of market information into the future, this study provides recommendations for transitional arrangements (2011/12 marketing year) and long term-arrangements (2012/13 marketing year and beyond).

To deliver the survey elements of the project in the short-term, industry should seek to contract ABS to continue the *Bulk Handler Stocks* and *Wheat Export Sales* surveys for the 2011/12 marketing year. To facilitate the *Wheat Export Sales Survey* industry should seek to contract a private service provider, such as the National Grower Register (NGR).

Beyond the 2011/12 marketing year industry should seek to transition the *Bulk Handler Stocks* and *Wheat Export Sales Surveys* from ABS to a NGR or another private service provider. In doing so, industry should investigate measures to maintain/improve participation rates through the negotiation of individual release agreements.

ABARES should be contracted to continue to publish the Australian Wheat Supply and Exports Monthly Report, incorporating the survey data collected and export figures obtained through Australian Customs.

This study found the only viable option for short-term funding was to seek co-contributions from industry bodies, including GrainGrowers (on behalf of growers) and GTA (on behalf of the broader industry). Additional contributions should be sought from other industry bodies representing grain users (e.g. Meat & Livestock Australia, Dairy Australia, Australian Pork Limited and the Australian Chicken Meat Federation).

In the longer-term industry should seek to establish funding under a GRDC research project, with appropriate contributions from other sections of the industry. As a secondary option, industry could seek to broaden the roles and responsibilities of WEA (assuming this organisation is not abolished) to allow the Wheat Export Charge (WEC) to fund the project.

1. Introduction

Wheat market information is aggregated production, use, stocks and price data which is used by industry to inform marketing decisions.

Since the removal of the single desk marketing arrangements in Australia, aspects of this information have been funded by the Federal Government through the *ABS/ABARES Wheat Market Information Project* (the project). This information is provided in addition to the standard agricultural commodity statistics and information provided by the ABS and ABARES. In July 2010 the Productivity Commission (PC) recommended that industry take responsibility for funding this project.

1.1 Project Scope

The project terms of reference required that the review include:

- ▶ An update of relevant developments since the 2008 Wheat Industry Expert Group (WIEG) recommendations on market information requirements and delivery.
- ▶ A review and stocktake of all relevant market information currently available to the industry, including the range of commercial and public information sources that growers can access, and identification of any potential gaps in this information that the industry should be receiving.
- ▶ Advice on the adequacy of the current ABS/ABARES project.
- ▶ A detailed breakdown of the costs of continuing the current ABS/ABARES project.
- ▶ Advice on how industry could adopt (with options) and build on the ABS/ABARES project in areas such as information coverage and timeliness to help deliver appropriate long-term arrangements or other delivery options that industry could implement.
- ▶ Advice on any constraints that could preclude delivery of these arrangements.
- ▶ Advice on the costs involved and provision of appropriate examples of funding models to support the provision of market and industry information in the short-term and their feasibility in the long-term.

1.2 Background

1.2.1 Wheat Industry Expert Group recommendation

In April 2008 the Wheat Industry Expert Group (WIEG) produced a report to the Hon Tony Burke MP, Minister for Agriculture, Fisheries and Forestry, titled *The Provision and Transition of Industry Development Functions for the Australian Wheat Industry*. This was in response to the Commonwealth Government's request for the WIEG to "advise on the transition and provision of industry development functions as part of the reforms to the Australian export wheat marketing system" (WIEG, 2008).

The WIEG made a series of recommendations regarding the development of the industry. The one with specific relevance to wheat market information was:

- ▶ Recommendation 5: Information Provision

The lead agency in providing information would be the Australian Bureau of Agricultural and Resource Economics (ABARE), which in conjunction with the Australian Bureau of Statistics (ABS) and other agencies as required, would publish monthly base information covering:

- Production (forecast and actual) – by tonnes by major classification by state;
- Committed and uncommitted wheat (excluding trading stocks) by tonnes by major classification by state; and
- Exports – commodity by tonnes by destination by state, both in containers and in bulk.

The information on the amount of wheat available for purchase would be collected and collated by ABS. If the costs of this data collection are prohibitive the Government may wish to reassess what information is collected. However, the WIEG is of the view that with proper use of automated electronic forms and careful assessment of the number of participants needed to ensure a high degree of accuracy, the cost should be able to be managed at an acceptable level.

The ABS should perform this collection and collation of this information under its mission to assist and encourage informed decision making, research and discussion within governments and the community, by leading a high quality, objective and responsive national statistical service.'

In addition, ABS should continue to collect export data in conjunction with the Australian Customs Service (Customs).

ABARE would coordinate the collation of its production data and the information collected by ABS. It would release a report distributing this base information on a monthly basis.

1.2.2 ABS/ABARES wheat market information project

In response to the above recommendation, the ABS and ABARES released the first *Australian Wheat Supply and Exports Monthly* report in February 2009. The report combines information from the ABS (*Stocks of Grain Held by Bulk Handling Companies and Grain Traders* and *Wheat Use and Stocks, Australia*) and ABARES to estimate wheat usage, export sales and grain handlers' stocks. This information is then analysed with ABARES' wheat production forecasts to estimate the volume of wheat available.

The government invested \$3.83 million over three years for the project, with the final monthly report due for release in November 2011.

For a period of time the project was extended to include other grains such as barley and selected other grains and pulses. This aspect of the project was funded by a coalition of feed grain industry groups, known as the Feed Grain Partnership. However after a review of the various associated collections and changing data needs amongst key clients, collection of these data was ceased. The final updated estimates appeared in the March 2011 issue of this publication.

1.2.3 Productivity Commission report

In September 2009 the Productivity Commission was requested by the Assistant Treasurer to undertake an inquiry into wheat export marketing arrangements. The inquiry sought to ~~ass~~ess the operation of the current wheat export marketing arrangements, including the costs and benefits, and

inform the Australian Government on the effectiveness of the arrangements” (Productivity Commission, 2010).

In July 2010 the Productivity Commission released its inquiry report. With respect to information provision, the report concluded:

- ▶ The government, through ABS and ABARE, should continue to provide core, long-term wheat market information in line with what is currently provided by these agencies for other Australian grains and agricultural commodities.
 - For other Australian grains ABARES provides historical annual calculations of stocks and use, as well as quarterly updated forecasts during the year. Stocks and use figures are not broken down by state.
- ▶ The cessation of government funding provided to the ABS and ABARE for additional wheat data collections and publications on 30 June 2011 is appropriate.
- ▶ The ABS is well placed to continue providing stocks information by state (Productivity Commission, 2010).

Furthermore, the Productivity Commission recommended:

The Commission sees value in the provision of stocks information by state to support the effective operation of the domestic and export wheat markets. However, if the industry wants this information, it should pay for it. The most efficient approach to funding this information would be via an existing compulsory industry levy. Specifically, the GRDC levy collection framework appears to be the most practical and cost-effective option for funding stocks information by state.¹

1.2.4 Other developments within industry

Port terminal services access undertakings

Since the introduction of the Wheat Export Marketing Act 2008², vertically integrated wheat exporters/bulk handling companies have been required to pass an 'access test', which can be achieved through acceptance of the port terminal services access undertakings by the Australian Competition and Consumer Commission (ACCC).

On 29 September 2009 the ACCC accepted port terminal access undertakings from bulk handling companies (BHCs) Co-operative Bulk Handling Ltd (CBH), ABB Ltd (now Viterra) and GrainCorp Operations Ltd (GrainCorp). This year the ACCC is considering a new application from Australian Bulk Alliance (ABA) while accepting renewed lodgements from GrainCorp, Viterra and CBH.³

In accepting these undertakings the ACCC requires bulk handling companies to make certain stocks and shipping information publically available.

The most recent undertaking accepted by the ACCC (GrainCorp), requires the company to disclose the following on its website:

¹ Productivity Commission 2010, *Wheat Export Marketing Arrangements*, Report no. 51, Canberra.

² Wheat Export Marketing Act 2008, (Cwth)

³ Australian Competition and Consumer Commission (<http://www.accc.gov.au/content/index.php/html/itemId/846439>), accessed 30 June 2011.

Monthly Basis

- ▶ Total stocks of bulk wheat held at each Port Terminal;
- ▶ Total stocks of all other grain held at each Port Terminal on an aggregated basis;
- ▶ Cargo nominations; and
- ▶ Nominated monthly export capacity.

Daily Basis

- ▶ Details of any booking applications that it receives for the export of grain including:
 - The name of the exporter; and
 - The volume of grain to be exported.
 - The Shipping Stem (a log of export grain movements and associated details) must be updated each Business Day.⁴

1.3 Structure of this report

- Chapter 2 Outlines the methodology used to undertake the analysis.
- Chapter 3 Provides a stocktake of all relevant market information that is currently available to industry and includes a full explanation of the ABS/ABARES project and associated survey activities.
- Chapter 4 Provides an assessment of the different information and data needs within the industry.
- Chapter 5 Identifies potential gaps in information.
- Chapter 6 Provides a comparative analysis of how different industries approach the collection of market information.
- Chapter 7 Presents the options for industry delivery and funding of market information collection, including analysis of potential costs and other constraints.
- Chapter 8 Provides recommendations for future market information provision arrangements.

⁴ Australian Competition and Consumer Commission, *GrainCorp Operations Limited: Port Terminal Services Access Undertaking Decision to Accept*, 22 June 2011.

2. Methodology

2.1 Overview of approach

A five-phase approach was adopted to complete the project:

- ▶ **Phase 1 – Review:** a stocktake of relevant sources of market information was undertaken including public and commercial data sources.
- ▶ **Phase 2 – Consultation:** Telephone and written survey consultation was carried out with relevant industry stakeholders to determine the information needs, potential gaps, opportunities and constraints to industry delivery. Relevant government stakeholders were also consulted to better understand the current service delivery and explore the operational and regulatory constraints. A full list of stakeholders contacted is provided in Appendix A.
- ▶ **Phase 3 – Analysis:** based on the information collected during Phase 2, the costs associated with industry funded information provision were analysed. The adequacy of current information provision was considered in more depth including a range of delivery and funding options for increased industry involvement.
- ▶ **Phase 4 – Reporting of recommendations:**

A final report was prepared outlining how the industry could best deliver market information after November 2011, following the final report of the *ABS/ABARES Wheat Market Information Project*.
- ▶ **Phase 5 – Presentation of results at roundtable meeting:** The results and recommendations will be presented to industry stakeholders at a roundtable meeting. The aim of the meeting will be to seek industry agreement on future long-term arrangements for the provision of market information.

3. Available Market Information

3.1 Overview

This chapter describes the market information that is currently available in the public and commercial domains, including a full explanation of the ABS/ABARES project.

3.2 Public sources

3.2.1 *ABS Agricultural Census (every 4 years)*

The *ABS Agricultural Census* is a survey of approximately 175,000 agricultural businesses across Australia, conducted every 4 years. In addition to general information regarding land use, farm size, business structure etc. the census also provides information on the area and production of cereal crops harvested during the most recent cropping year. Information regarding livestock numbers is also used to assess domestic feed grain demand.

3.2.2 *ABS Agricultural Resource Management Survey (annual)*

ABS conducts an annual survey of agricultural enterprises to estimate production information, planting intentions and other data. The survey underpins much of the ABARES production and use estimates.

3.2.3 *ABARES commodities reports (quarterly and annual)*

ABARES releases quarterly commodity reports which include a dedicated wheat section. The report brings together data and analysis from both the Australian and global wheat markets, including:

- ▶ Production forecasts,
- ▶ Crop condition and yield forecasts,
- ▶ Stocks,
- ▶ Consumption,
- ▶ Impacts from substitute grain markets.

The ABARES Australian Commodity Statistics Report is an annual record of historical wheat statistics including:

- ▶ Production (area, yield, volume and value by state)
- ▶ Exports (destination, volume, value and price by category)
- ▶ Domestic use
- ▶ Supply and demand
- ▶ Prices.

3.2.4 ABARES Australian Crop Report (quarterly)

ABARES produces a quarterly crop report which draws on the *ABS Wheat Use and Stocks* data and a range of other sources including production and climatic data. The report provides the following information:

- ▶ Crop condition (by state)
- ▶ Yield (actual and forecast by Shire)
- ▶ Stocks
- ▶ Use (by flour, seed and residual)
- ▶ Carry over
- ▶ Prices

3.2.5 ABS Wheat Use and Stocks Project

Wheat Use and Stocks, Australia (monthly)

This publication provides monthly estimates of stocks and use of wheat grain for selected manufacturing and agricultural businesses, licensed exporters and bulk grain handlers. These estimates are compiled from various surveys conducted by the ABS, including the *Bulk Handlers Stocks Survey*, *Wheat Use Survey*, *Wheat Export Sales Survey*, and from customs data relating to wheat grain exports. Estimates from the surveys are combined with export trade data to provide monthly estimates of the volume of wheat grain stored, used, or committed for use.

The main outputs are as follows:

- ▶ **Wheat Grain Stored:** Stocks of wheat grain stored by bulk grain handlers and wheat users at month end for Australia and states and territories.
- ▶ **Wheat Grain Used:** Wheat grain domestic usage and wheat grain exports during the month for Australia and states and territories.
- ▶ **Wheat Grain Committed:** Wheat grain committed for domestic use and wheat grain committed for export at the month end for Australia and states and territories.

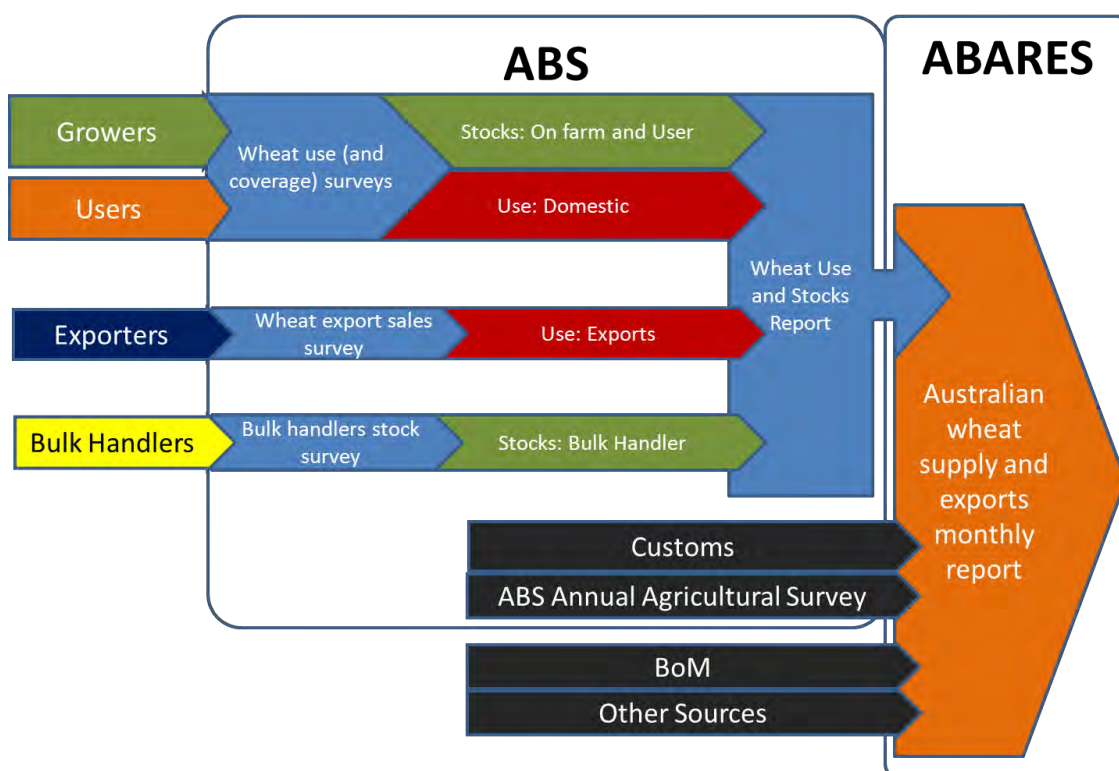
ABARES uses the data in this publication to prepare a monthly report on the Australian wheat industry.

Table 1 below provides a summary of the four surveys which underpin the ABS Wheat Use and Stocks project while Figure 1 depicts the flow of information within the project.

Table 1 ABS Wheat Use and Stocks

Survey	Frequency	Sample Size	Lag time	Output
Bulk Handlers Stocks Survey	Monthly	>10	4 weeks	Committed and uncommitted stocks held
Wheat Use Coverage Survey	Annual	3000	4 weeks	Committed and uncommitted stocks held
Wheat Use Survey	Monthly	About 1000	5 weeks	Committed and uncommitted stocks held
Wheat Export Sales Survey	Monthly	About 50	4 weeks	Planned exports

Figure 1 ABS/ABARES survey and reporting process



► **Bulk Handlers Stocks Survey**

This survey covers all major bulk grain handlers, assessing stocks on hand and committed stock.

► **Wheat Use Coverage Survey**

The *Wheat Use Coverage Survey* is conducted on an annual basis to establish a representative sample of approximately 1,000 businesses from which to base the monthly Wheat Use Surveys.

The *Wheat Use Coverage Survey* is incorporated into the ABS annual Agricultural Resource Management Survey through the inclusion of a small number of questions regarding wheat use.

Wheat using businesses are identified from the ABS' Business Register (ABSBR), which is sourced from the Australian Business Register (ABR). This register is administered by the Australian Taxation Office (ATO).

► **Wheat Use Survey**

The *Wheat Use Survey* is completed on a monthly basis to determine stocks and use figures, for both growers and users (animal feedlot operators, dairy operators and manufacturers).

A minimum response rate of at least 90% is generally achieved for the monthly wheat collections.

► **Wheat Export Sales Survey**

The *Wheat Export Sales Survey* provides an assessment of wheat exporters' contracts for future wheat grain exports. Data is collected on the basis of the state where the wheat grain is sourced, and then aggregated to derive Australian totals.

The *Wheat Export Sales Survey* provides an estimate of expected future exports; however the ABS and ABARES also have the ability to access actual export data from the Australian Customs Service.

3.2.6 ABARES Australian Wheat Supply and Exports Report (monthly)

This report is the main output from the ABS *Wheat Use and Stocks* project. The report republishes data from the ABS publication in a more user-friendly format, and with some general analysis of trends.

The report builds on ABS data for wheat exports by drawing on customs data to provide a breakdown of exports by destination country and export method (bulk vs. bags/containers).

The ABARES report does not quote the ABS figures for domestic use and stocks verbatim. This is because the ABS figures assess both domestic use and stocks based on a survey approach; as a result the figures do not provide a balanced wheat use and stocks equation. To provide a balanced equation ABARES chooses what it considers the most accurate estimate (domestic use or domestic stocks) and adjusts the other estimate to equal the residual.

3.3 Commercial sources

3.3.1 Price data

Domestic and international price data is readily available in real time through the following sources including:

- Buyers websites,
- Marketing service providers, and
- Media outlets.

In addition ABARES compiles historical price data for publication.

3.3.2 Shipping Stem Data

The bulk wheat export accreditation scheme established under the *Wheat Export Marketing Act 2008* (Act)⁵ requires bulk handlers operating export facilities to publish 'shipping stem' information on their website each business day. This information includes the quantity of wheat to be loaded from each terminal and also the ship name. These requirements do not apply to wheat exported in bags or containers less than 50 tonnes.

3.3.3 Stocks at Port and Port Capacity

In addition to the publication of shipping stem data, bulk handlers are required to publish monthly data so as to satisfy access agreements. This data includes the following:

- ▶ Total stocks of Bulk Wheat held at each Port Terminal;
- ▶ Total stocks of all other grain held at each Port Terminal on an aggregated basis;
- ▶ Cargo nominations; and
- ▶ Nominated monthly export capacity.

3.3.4 Forecasters and other private service providers

A range of private companies are servicing the industry through the provision of market information and forecasts. Services provided range from:

- ▶ Weather information.
- ▶ Production forecasts/information.
- ▶ Estimates of stocks,
- ▶ Analysis and interpretation of shipping activity, and
- ▶ Marketing information/advice.

Service providers operating in this area draw on a range of secondary information sources, some of which are publically available (e.g. ABS, ABARES, Bureau of Meteorology, USDA, satellite mapping services etc). Service providers are heavily reliant on ABS and ABARES stocks and use figures, which are used as a basis for more detailed analysis.

In addition some of these service providers utilise their strong grower subscription numbers to survey production and market information.

Recently there has been considerable consolidation of service providers operating in this market with the New Zealand based company NZX Pty Ltd (NZX) acquiring Profarmer, Australian Crop Forecasters and the Callum Downs Newsletter.

Despite the consolidation of ownership NZX has continued to offer the Profarmer Australia and ACF services independently. However the intelligence within the companies has been combined into a single unit, producing a single set of estimates and forecasts.

Australian Crop Forecasters (ACF)

ACF provides the following standard monthly services:

⁵ *Wheat Export Marketing Act 2008*, (Cwth) s 24.

- ▶ **Crop production forecasts and condition reports:** Monthly estimates are provided by regional areas within the grain belt, based on ABS statistical divisions.
- ▶ **Rainfall and climate monitoring and analysis:** Estimates are provided from 256 weather stations across the grain belt.
- ▶ **Supply and demand analysis:** estimates demand of milling, malting, industrial users by crop by state, and demand of stockfeed by region and livestock species.

In addition to the monthly services above, ACF provides more frequent, real-time forecast updates in response to changing market and climatic conditions.

Most ACF subscribers are grain traders and buyers, many of which are based overseas.

Profarmer Australia

Profarmer provides a similar service to ACF, but slightly more targeted to farming clients. Services are centred on price forecasting, analysis and marketing advice. Annual grower subscriptions start at \$689 and Corporate subscriptions at \$1535 per annum.

ACF and Profarmer Australia rely heavily on the ABS stocks and use data to formulate their estimates and advice.

Table 2 below provides a summary of the available information sources separated by source, frequency and other characteristics.

Table 2 Overview of available information sources

Data	Annual	Quarterly	Monthly	Daily	Volume Committed	By State	By Grade	By Port Zone	By Regional Location	Lag Time below 2 weeks	Barley and other grains		
Area Planted	Government provided	Government provided	Industry provided (free)			Industry provided (for fee)			Industry provided (for fee)	Industry provided (for fee)	Government provided		
Expected Yield			Industry provided (free)							Industry provided (for fee)	Industry provided (for fee)	Government provided	
Actual yield			Industry provided (free)							Industry provided (for fee)	Industry provided (for fee)	Government provided	
Domestic prices					Industry provided (free)	Industry provided (free)		Industry provided (for fee)	Industry provided (for fee)		Industry provided (for fee)	Industry provided (for fee)	Industry provided (for fee)
International prices					Industry provided (free)	Industry provided (free)					Industry provided (for fee)	Industry provided (for fee)	Industry provided (for fee)
Carry in (new stock)					Industry provided (free)			Industry provided (for fee)			Industry provided (for fee)	Industry provided (for fee)	Government provided
Carry out (old stock)					Industry provided (free)			Industry provided (for fee)			Industry provided (for fee)	Industry provided (for fee)	Government provided
Stocks held by bulk handlers					Industry provided (free)		Industry provided (free)	Industry provided (for fee)					
Stocks held by growers					Industry provided (free)		Industry provided (free)	Industry provided (for fee)					
Stock held by domestic users					Industry provided (free)		Industry provided (free)	Industry provided (for fee)					
Domestic use					Industry provided (free)		Industry provided (free)	Industry provided (for fee)					Government provided
Exports					Industry provided (free)		Industry provided (free)	Industry provided (for fee)					
Exports by destination					Industry provided (free)								Government provided
Shipping stem			Industry provided (for fee)	Industry provided (for fee)	Industry provided (free)	Industry provided (free)					Industry provided (for fee)	Industry provided (for fee)	
Stocks at port and port capacity			Industry provided (for fee)	Industry provided (for fee)	Industry provided (free)						Industry provided (for fee)	Industry provided (for fee)	
Key	Government provided	ABS/ABARES project (to be discontinued)	Industry provided (free)	Industry provided (free)	Industry provided (for fee)	Industry provided (for fee)							

4. Industry information demands

Based on consultation with industry stakeholders, this section provides an assessment of the different information and data needs of each section of the industry, and also an analysis of the purposes for which the information is used. Table 3 below provides an assessment of the extent to which different sections of the industry rely on the information sources identified in Section 3.

Table 3 Information users

	<i>Marketing Purposes</i>				<i>Statistical Purposes</i>
	Growers	Bulk Handlers	Traders/ Exporters	Domestic Grain Users	Industry R&D*
Farm profile data	✓	✓	✓	✓	✓ ✓ ✓
Area Planted	✓ ✓	✓ ✓ ✓	✓ ✓ ✓	✓ ✓	✓ ✓ ✓
Expected Yield	✓ ✓	✓ ✓ ✓	✓ ✓ ✓	✓ ✓	✓
Actual yield	✓ ✓	✓ ✓ ✓	✓ ✓ ✓	✓ ✓	✓ ✓ ✓
Domestic prices	✓ ✓ ✓	✓ ✓ ✓	✓ ✓ ✓	✓ ✓ ✓	✓ ✓
International prices	✓ ✓ ✓	✓ ✓ ✓	✓ ✓ ✓	✓ ✓ ✓	✓ ✓
Carry in (new stock)	✓ ✓ ✓	✓ ✓ ✓	✓ ✓	✓ ✓ ✓	✓ ✓
Carry out (old stock)	✓ ✓ ✓	✓ ✓ ✓	✓ ✓	✓ ✓ ✓	✓ ✓
Stocks held by bulk handlers	✓ ✓ ✓	✓ ✓	✓ ✓ ✓	✓ ✓ ✓	✓ ✓
Stocks held by growers	✓ ✓ ✓	✓ ✓	✓ ✓ ✓	✓ ✓ ✓	✓
Stock held by domestic users	✓ ✓ ✓	✓ ✓	✓ ✓	✓ ✓ ✓	✓
Domestic use	✓ ✓	✓ ✓ ✓	✓ ✓ ✓	✓ ✓ ✓	✓ ✓
Stocks committed for domestic use	✓ ✓ ✓	✓ ✓	✓ ✓ ✓	✓ ✓ ✓	✓
Exports	✓ ✓	✓ ✓	✓ ✓ ✓	✓ ✓	✓ ✓ ✓
Exports (by destination)	✓	✓ ✓	✓ ✓ ✓	✓	✓ ✓ ✓
Volume committed for export	✓ ✓ ✓	✓ ✓	✓ ✓ ✓	✓ ✓ ✓	✓
Shipping Stem	✓	✓ ✓ ✓	✓ ✓ ✓	✓	✓
Stocks at Port and Port Capacity	✓	✓ ✓ ✓	✓ ✓ ✓	✓ ✓	✓

Key: (no ticks) Never Used, ✓ = rarely used, ✓ ✓ Sometimes used, ✓ ✓ ✓ Often used

* Includes all R&D carried out by industry and government (GRDC, government, universities etc).

The results presented in Table 3 are expanded and discussed below.

4.1 Marketing information requirements

The information required for industry participants to make marketing decisions depends greatly on the individual or company's marketing strategy and approach. For many participants, price is the only relevant information on which to base marketing decisions. Other participants require additional information regarding supply, demand and stocks (fundamentals) to inform marketing decisions. Regardless of the different information demands, all participants require information to be current to enable them to respond to rapidly changing market conditions.

4.1.1 Grower information requirements

There is broad belief amongst growers that they would benefit from the provision of more market information. Growers generally concede that they are 'price-takers' and therefore the desire for more information disclosure is less to inform their own marketing decisions, but to encourage more competition for their grain.

The information growers most desire is the quality and quantity of stocks in storage locations (regional and port). Growers believe this information would make the market more competitive and efficient by helping traders realise the full value of the Australian wheat crop.

Growers generally believe they should have the option to disclose the details of their wheat, whether it be on farm or in off-site locations.

There is a mixture of views amongst growers about the usefulness of the *ABS/ABARES Wheat Market Information Project*. Growers support the continuation of the project, however believe information should be provided with a reduced lag-time and more detail including stocks and use by port zone and wheat class.

Growers do not object to providing ABS with stocks and use data through the ABS survey process, however there is a belief that this data could be collected/ estimated in a more accurate and less expensive manner.

4.1.2 Bulk handling company information requirements

Bulk handling companies support the provision of general stocks and use information for research and historical purposes, however do not believe this information should be provided in a way which undermines the competitive advantage of industry players. Bulk handlers generally believe that forced disclosure of market information undermines the competitive positions of all market participants.

Bulk handlers generally do not rely on ABS stocks and use data for marketing decisions. Bulk handlers believe the ABS data only provides a "partial picture" of the market place and is too infrequent and dated to inform day to day marketing decisions.

4.1.3 Traders and exporters information requirements

Traders, accumulators and exporters are highly dependent on stocks and use information. The ABS stocks and use report, along with other ABS and ABARES publications, are regularly utilised by these sections of the industry. However other private information sources are used to inform short-

term marketing decisions. These service providers are seen to deliver more current estimates and data, which can be tailored to the customer's individual needs.

Traders, accumulators and exporters believe the provision of more information would increase competition and improve market efficiency. Specifically this section of the industry would like to see stocks aggregated by:

- ▶ Committed and uncommitted status,
- ▶ Port zone or specific storage location, and
- ▶ Class.

Traders and exporters would also benefit from the provision of more timely stocks and use data for barley and other crops, to compare with the wheat figures.

4.1.4 Domestic wheat user information requirements

Domestic wheat users (including millers, feedlots, piggeries, dairy operators etc.) seek more timely and accurate stocks information. This information becomes particularly important in times of drought when available wheat stocks become low and these industries attempt to determine where wheat is available in Australia, and if stocks need to be imported. In the absence of accurate and timely stocks information, domestic wheat users believe speculation occurs which they feel is damaging to their industries.

Domestic feed wheat users would like to see wheat use and stocks updates available on a weekly basis in times of drought, and extended to cover other feed grains including barley and maize.

4.1.5 Managing information asymmetry and disclosure

Information asymmetry is present when one market participant has access to more information than others; providing a clear advantage. Just as perfect competition is never achieved, information asymmetry is present in all markets and to some degree is necessary to maintain competitive interest. Information is property, and therefore requiring participants to disclose information is equivalent to removing property rights, which can lead to market failure.

Just as complete disclosure can lead to market failure, so to can lack of information. Therefore a minimum level of disclosure is considered necessary to maintain competitive interest in a market. This information allows smaller and outside players to participate in the market without encountering high transaction costs.

Industries and markets regularly self-regulate to ensure sufficient information is disclosed to enable markets to function efficiently and avoid market failure. A common example includes stock exchange trading rules.

The PC inquiry found that the provision of market information is of broad benefit to the Australian wheat industry, supporting the day-to-day operation of the market.

4.2 Industry research and development information requirements

Information is an important input to research and development (R&D) carried out by industry and government. The information is used to perform long-term historical analysis, inform future policy

development, industry investment and planning. This information is required less frequently than marketing information and lag time becomes less critical.

In conclusion, there are a range of information demands within industry and also a range of views as to the benefits of information disclosure. However generally the industry believes the provision of more market information would be of broad benefit by improving market efficiency and aiding decision making.

More specifically the industry believes the information outputs from the current ABS/ABARES project are required into the future. These information outputs could be enhanced with added detail and improved delivery.

5. Gap Analysis

An analysis of the information currently provided by public and private service providers (outlined in section 3) and the information sought by industry (outlined in section 4) has identified a number of gaps.

The results of this analysis are discussed below and presented in Table 4 over page, which shows the information demands overlayed on the previous available information analysis in Table 2.

5.1 Sufficient information

Overall industry is satisfied with the provision of information in the following areas:

- ▶ Farm profile data
- ▶ Area Planted
- ▶ Expected Yield
- ▶ Actual yield
- ▶ Domestic use
- ▶ Exports
- ▶ Exports (by destination)
- ▶ Carry in (new stock)
- ▶ Carry out (old stock)
- ▶ Port capacity
- ▶ Domestic prices
- ▶ International prices

5.1.1 Price information

Naturally, price is by far the most critical information affecting marketing decisions. Improved information and communication technologies have made price information more timely and available through a range of mediums. As a result industry participants are generally satisfied with the availability of price information through the private sector (buyers, forecasters and the media).

However the industry still sees ABARES playing an important role in providing historical price information for the domestic and international markets.

Some industry participants contend that in a competitive marketplace, price is the only information of any consequence to marketing decisions.

Table 4 Gap Analysis

Data	Annual	Quarterly	Monthly	Daily	Volume Committed	By State	By Grade	By Port Zone	By Regional Location	Lag Time below 2 weeks	Barley and other grains
Area planted	■	■	■			■	■		■	■	■
Expected yield			■					■	■		
Actual yield			■								
Domestic prices			■	■		■	■		■	■	■
International prices			■	■					■	■	■
Carry in (new stock)			■			■				■	■
Carry out (old stock)			■			■				■	
Stocks held by bulk handlers			■		■	■	■	■		■	■
Stocks held by growers			■		■	■	■	■		■	■
Stock held by domestic users			■		■	■	■	■		■	■
Domestic use			■		■	■	■				■
Exports			■		■	■	■		■	■	
Exports by destination											■
Shipping stem	■	■	■	■					■	■	
Stocks at Port and Port Capacity	■	■	■						■	■	
Key	■ Government provided	■ ABS/ABARES Project (to be discontinued)			■ Industry provided (free)	■ Industry provided (for fee)	■ Information Demands				

5.2 Insufficient information

Table 4 above presents the improvements suggested by industry during consultation. All suggestions concern the availability of stocks data with improvements involving;

- ▶ Reducing lag-time in collection and publishing of data
- ▶ Improving accuracy of the estimates
- ▶ Provision of data aggregated by port zone location
- ▶ Provision of data aggregated by grain class
- ▶ Provision of comparable stocks data for other grains.

In short, many industry participants would like to see stocks information readily available in a range of formats, to allow buyers/traders to understand exactly where a particular class of wheat is located, in order to facilitate transactions.

5.2.1 Reduced time lag

Broadly industry would like to see the stocks information provided with a reduced lag time. Many industry participants believe aggregated stocks information should be able to be provided with a greatly reduced lag time, given the increased flow of real-time data within the industry.

The 5 week lag time significantly devalues the stocks committed for export estimates, particularly considering the ABS and ABARES have real-time access to customs data aggregated by port zone

The ABS/ABARES project presents data aggregated by state only. To inform marketing decisions, the industry would require this information further broken down by port zone.

5.2.2 Aggregated by grade

Many industry participants believe they would benefit from access to stocks information aggregated by class. This aggregation would enable buyers to more easily understand the supply-side opportunities in the market.

5.2.3 Inclusion of other grains

Many industry participants (particularly traders, exporters, and domestic users) believe there is a considerable gap in data concerning other grains and oilseeds.

The lack of stocks and use data for barley is seen as a major disadvantage considering it is a major export commodity. Further data is also sought for canola, sorghum and other feed grains. This lack of data prevents comparative analysis of wheat with other substitute and competing grains.

5.3 Under-utilised information

The analysis found that some information is being collected without being fully utilised by industry.

5.3.1 Monthly Domestic Use

Domestic use figures are important for both long-term marketing and research purposes. However it is doubtful whether the industry requires domestic use figures to be surveyed on a monthly basis, considering the month to month variations are usually very small (0-4%).

The *Wheat Use Survey* which collects the monthly domestic use figures also provides estimates of stocks committed for domestic use for the ABS/ABARES project. These figures are of use to the industry as they contribute to the overall assessment of total committed stocks. As a result it is not possible to remove the domestic use component of the survey while maintaining committed and uncommitted stocks estimates.

6. Comparative Analysis

This section provides analysis comparing how different agricultural industries and other wheat producing countries approach the collection and publication of marketing information, and how this service is funded within the industry.

6.1 Other Australian agricultural industries

Agricultural industries have approached the collection of market information in different ways. Table 5 below provides three examples of industry funded market information delivery. The experience of the Australian livestock industry's transition from government to industry funded market information collection is discussed further in 6.1.1.

It is important to note that many other agricultural industries do not undertake co-ordinated collection of market information, instead choosing to rely on the standard ABS/ABARES products and commercial services.

Table 5 Domestic Primary Industry Market Information and Funding Models

Domestic Industry	Service	Funding Body	Funding Model
Livestock	The National Livestock Reporting Service (NLRS) is a function provided by Meat and Livestock Australia.	Meat & Livestock Australia	Grower levy with some user pays facilities
Dairy	Dairy Australia acts as the hub for the collection of key industry statistics using its national position as a credible industry organisation which can guarantee confidentiality, and maximise timeliness and accuracy of the information.	Dairy Australia	Grower levy
Wool	Daily sales reports provided and other analysis available on a user pays basis. No stocks held reporting, but pre-sale expected offering reports available for purchase.	AWEX	Industry funded through user subscriptions and fees

6.1.1 Case Study: National Livestock Reporting Service (NLRS)

In 2002, the Victorian and New South Wales Governments withdrew funding for the National Livestock Reporting Service (NLRS). Up until this point, each state funded the local activities of the NLRS through a mix of state-based funding mechanisms.

In the absence of government funding Gregor (2001) concluded that the NLRS should continue at a national level and that;

–such a service provided value to the industry as a whole by lessening transaction costs that accrue to individual organisations and by increasing market efficiency”.⁶

Meat & Livestock Australia (MLA) subsequently assumed responsibility for the national service, which involves the collection of data at saleyards and other sources, and through voluntary industry surveys.

At the time of the decision, the option of managing the NLRS as a commercial operation was considered, however this was seen as jeopardising the perception of independence of the service.

A recent evaluation of MLA’s Market Intelligence Program (which includes the NLRS), found that the annual value of the program was approximately 50% higher than the annual expenditure.⁷ Some of the quantifiable benefits included:

- ▶ Reduced costs and risks in the red meat industry and better opportunities and profitability from better information — resulting in greater price stability;
- ▶ Improvement in the effectiveness of MLA programs and peak industry bodies for the red meat industry; and
- ▶ More favourable policy decisions made by the Australian Government — for example, in the consideration of Exceptional Circumstances (EC) payments.

6.2 Other wheat producing countries

Other wheat producing countries have taken different approaches to delivering wheat use and stocks information. The type of information is often shared by industry and government. Table 6 below outlines the type of wheat market information collected in three overseas wheat markets, with the US system of wheat information collection discussed further in 6.2.1.

Table 6 Information collection in international wheat markets

Country	Stocks	Use	Stocks by class	Stocks by location	Export Sales	Other Grains	Funding
United States							Industry (producer fees) and Government
Canada							Industry (licence and user fees) and Government
United Kingdom							Industry funded

⁶ Gregor S 2001, *National Livestock Reporting Service Study: Current Position and Future Options Green Paper*, October.

⁷ Centre for International Economics 2009, *Market Information Program, the value of good information*, prepared for Meat and Livestock Australia.

6.2.1 The US Wheat Associates Model

The U.S. Wheat Associates (USWA) is an export market development organisation, which provides training, information and promotional services on behalf of US wheat producers. The organisation is funded by producer levies (26%), while receiving revenue from the US Department of Agriculture (USDA), for delivering activities under the Foreign Market Development and Market Access Programs. This revenue accounts for about 74% of the organisation's revenue.

USWA is active in compiling market information which it releases independently, and which also informs official USDA estimates. Conversely, USWA also compiles USDA data and adds value through analysis and improved presentation. Below is a list of reports provided by USWA.

Price Reports

USWA compiles weekly price reports by contracting numerous market sources including US wheat exporters. The reports cover a range of wheat classes and locations.

Export Sales

USWA also compiles and posts a Commercial Sales Report every Thursday afternoon using USDA data. The Commercial Sales Report tracks year-to-date and historic export sales for all six US wheat classes.

Supply and Demand

Each month USWA provides a graphic summary of USDA U.S. and world supply/demand statistics. The report builds on the USDA report by including a quick summary of factors affecting the global wheat market, historical information for all major wheat exporting countries/regions, and a by-class summary of US wheat supply and demand.

Harvest Reports

USWA provides a weekly report on the condition of America's wheat crop provided every Friday throughout the harvest season (June - October).

Quality Reports

A comprehensive annual Crop Quality Report provides data compiled from crop quality surveys conducted during and after harvest.

7. Options Analysis

In considering the need for industry to fill the information gaps identified in section 5 and through the discontinuation of funding for the *ABS/ABARES Wheat Market Information Project*, a number of options have been identified below. These options have been separated into delivery options (potential service providers capable of accessing and delivering the data industry requires); and funding options (potential industry funding models and sources). A list of the delivery and funding options analysed are provided in Table 7 below. For each option the potential benefits and constraints have been discussed and assessed using a multi-criteria analysis.

Table 7 Delivery and funding options

Delivery	Funding
▶ ABS	▶ WEC
▶ WEA	▶ GRDC
▶ GRDC	▶ Co-contributions from industry bodies
▶ Grain Trade Australia (GTA)	▶ User pays
▶ GrainGrowers (GG)	
▶ National Grower Register (NGR)	
▶ Private Service Provider	
▶ Hybrid delivery options	

The role of ABARES

In addition to the above delivery options, ABARES plays an important role in the publication of information through the monthly report.

ABARES is willing to continue to fulfil this role, publishing data sourced by ABS and Customs. If industry chose to employ different data collection methods, for example using a private service provider to conduct surveys instead of ABS, ABARES would continue to publish these survey results provided they were satisfied that the data was robust enough.

ABARES is not in a position to itself conduct survey data collection, of the nature currently carried out by ABS. ABARES does not have the resources to coordinate these types of surveys on a monthly basis. In other projects, the Bureau conducts targeted phone consultation with industry participants to establish estimates and forecasts. However the Bureau does not believe this method would deliver results which are robust enough for the delivery of stocks and use data, particularly the estimates of committed and uncommitted grain.

If industry chose not to fund the current wheat use and stocks project into the future, ABARES would continue to provide basic stocks and use data in their quarterly crop report. Rather than drawing on the monthly estimates for this purpose, ABARES would conduct desktop analysis and targeted phone surveys to estimate how these figures should be adjusted up or down each quarter. This is the methodology ABARES uses for other grain commodities.

7.1 Delivery Options

The PC report suggests that the ABS would be best placed to continue to provide market information as determined by industry, as the agency:

- ▶ Is independent
- ▶ Has the necessary powers to compel provision of information from grain handlers
- ▶ Is bound by appropriate confidentiality requirements
- ▶ Provides comprehensive stocks information, by virtue of the coverage of the Grain Handlers Stocks Survey; and
- ▶ Has well established systems, resources and processes for collection and provision of this information, and has considerable experience and expertise in this area.

However the report also lists a range of other delivery options including existing industry organisations or commercial service providers.

7.1.1 Multi-Criteria Analysis: Project Delivery

This analysis assessed the delivery options above, against a number of desirable criteria. Table 9 below provides a list of the criteria used to assess the options; criteria 1 – 4 concern the ability of the delivery option to address the gaps identified in this study, while the remaining criteria are general elements which would be desirable. The criteria were not weighted and therefore the total scores proved in Table 9 are only an indication of suitability.

Table 8 Delivery option criteria

Criteria	Description
1. Lag-time	Ability to utilise electronic survey methods and other information sources to reduce the lag time.
2. Accuracy	Ability to maintain or improve accuracy
3. Stocks by storage location/class	Ability to deliver more detailed outputs
4. Include other grain	Ability to encompass other grains including barley
5. Independence	Ability to deliver results which are independent and perceived as being independent
6. Capacity	Current available capacity
7. Resources	Current available resources
8. Fit within organisation	Alignment with the organisation's charter/purpose
9. Likely participation	The ability to achieve participation within industry. This could be achieved either through regulatory requirements (Census Act), or general co-operation.
10. Access to government information sources	Ability to access customs and other data

Criteria	Description
11. Access to industry information sources	Ability to access and release information from industry
12. Ability to facilitate user pays	The delivery organisation's capacity to set-up a user-pays system
13. Suitable for short-term implementation	Ability of the delivery organisation to have systems in place in time for the September 2011 deadline, without encountering regulatory changes or other barriers to implementation.
14. Cost	The expected cost of the delivery option (based on analysis in 7.2)

Table 9 Multi-Criteria Analysis: Project Delivery

			ABS	WEA	GRDC	GTA	GG	NGR	Private	Hybrid
Information Gaps	1	Lag-time	1	3	3	3	3	3	3	3
	2	Accuracy	2	2	2	1	1	3	1	2
	3	Stocks by storage location/class	1	2	1	1	2	2	2	2
	4	Include other grains	2	1	3	3	3	3	2	2
	5	Independence	3	3	3	2	2	3	2	2
	6	Capacity	3	2	2	2	2	2	2	3
Criteria	7	Resources	3	2	2	1	2	3	3	2
	8	Fit within organisation	3	1	2	1	2	3	3	2
	9	Likely participation	3	1	1	2	2	1	1	2
	10	Access to government information sources	3	2	1	1	1	1	1	2
	11	Access to industry information sources	1	2	2	2	2	1	2	2
	12	Ability to facilitate user pays	3	2	2	2	2	3	2	2
	13	Suitable for short-term implementation	3	1	2	2	3	1	3	2
	14	Cost	1	3	3	3	3	3	3	2
Total			32	27	29	26	30	32	30	30

Key: 1 = very low ability to deliver against criteria, 3 = very high ability to deliver against criteria.

7.1.2 Delivery Option 1: ABS

The ABS has provided in-principal agreement to continue the Wheat Use and Stocks project, should industry wish to fund the project. The Bureau's offer and indicative costing (Table 10) involves a direct continuation of the current project using the same methodology and practices. There will be opportunities for industry to customise the current project (and price), however ABS is unable to meet some of the information gaps identified by industry through this consultation process.

Selecting ABS to continue the current project would be the simplest option for industry. This option would ensure the project remained independent, confidential, with sufficient regulatory backing and with access to the Australian Business Register.

By choosing to enter into a renewed contract with ABS, industry would forgo any opportunities to make significant improvements to the project by addressing the gaps identified in this report. Below is a list of limitations in the ABS service.

Lag time

ABS operates a mail out/mail back system, which means a 5 week lag time is inevitable. The Bureau has experimented with making surveys available for completion online during the 2011 Agricultural Census; however this is not expected to become part of the ABS survey process anytime in the near future.

In addition to the time required for ABS survey to conduct the mail surveys, there are also quality control requirements which add to the lag time.

Lack of detail (e.g. stocks by region, class etc)

The ABS/ABARES project presents data aggregated by state only. To inform marketing decisions, the industry would require this information to be further broken down by port region and grain class.

Currently ABS surveys a minimum number of businesses to provide an acceptable representative sample. To accurately make more detailed predictions the sample size would need to increase significantly, which would increase the cost of the project.

Sample accuracy

The ABS/ABARES project provides the most accurate estimates possible using a random sample method. However it is quite possible that more accurate results could be obtained through a hybrid approach using targeted survey techniques, data analysis, modelling and expert opinion.

Lack of data on other grains

The inclusion of other grains in the stocks and use project is not part of the ABS proposal and quote. However the Bureau is willing to broaden the survey to include other grains should industry wish to fund this service.

Census and Statistics Act 1905

The Census and Statistics Act 1905⁸ provides broad authority to the ABS to conduct statistical collections, including the five-yearly Agricultural Census and other statistical collections it considers appropriate. The Act authorises the ABS, when necessary, to direct a person to provide statistical information, and requires the ABS to publish and disseminate statistics and analysis, yet maintain the confidentiality of the information provided by respondents. This means that if ABS is contracted to undertake survey activities, the client does not receive access to the raw data. Rather the client will only receive access to the finished product which is aggregated to ensure confidentiality and accuracy.

The Act requires individuals to respond to ABS requests for information and to not knowingly provide false information.

In addition, the Australian Bureau of Statistics Act 1975⁹ establishes the ABS as a statutory authority which must remain independent.

If the responsibility to complete the current project was transferred from the ABS to industry, the authorities/responsibilities prescribed in these Acts would not apply. This would likely diminish the accuracy of the survey project for the following reasons:

- ▶ Respondents would not be bound to participate, or to provide accurate information.
- ▶ Respondents may be inclined to withhold or provide false information to protect or create a competitive market advantage.
- ▶ The industry would not be bound to independently and correctly publish and disseminate collected data.

Some of these issues could be overcome through the establishment of individual release agreements with industry participants. These agreements could closely mirror the current ABS confidentiality requirements.

7.1.3 Delivery Option 2: Wheat Exports Australia

Wheat Exports Australia has the capabilities to deliver this service, and also has the independence of a government agency. However, while WEA has access to extensive grain movement information through bulk handling companies and customs data, it does not have the authority to publish this information.

The main limitation for WEA delivering this project is the uncertainty surrounding its future. Regulatory changes would be needed to alter the authority of WEA to enable it to publish information, including that relating to other grains aside from wheat. These regulatory changes are discussed further in section 7.3.2 .

⁸ *Census and Statistics Act 1905* (Cwlth).

⁹ *Australian Bureau of Statistics Act 1975*, (Cwlth).

7.1.4 Delivery Option 3: GRDC

The GRDC has the capacity, resources and networks to oversee the delivery of the project on behalf of industry with the use of contracted service providers to assist in data collection.

The GRDC could simply act as a contracting body to facilitate the collection of data from service providers and the publication of data through the existing ABARES arrangement.

Alternatively the GRDC could choose to publish data itself, building a national grain reporting service, similar to the National Livestock Reporting Service provided by MLA. Initially focused on wheat, the service could eventually be broadened to include other grains within organisations' focus. Like the MLA model, GRDC could provide a limited number of reports free of charge to levy payers and otherwise sell the reports/data for a nominal fee.

7.1.5 Delivery Option 4: Grain Trade Australia

GTA have the capacity to deliver stocks and use estimates on behalf of industry. With a broad membership across all sections of the industry GTA is independent and well regarded. The organisation believes it could provide estimates within a one-week turnaround using survey and data analysis techniques. Despite having the capacity, GTA does not at present have the resources to deliver the project.

7.1.6 Delivery Option 5: GrainGrowers

GrainGrowers is a grower representative body which also delivers information, technical and analytical services to the broader industry.

Like GTA, GrainGrowers are in a position to deliver stocks and use figures on behalf of industry. This service would combine with other information currently provided by GrainGrowers including planted area, yield estimates etc. Additionally GrainGrowers have the ability to survey its members to obtain stocks information.

As a producer organisation, GrainGrowers may be less capable of achieving full industry buy-in and delivering a service which is considered independent.

7.1.7 Delivery Option 6: National Grower Register database

The National Grower Register (NGR) is a centralised, national registration system which gives growers access to grain handling and marketing services across Australia.

The NGR only carries contact and payment details of growers and buyers. No tonnage, quality or marketing information is collected. However NGR has the ability to survey industry participants via mail, phone or email. The register contains 40,000 members, of which approximately 60% have email addresses attached. NGR conducts an annual verification survey of its 40,000 members each year; last year the survey included some additional questions regarding general production information. This portion of the survey was completed by 11,000 respondents.

The NGR has less coverage in Western Australia than it does in other parts of Australia. Currently there are 2,500 WA grower members; however the company is seeking to improve this membership base in the coming year.

The company has indicated that it would be interested in providing the survey services required to establish stocks and use data. These services would be provided on a fee for service basis. The company also has the ability to aggregate the data and establish estimates.

The National Grower Register is owned by GrainCorp and Viterro, however is managed independently.

7.1.8 Delivery Option 7: Private Service providers

There are a number of private service providers offering stocks and use analysis to the market. There are many other service providers who conduct surveys on behalf of industries.

These private service providers would most likely be able to deliver the service for less than the ABS, with reduced lag time, however the accuracy may be affected by the lack of access to government information sources and the lack of regulatory backing to conduct surveys. Furthermore, industry participants may be less willing to participate in surveys run by private companies without the reputation of government departments or industry bodies.

It may be possible to contract a private company to provide these services while remaining independent; however there is a risk that information collected could be used to gain advantage ahead of its disclosure to the market.

Private Service providers may be best placed to deliver market information on a user pays basis. A company such as Australian Crop Forecasters could produce the base stocks and use estimates on behalf of industry, while continuing to sell more detailed reports and services to its customers. This would reduce the diversity of estimates in the market place. If industry were to simply contract a company to undertake the survey process, this would become less of an issue.

7.1.9 Delivery Option 8: ABS – Industry hybrid

In providing its indicative costing to continue the project (Table 10 below), ABS is giving industry the option to choose to continue certain surveys/services and conducting other services itself. This option would give industry the flexibility to continue to access the benefits of ABS (regulator backing, independence and access to customs data etc.) while introducing more flexibility to other parts of the project.

As discussed in section 7.2 below, the Wheat Use Survey is the most expensive element of the ABS proposal, while delivering a relatively small proportion of the overall use and stocks estimates. Therefore an option for industry could be to take responsibility for conducting this survey and analysis to reduce costs.

This hybrid delivery option could be a prudent transitional arrangement allowing industry to slowly develop the capacity and trust to enable the full transfer from government.

7.2 Cost Analysis

7.2.1 ABS/ABARES Delivery

ABS and ABARES have provided an indicative costing to continue to conduct surveys and publish data over the next three years (Table 10). These are estimates only and are based upon the assumption that the parameters of the collections would remain as they currently are. Final costing would be determined once the data requirements and associated parameters of the collection have been finalised in negotiation with a client.

Table 10 ABS delivery cost estimates

	2011/12	2012/13	2013/14
Bulk Handler Stocks Survey	\$103,000	\$106,000	\$110,000
Wheat Use Survey + Coverage Survey	\$511,000	\$554,000	\$573,000
Wheat Export Sales Survey	\$218,000	\$251,000	\$258,000
ABARES Publication	\$150,000	\$156,000	\$162,240
Total	\$982,000	\$1,067,000	\$1,103,240
<i>\$/tonne exported</i>	<i>\$0.08</i>	<i>\$0.08</i>	<i>\$0.09</i>
<i>\$/tonne produced</i>	<i>\$0.05</i>	<i>\$0.06</i>	<i>\$0.06</i>
<i>% of value</i>	<i>0.02%</i>	<i>0.03%</i>	<i>0.03%</i>

7.2.2 Industry Delivery

Without testing the market through a tender process it is difficult to gauge the likely cost of undertaking the project. However it is highly likely that the private sector can deliver these services for less than the government's proposal.

Furthermore, the private sector is likely to utilise different data collection methodologies, which can deliver cost savings without compromising accuracy. Table 11 below provides an estimate of the likely cost for the delivery of services by the private sector. This analysis assumes the use of survey techniques combined with analysis where appropriate. A full breakdown of the cost analysis is provided in Appendix B.

Table 11 Private Service Provider cost estimates

	2011/12	2012/13	2013/14
Bulk Handler Stocks Survey and estimates	\$13,429	\$13,966	\$14,524
Grower/user survey and estimates	\$271,429	\$282,286	\$293,577
Wheat Export Sales analysis and estimates	\$67,143	\$69,828	\$72,621
Industry Publication	\$50,000	\$52,000	\$55,000
Total	\$402,000	\$418,080	\$434,803
<i>\$/tonne exported</i>	<i>\$0.03</i>	<i>\$0.03</i>	<i>\$0.03</i>
<i>\$/tonne</i>	<i>0.02</i>	<i>0.02</i>	<i>0.02</i>
<i>% of value</i>	<i>0.01%</i>	<i>0.01%</i>	<i>0.01%</i>

Value for money

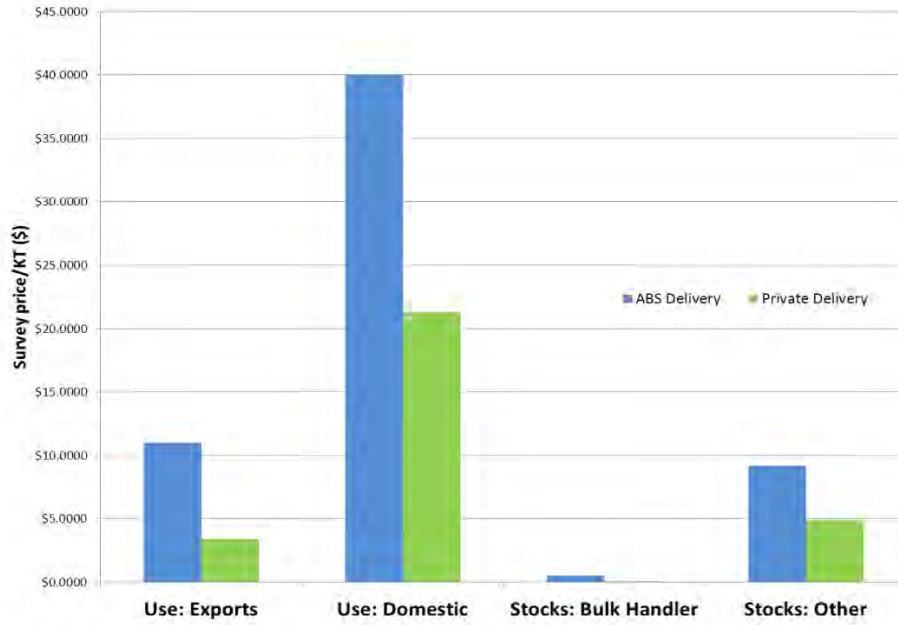
► **Stocks**

Wheat held in storage by growers and users represents a small percentage of overall stocks, however the Wheat Use Surveys are considerably more expensive to complete based on the ABS cost estimates (Table 10). Therefore on a price per tonne basis, the Bulk Handler Stocks Survey represents considerable value for money over the Wheat Use Surveys (Figure 2).

► **Use**

A similar analysis to the above shows that estimating the export portion of the use figures is considerably cheaper than estimating domestic use figures.

Figure 2: Price per tonne estimated



* Based on ABS April 2011 survey and the 2011/12 price estimate

7.3 Funding options

7.3.1 Multi-Criteria Analysis: Project Funding

As with the delivery options, the four identified funding options were assessed using a multi-criteria analysis. Table 12 below provides an explanation of the criteria used.

Table 12 Funding option criteria

Criteria	Description
Stable	Ability of the funding mechanism to maintain the service on a continued and uninterrupted basis.
Industry wide/equitable	The extent to which the funding mechanism spreads the cost across the main users of the data within different sectors of the industry.
Easy to introduce	The extent to which the funding mechanism could be introduced without complicated regulatory and organisational delays.

The result of the multi-criteria analysis is provided in Table 13 below. As with the delivery option multi-criteria analysis, the criteria used to assess funding options have not been weighted, and therefore the totals in Table 13 are only an indication of suitability.

Table 13 Funding option multi-criteria analysis

	WEC	GRDC	Co-contribution Arrangement	User Pays
Stable	2	3	1	1
Industry wide/equitable	2	1	3	3
Easy to introduce	1	3	3	2
Total	5	7	7	6

Key: 0 = very low ability to deliver against criteria, 3 = very high ability to deliver against criteria.

7.3.2 Funding Option 1: WEC levy

The Wheat Export Charge (WEC) is a compulsory levy that is the primary source of funding for the operations of Wheat Exports Australia (WEA), which controls the export of bulk wheat from Australia under the Wheat Export Accreditation Scheme.

An export charge of A\$0.22 per tonne is payable for all Australian wheat exports (both bulk and non-bulk). Exporters must pay the WEC to the Department of Agriculture, Fisheries and Forestry Levies Revenue Service.

Table 14 below provides an assessment of the additional WEC levy required to fund the project, for both ABS and private delivery.

Table 14 Additional WEC levy

Current Levy	\$0.22/tonne
Additional levy (ABS Delivery)	\$0.07/tonne
Additional levy (Industry Delivery)	\$0.03/tonne

* Based on delivery cost estimates (Table 10, Table 11) and previous 5 year average (ABARES commodity statistics)

► **Possible abolition of the WEA and WEC**

The Productivity Commission has recommended that the WEC and WEA be abolished at the end of the current marketing year (30 September 2011).

While recommending the abolition of the accreditation process, the Commission suggested that should the Australian Government decide not to completely abolish accreditation, the application fees and the Wheat Export Charge must be reviewed with a Cost Recovery Impact Statement formulated in line with the Australian Government Cost Recovery Guidelines.

The Commission also recommended that any new or amended arrangements put in place by the Australian Government should be reviewed within five years.

While submissions to the PC inquiry suggest a mixture of industry views regarding export accreditation arrangements, there was more universal agreement that the Wheat Export Charge should be retained in some form, and if necessary diverted to other industry needs.

If the WEA was to deliver the stocks and use project the Wheat Export Marketing Act would need to be amended to broaden the WEA's stated role, to allow the WEC to be used for this purpose. If delivering this project required a change in the levy rate, Schedule 14 of the Primary Industries (Customs) Charges Regulations would also need to be amended, and industry consultation conducted.

With regards to changing existing levy rates, government guidelines require the following;

“The proposed change must be supported by industry bodies or by levy payers or by the Government in the public interest. The initiator of the change must establish the case for change and where an increase is involved, must estimate the additional amount which would be raised. The initiator must indicate how the increase would be spent and must demonstrate the benefit of this expenditure for levy players.”¹⁰

If WEA was to be abolished so to would the WEC. Therefore industry would need to establish a completely new collection arrangement, in accordance with the government's levy principles and guidelines. This process would require among other things, a formal ballot facilitated by either the Australian Electoral Commission or a State Electoral Commission.

¹⁰ Department of Agriculture Fisheries and Forestry 2009, *Levy Principles and Guidelines*, p 3.

As a result of the above, for the coming 2011/12 marketing year the WEA is not a viable delivery option, nor is the WEC a viable funding option. These may however be viable funding and delivery options in the longer term.

► **Equity of funding burden**

When considering the option of diverting the WEC to fund market information, the PC report found the following;

“The WEC is only levied on wheat exporters — this is not consistent with the beneficiary pays principle, given the value of stocks information to the domestic wheat market. Given stocks information by state benefits both domestic and export wheat market participants, it is important that the entire industry meets the cost of providing this information.”

7.3.3 Funding Option 2: GRDC Research Program

The GRDC is funded via a 0.99 per cent levy on grain growers which is matched by the Australian Government.

The industry levy is collected on 25 crops and are reviewed each year by the grains industry's peak body, the Grain Producers Australia (GPA). The Australian Government matches the Corporation's research expenditure up to a maximum of 0.5 per cent of the gross value of grains production, not exceeding the grower levies. Levies are collected through the Department of Agriculture, Fisheries and Forestry.

Levies from wheat production accounted for 60.9% of all GRDC grower levies in 2009/10.

The PC report cited the GRDC levy collection framework as the most practical and cost-effective option for funding the collection of stocks information by state.

► **Grower funded only**

In their submission to the PC inquiry, the GRDC objected to funding the ABS/ABARES project through grower levies. The GRDC considers the project to be of considerable industry good, however believes that growers alone should not be asked to fund the project in its entirety. GRDC believes the main beneficiaries of the data should be the main funders of the project. It considered traders and marketers to be the main beneficiaries of the project, while acknowledging the project delivers a broad benefit to the industry as a whole. GRDC proposed that the Government consider a user-pays subscription model underwritten by Government funding.

► **Funding priorities**

Section 33 of the *Primary Industries and Energy Research and Development Act 1989* (Cwlth)¹¹ specifies that GRDC may only spend money on research and development activities identified in the Annual Operational Plan (AOP), or the body's operational expenses.

The AOP sets out the GRDC's annual budget, resources and research priorities, including forecast levy revenue.

The AOP outlines a range of “planned outputs” under four broad ‘output groups’ of research and development investment activity, which have been consistent over recent years, as follows:

¹¹ Primary Industries and Energy Research and Development Act 1989 (Cwlth)

- ▶ Practices
- ▶ Varieties
- ▶ New Products
- ▶ Communication and Capacity Building.

The AOP is developed in a structured way, with input coming from three Regional Panels, representing the northern, southern and western grain growing regions of Australia. Input also comes from three Program Teams which oversee investment strategies for specific programs. The GRDC must also consult with the 'representative organisation' (Grain Producers Australia). A National Panel coordinates input from these various sources and presents the AOP to the board for approval, after which the plan must be submitted to the relevant minister for approval. The full timeline for the investment process is outlined in Appendix C.

2011/12 funding

In 2010 the PC report suggested that the planned outputs within the then current 2009/10 AOP were "insufficiently varied" to provide the GRDC with some discretion as to how it allocates revenue against its objectives, suggesting that levy revenue could be used to fund the collection of wheat market information.

The 2011/12 AOP has recently been approved by the minister and therefore is unlikely to be changed. The collection of market information fits within the overall "Communication and Capacity Building" output group and also within the stated key priority of "maintaining and improving international market access opportunities and value chain effectiveness and efficiency". However it is unclear whether the collection of wheat market information could be facilitated within the specified planned outputs.

2012/13 funding

To establish the market information program within the 2012/13 AOP and beyond, industry would need to make a case through the consultation phase commencing in late 2011, as outlined in Appendix C.

Importantly, any decision to commit funding for this purpose rests entirely with the GRDC. The broader industry can influence this decision through the priority setting process; however GRDC cannot be directed to commit funding.

Table 15 provides an estimate of the additional levy expense associated with the delivery of the project, through either ABS or a private service provider.

Table 15 Additional GRDC Levy

Current Levy	0.99%	<i>(gross value of production)</i>
▶ Additional levy (ABS Delivery)	0.02%	
▶ Additional levy (Industry Delivery)	0.01%	

* Based on previous 5 year average (ABARES commodity statistics)

7.3.4 Funding Option 3: Co-contribution from different industry bodies/sectors

It may be possible for different sections of the industry to form an agreement to provide co-contributions towards the funding of this project. This approach was used recently to establish wheat variety classifications through the newly formed body, Wheat Quality Australia. In this case GRDC formed an agreement with GTA to co-fund the industry good function.

The funding of wheat market information collection would not be inconsistent with GrainGrowers' goal of providing independent information to industry. The service would add value to the organisation's current activities in this area. Importantly, GrainGrowers is financially independent and resourced predominantly through its investment portfolio.

GTA is less well-resourced as it is reliant on annual membership subscriptions. However GTA's broad membership including the majority of bulk handlers, exporters and traders makes it an ideal body to contribute on behalf of the post-farm sections of the industry.

Additional funding could be sourced from bodies representing grain user groups for example Meat & Livestock Australia, Dairy Australia, Australian Pork, and Australian Chicken Meat Federation.

Establishing a co-contribution arrangement could be the simplest way for industry to manage the transitional arrangements in the 2011/12 marketing year, before a more stable funding source is arranged.

Table 16 below provides an overview of potential co-contribution arrangements.

Table 16 Potential co-contribution arrangement

	Contribution	Delivery Options	
		ABS/ABARES Delivery	Industry Delivery
GG	45%	\$441,900	\$180,900.00
GTA	45%	\$441,900	\$180,900.00
MLA	3%	\$29,460	\$12,060.00
Dairy Australia	3%	\$29,460	\$12,060.00
Australian Pork	3%	\$29,460	\$12,060.00
ACMF	1%	\$9,820	\$4,020.00
Total	100%	\$982,000	\$402,000

7.3.5 Funding Option 4: User pays model

A user-pays funding model would be the most naturally equitable way for industry to fund the project, ensuring that the users of the information pay for its collection. However it is doubtful that the entire project could be funded on a user pays basis.

ABS has the capacity to sell data and reports. However it is doubtful whether many individual industry participants would pay for the current wheat use and stocks product. Furthermore to create a market for this product the ABS would need to restrict access to the broader industry that provide the information. ABS could maintain its current product as a free service, while providing additional reports/data on a user-pays basis. However this is not part of the ABS offer to industry.

External industry/private service providers could establish a user pays system similar to that established by Meat & Livestock Australia, to recoup some of the delivery costs.

Table 17 below provides an estimate of the number of annual subscriptions needed to achieve full cost recovery.

Table 17 User pays funding model

	ABS Delivery	Industry Delivery
Project Cost	\$982,000	\$402,000
Annual subscription cost	Required number of subscriptions per year	
\$200	4910	2010
\$500	1964	804
\$1,000	982	402
\$2,000	491	201

8. Recommendations

The recommendations below provide a suggested strategy for industry to deliver market information following the cessation of the *ABS/ABARES Wheat Market Information Project*. The recommendations weigh up the:

- ▶ Information gaps created by the cessation of the *ABS/ABARES Wheat Market Information Project*
- ▶ Information gaps identified in this study
- ▶ Suitability of delivery options (including cost effectiveness)
- ▶ Suitability of funding models.

Recommendations have been broadly separated into short term (transitional) and long term arrangements for delivery, funding and governance.

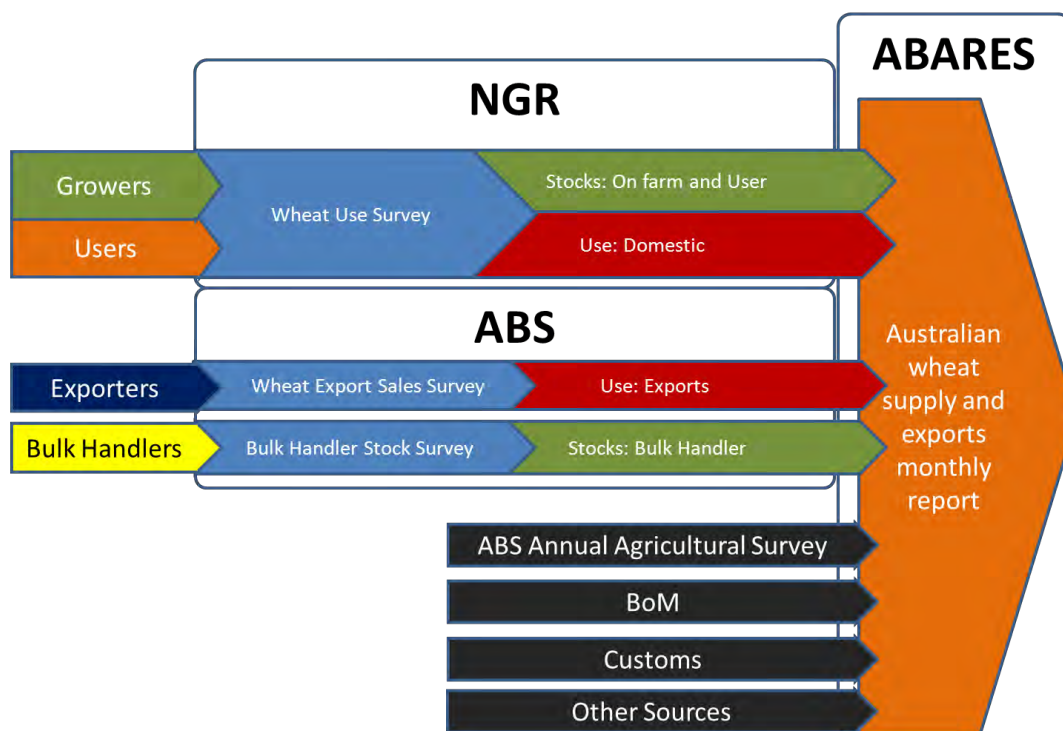
8.1 Transitional arrangements

The transitional arrangements below aim to facilitate a simple, staged transition of the project from government to industry, with consideration of the short timeframe. The recommendations aim to achieve cost savings, while maintaining the integrity of the outputs. Where possible the short-term recommendations seek to address data gaps identified in this study. However many of the gaps will be achieved through long term, gradual improvement, and therefore cannot be addressed in the first year.

8.1.1 Transitional delivery

The proposed model for transitional delivery is summarised in Figure 3 below.

Figure 3 Transitional delivery model



ABS should be re-contracted to conduct the Bulk Handler Stocks and Wheat Export Sales surveys

Industry should seek to enter into a one year contract with ABS to continue the *Bulk Handler Stocks Survey* and the *Wheat Export Sales Survey* at an approximate cost of \$321,000. In the near-term, this survey is the most important to maintain with ABS as it offers:

- ▶ Highest coverage (approximately 88% of stocks and 75% of use)
- ▶ Most accuracy
- ▶ Best value for money.

ABS is best placed to continue this process in the short-term as it has the regulatory authority to ensure that bulk handling companies and exporters/traders continue to respond to survey requests.

Industry should use the 2011/12 marketing year to develop systems and capabilities to enable it to take over this survey in 2012/13. This will include investigating options to use real-time data sources such as the NGR and alternative survey methods which reduce the lag time and improve the level of detail.

The majority of industry participants would welcome additional information regarding stocks, including stocks by port zone, location and grain quality. The provision of this information would be of overall benefit to the industry.

Depending on the cost imposition this survey could be extended to include selected other grains.

NGR or another private service provider should be contracted to deliver the Wheat Use Survey

There is little justification for re-engaging ABS to complete the Wheat Use Survey. This survey could be delivered by industry for considerably less, while addressing the gaps identified in this study, as listed below:

- ▶ Reduced lag-time
- ▶ Improved accuracy
- ▶ The provision of more detail (stocks by port region/class)
- ▶ The inclusion of other grains.

With grower and buyer contact details available (including email addresses), NGR could achieve a higher survey sample than the current ABS survey process.

While this study found the monthly domestic use figures to be underutilised by industry, the collection of these figures should continue as they are linked to the collection of committed stocks for domestic use figures, which are considered important for the industry.

ABARES should be recontracted to continue to publish the Australian Wheat Supply and Exports Monthly Report.

Industry should continue the current arrangement with ABARES for the publication of data through the *Australian Wheat Supply and Exports Report*, at an approximate cost of \$150,000. This will ensure the integrity of the data and also provide access to Australian Customs export figures.

In the longer-term industry may wish to pursue an industry run market information service, similar to the MLA National Livestock Reporting Service. However it would not be possible to establish within the short timeframe.

8.1.2 Transitional Funding

Under the recommended transitional delivery model for 2011/12, approximately \$742,429 in transitional funding will be required (Table 18).

Table 18 Transitional cost estimates

		2011/12
Bulk Handler Stocks Survey	(ABS)	\$103,000
Wheat User Survey	(NGR)	\$271,429
Wheat Export Sales Survey	(ABS)	\$218,000
Publication	(ABARES)	\$150,000
Total		\$742,429

Co-contributions should be sought from industry organisations to fund the project in 2011/12. Contributions could be provided by: GrainGrowers (on behalf of growers) and GTA (on behalf of the broader industry) with additional funding provided by other industry groups representing feed wheat users.

The simplest way for industry to facilitate funding of the project ahead of the September 2011 deadline, would be to seek equal co-contributions from GrainGrowers on behalf of growers and GTA on behalf of the broader industry. Minor contributions should also be sought on behalf of the major domestic feed grain users, through MLA, Dairy Australia, Australian Pork and the Australian Chickenmeat Federation. A potential co-contribution arrangement is provided in Table 19 below.

Table 19 Potential co-contribution arrangement

Industry Organisation	Percentage contribution	Contribution
▶ GG	45%	\$441,900
▶ GTA	45%	\$441,900
▶ MLA	3%	\$29,460
▶ Dairy Australia	3%	\$29,460
▶ Australian Pork	3%	\$29,460
▶ ACMF	1%	\$9,820
TOTAL		\$742,429

Part of this co-contribution agreement should include an undertaking to share relevant information to improve the accuracy of the service. This information might include stock on feed numbers to help establish feed demand estimates.

The GRDC and WEC funding options considered in this study are not considered feasible in the short term, as funding is unlikely to become available before the September 2011 deadline.

8.1.3 Transitional Governance

An industry taskforce should immediately be formed to establish and manage the transition of these services from government to industry.

The main aims of the taskforce will be to:

- ▶ Negotiate short-term co-contribution funding arrangements
- ▶ Establish short term contractual arrangements
- ▶ Investigate long term funding and delivery options.

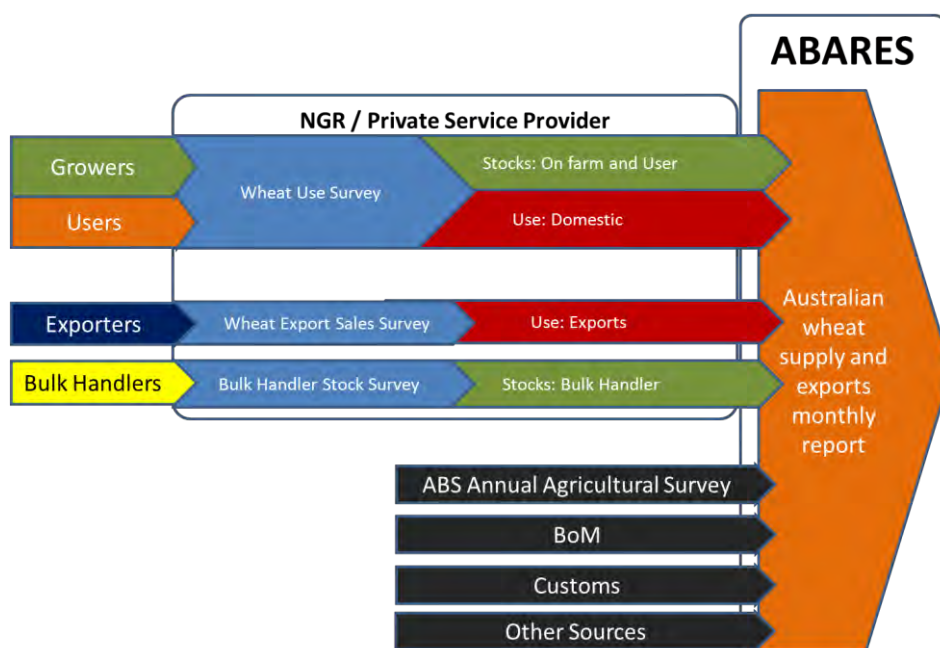
8.2 Long term recommendations

The long-term recommendations aim to facilitate the progressive improvement of the project to fill the gaps identified in this study and reduce costs. Recommendations also seek to provide the secure and appropriate arrangements for the project's funding and governance.

8.2.1 Long term delivery

The proposed model for long term delivery is summarised in Figure 4 below.

Figure 4: Long-term delivery model



The Bulk Handler Stocks Survey and Wheat Export Sales Survey portion of the project should be transitioned from ABS to NGR or another private service provider, for the 2012/13 marketing year and beyond.

Industry should progressively investigate and implement measures to improve the overall service through:

- ▶ ***More streamlined survey methods***
- ▶ ***Alternative data collection methods***
- ▶ ***Alternative analysis methodologies***
- ▶ ***Establishment of individual release agreements to protect confidentiality***

By the 2012/13 marketing year NGR should have developed the systems, capacity and trust within the broader industry to take full responsibility for the service delivery, including the *Bulk Handler Stocks Survey* and *Wheat Export Sales Surveys*. Alternatively industry may wish to contract another private service provider to conduct these surveys. Participation could be enhanced through the establishment of individual release agreements.

To maintain and improve the survey participation rates, industry should investigate ways to integrate the survey process with the provision of information to reward participants.

A problem with the ABS survey process is that there are no positive incentives for respondents to participate and provide accurate information. Industry should investigate the provision of an online service which rewards survey participants with additional information and benchmarking services. This service could potentially be provided to growers through their current NGR login account webpage.

8.2.2 Long-term funding

Table 20 below provides a cost estimate over the coming three years for the implementation of the recommended strategy. This estimate factors in the contracting of ABS to complete the Bulk Handler Stocks and Wheat Export Sales Surveys for 2011/12, before the project is taken over by NGR (or another private service provider) which reduces the expected costs considerably.

Table 20 Long term funding

	2011/12	2012/13	2013/14
Bulk Handler Stocks Survey	\$103,000	\$13,966	\$14,524
Grower/user survey and estimates	\$271,429	\$282,286	\$293,577
Wheat Export Sales analysis and estimates	\$218,000	\$69,828	\$72,621
ABARES publication	\$150,000	\$156,000	\$162,240
Total	\$742,429	\$366,081	\$380,724

To secure long-term funding, industry should seek to establish the project as an R&D project within GRDC from 2012/13 and beyond. Contributions from the post-production sectors should be maintained through GTA and feed grain user groups.

Industry should make the case for funding through the GRDC consultation process for the 2012/13 AOP. To facilitate this, industry should begin discussions with GRDC immediately.

As a second preference, industry could investigate the use of the WEC levy through amendments to the Wheat Export Marketing Act, depending on the future of WEA

If the WEA is to be retained in some form, industry may wish to seek amendments to the Wheat Export Marketing Act, to facilitate the collection of market information, thereby allowing the use of the WEC for this purpose. Importantly, if the WEC is to be directed in this way, the WEA would most likely need to become the primary service provider, as the act would not allow WEC funds to be directed to other bodies. However, if there is an industry consensus to pursue this option, discussions should commence immediately with the Department of Agriculture Fisheries and Forestry (DAFF).

If the WEA and WEC are abolished, industry could consider the establishment of a new levy arrangement contributing funding to a new or existing body. However this process, which would require a formal industry ballot, is unlikely to be justifiable considering the relatively small amounts of funding required.

8.2.3 Long term governance

The long-term governance arrangements for the project should be established through a management committee providing representation to the following groups:

- ▶ ***Funding organisations***
- ▶ ***Industry groups representing the surveyed industry participants***

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Appendix A
Stakeholders interviewed

Semi-structured telephone interviews were held with representatives from a variety of stakeholders (Table 21).

Table 21 Consultation Summary

Organisation	Contact Person	Role	Interview Date
Wheat Exports Australia	Peter Woods	Chief Executive Officer	27/06/2011
GRDC	Leecia Angus	Executive Manager	12/07/2011
GRDC	Zoran Lucas	Corporate Strategist, Evaluation and Reporting	1/07/2011
Australian Grain Exporters Association	Rosemary Richards	Executive Officer	27/06/2011
GrainCorp	David Ginns	Corporate Affairs Manager	24/06/2011
Viterra	Caroline Rhodes	Government Relations Manager	7/07/2011
CBH	Lachlan Hume	Wheat Trader	18/07/2011
ABS	Cherie Poulton	Coordination and Planning, Environment and Agriculture	27/06/2011
ABARES	James Fell	Wheat Commodity Analyst	12/06/2011
Grain Trade Australia	Geoff Honey	Chief Executive Officer	4/07/2011
Grain Producers Australia	Peter Mailler	Chairman	30/06/2011
DAFF	Peter Ottesen	Crops, Horticulture and Wine	29/06/2011
DAFF	Des Naughton	Manager, Wheat Marketing and Crops Policy	29/06/2011
DAFF	Madeleine Osborn	Crops Policy / Agricultural Productivity	29/06/2011
Australian Customs Service	David Hunt	Director, Data. Management	27/06/2011
NSW Farmers Association	Ben Mason	Policy Advisor	09/07/2011
AgForce Queensland	Wayne Newton	Grains President	24/06/2011

Organisation	Contact Person	Role	Interview Date
Pastoralists and Graziers Association	Janet Thompson	Policy Director	30/06/2011
Australian Lot Feeders Association	Jim Cudmore	President	11/06/2011
Feed Grain Users Group	Bob Coombs	Manager (previous)	24/06/2011
GrainGrowers	Georgie Aley	Business Manager – Industry Development	28/06/2011
Australian Crop Forecasters	Gavin Warburton	Senior Forecaster	7/07/2011
National Grower Register	Debbie Newmarch	General Manager	12/07/2011

The following organisations were unavailable/declined to be interviewed

Department of Agriculture and Food, WA

Western Australian Farmers Federation

South Australian Farmers Federation

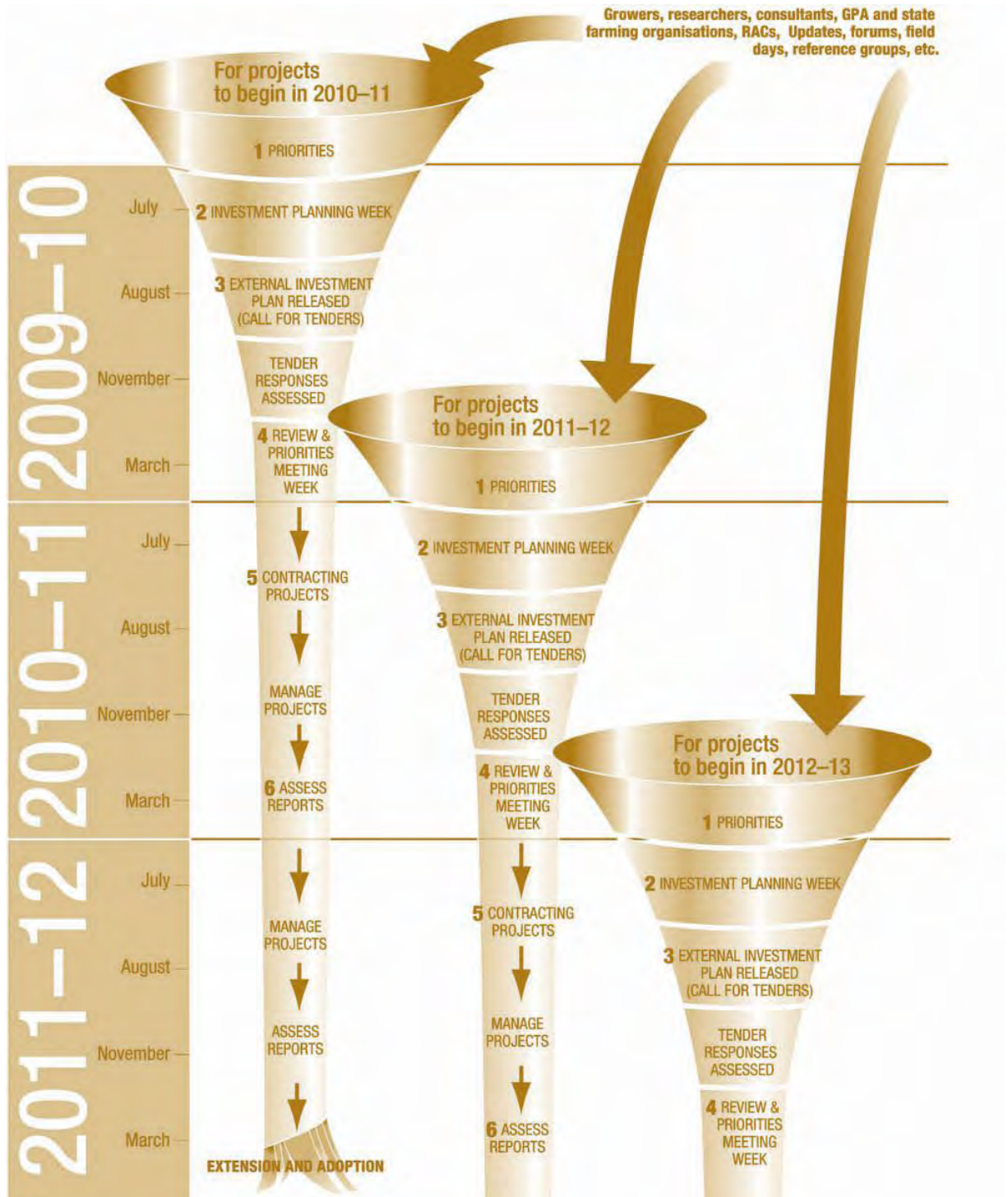
Victorian Farmers Federation

Appendix B
Industry Survey Delivery

Table 22 Industry Survey Delivery Cost Estimate

Survey	Bulk Handlers Stocks Survey	Wheat Use Coverage Survey	Wheat Use Survey	Wheat Export Sales Survey	Total
Frequency	Monthly	Annual	Monthly	Monthly	
Sample Size	10	3000	1000	50	
Surveys per year	120	3000	12000	600	15,720
Hours per survey	1	0.4	0.4	1	
total hours	120	1200	4800	600	6720
total days	17.14	171.42	685.71	85.71	960
Surveyor FTE (7 hours per day)	0.057	0.571	2.285	0.285	3.2
Surveyor Salary	\$60,000	\$60,000	\$60,000	\$60,000	
Total cost	\$3,429	\$4,286	\$137,143	\$17,143	\$192,000
Overheads	\$10,000	\$20,000	\$80,000	\$50,000	\$160,000
Total	\$13,429	\$54,286	\$217,143	\$67,143	\$352,000

Appendix C
GRDC Planning Process



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¹² Grains Research and Development Corporation 2011, *Annual Operational Plan 2011/12*.

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Appendix 6

Information requirements for an effective bulk wheat export market

Report by Peter Reading

**Commissioned by the Department of Agriculture, Fisheries
& Forestry**

CODE DEVELOPMENT ADVISORY COMMITTEE

Relating to the

PRESCRIBED MANDATORY CODE OF CONDUCT FOR PORT ACCESS

For

AUSTRALIAN BULK WHEAT SHIPMENTS

Information requirements for an effective bulk wheat export market

Ensuring a 'level playing field'

Peter Reading

May 2012

Disclaimer: While the consultant endeavors to provide an analysis they believe is accurate, the consultant will not be liable for any claim by any party acting on such information

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1 Executive Summary

The Australian grains industry continues to evolve rapidly due to changes in both the national and international trading environments.

Since the removal of 'single desk' marketing arrangements in 2008, there are now more marketing and price-risk management options available to Australian growers. However, while there has been a significant increase in trading opportunities, some issues have emerged.

Some sectors of the bulk wheat export marketing industry believe that the limited availability and transparency of market information impedes the operation of an efficient and competitive domestic and export market. In particular, there are concerns that significant gaps in grains 'stocks-use' balance data are negatively affecting competitiveness. Critics claim that integrated bulk handling companies (BHCs) have information on the volume, grade and location of stocks that is not available to the rest of the market. They believe that this results in market asymmetry, an unfair market advantage and lower grower returns.

A wide variety of potential solutions to this issue have been articulated. Views have ranged from satisfaction with the present available information; thereby negating the need for action, through to legislating BHCs to supply further information on grain stocks in their networks.

The Department of Agriculture, Fisheries and Forestry commissioned this report to provide an independent analysis of the availability and importance of stocks information to support and maintain an effective bulk wheat export industry. This report makes a number of recommendations to improve the availability of 'stocks-use' balance information to achieve this goal.

Ultimately, to overcome the major concerns over stocks data transparency, growers need to agree to make their information on uncommitted warehoused stocks available at an aggregate level. The provision of this information, together with the reinstatement of the '*Wheat Use and Stocks, Australia*' report (revamped) and continuation of existing reports, will provide a good overall stocks-balance for Australian wheat.

Achieving a resolution to this issue presents an opportunity for grain grower organisations to coordinate a common issue approach to take to growers and develop a united vision across industry.

2 Recommendations and findings

Recommendation 10.1

Aggregated data on the volumes of uncommitted warehoused grain held in commercial bulk storage and handling systems should be made available by grade and location on a weekly basis.

This information should only be published with the consent of growers through an 'opt-out' arrangement with the storage and handler. Once grain becomes committed, the information becomes the property of the buyer, and therefore should not be publically disclosed.

Recommendation 8.4

Shipping stem information should continue to be published under the voluntary Code of Conduct. Information should be published in a consistent format and coverage should be extended to all ports where grains are exported.

Recommendation 8.8b

The '*Wheat Stocks and Exports Australia*' report, funded by the Grains Research and Development Corporation and Grain Growers Limited, should continue to be funded for a further 12 months, during which time industry should be surveyed to assess the future usefulness and funding of the report.

Recommendation 8.2

Pre-harvest and crop forecast information can be improved through better coordination between state governments to remove inconsistencies and improve data accuracy.

Recommendation 8.3

Organisations associated with the industry, such as GRDC and GGL, should continue to provide training programs to increase grower knowledge and confidence in utilising price-risk management strategies.

Recommendation 8.6

To provide an accurate stocks-use balance, growers should supply further information on stocks held in on-farm storage. Information could be supplied at completion of harvest and then on a quarterly basis via an on-line survey. Data should be aggregated to avoid identification of individual growers.

Recommendation 8.8a

To determine the overall stocks-use balance equation, industry should reinstate a revamped '*Wheat Use and Stocks, Australia*' report to deliver data on the domestic use of grain stocks, on-farm storage and end-user consumption. The private sector should be encouraged to fund and disseminate this information in a more timely and cost effective manner than previously provided by government.

Recommendation 13.0

Industry should monitor the effectiveness of GrainGrowers Limited's '*Australian Wheat Quality Report*' and '*What the World Wants from Australian Wheat*' in positioning Australian grain in the international market.

Feedback from the market place could help determine whether increased focus is needed on providing international customers with additional generic information on crop quality characteristics.

Recommendation 11.0

If industry decides that a body is needed to co-ordinate and deliver wheat market information, it should utilise an established industry structure.

Recommendation 14.0a

Industry needs to determine whether it should develop and adopt out-turn and export standards, and examine the need to certify the quality of wheat exports.

Recommendation 12.0

Industry should verify the need for a generic body to support Australian wheat internationally or to deliver other industry good functions. Industry would need to adopt a mature approach to determine the strategic need versus structural and control implications.

Recommendation 14.0b

Industry should consider funding an annual / bi-annual wheat quality forum to facilitate industry dialogue on wheat classification requirements and future grain quality needs. The forum could also provide a mechanism to improve feedback from international and domestic customers.

General Recommendation

Industry should consider providing similar stocks information for other crops, including barley, canola, sorghum and pulses, as it does for wheat.

General Recommendation

Due to the continued evolution of the grains industry, mechanisms to address market information issues should be implemented for a 3-year period and then reviewed.

Finding 8.1

While long-term data trends, such as grower demographics, are useful for both the public and private sector, growers do not use this information to significantly inform their marketing decisions.

Finding 8.2

Australia is relatively well served with pre-harvest and crop forecast information. Although no major gaps in this information have been identified, the timeliness and accuracy of data could be improved.

Finding 8.3

The availability of pricing information and price-risk management products is superior to what was available prior to deregulation. This has provided more options for growers in marketing their wheat however there is still a general lack of confidence amongst growers in understanding and utilising price-risk management strategies.

Finding 8.4

There is a lack of consistency in the level of detail and format of shipping stem information published in accordance with the 'continuous disclosure rules'.

Finding 8.5

The general view from industry is that adequate information is available on international grain stocks.

Finding 8.6a

There are significant quantities of grain stored on-farm and growth is expected to continue. The amount of grain stored on-farm is a significant proportion of the grains stocks balance, which is presently not being effectively accounted for.

Finding 8.6b

Growers can retain the title to grain held in commercial storage for up to 3 months following delivery.

Finding 8.7

Once harvest has been completed, growers develop strategies for their uncommitted grain. The major influences on marketing strategies are cash flow needs, basis levels and potential future grain prices.

Finding 8.8a

Reinstating a more efficient form of the 'Wheat Use and Stocks, Australia' report, previously published by ABS, will address data gaps in the increasing volumes of grain stored on-farm.

Finding 8.8b

While industry is able to access certain post-harvest data, there are gaps in this information resulting in an incomplete stocks-use balance equation.

Finding 9.0a

The major divergence of industry views relates to the provision of current-season (short term) information on stocks from the completion of harvest until when the grain is sold and dispersed.

Finding 9.0b

Outside of the BHCs, some industry sectors argue that incomplete grains stock information places them at a significant marketing disadvantage. These sectors believe that a range of additional stocks information should be published to reduce market information asymmetry.

Finding 10.0

The supply of aggregated uncommitted warehoused grain data should overcome most industry concerns related to stocks information. The provision of this data would enable industry participants to start on a 'level playing field' in developing pricing and accumulation strategies.

Finding 11.0a

The retention of current production reports, introduction of a revamped 'Wheat Use and Stocks, Australia' report and an agreed way forward on publishing uncommitted warehoused stocks data will provide a good overall wheat stocks balance.

Finding 11.0b

Industry needs to further investigate the need for an industry body to co-ordinate, analyse and deliver wheat market information.

Finding 12.0a

Feedback was mixed on whether the stocks information provided in the US and Canada leads to higher grain prices for farmers. In the time available, it was not possible to verify or quantify if any such advantage exists.

Finding 12.0b

Over time, there has been debate about whether Australia should have a USWA or CGC equivalent to promote Australian wheat abroad and undertake other industry good functions such as trade advocacy and grain quality certification

Finding 13.0

International customers have provided industry with mixed feedback on the importance of national crop quality information. A number of customers believe there is a need for a report on Australian grain quality, while others do not see a need for such a report.

Finding 14.0a

While there have been claims that the quality of Australian wheat is deteriorating, grain is being supplied according to contract specifications and there have been no rejections of bulk shipments of Australian wheat.

Finding 14.0b

There have been claims that Australia needs a body to oversee the quality of grain export shipments.

Finding 14.0c

If industry agrees to provide information on the volumes, grade and location of uncommitted warehoused grain, this should help the trade accumulate stocks that meet market requirements and help address specific quality concerns.

3 Introduction

Following the removal of 'single-desk' marketing arrangements in 2008, there has been much debate within the industry with regard to the availability and usefulness of wheat market information. Market information covers a range of data along the grain value chain from supply (areas planted, seasonal conditions, yield and production estimates and actuals), demand (domestic and international prices, and volumes by grade and quality) and stock levels, including carry-in and carry-out stocks, domestic usage and international consumption.

A number of market information projects were included as part of the \$9.37 million transitional assistance package announced by the Australian Government in 2008. The transitional funding arrangements finished in July 2011.

In 2010, the Productivity Commission conducted an inquiry into wheat export marketing arrangements as required by the *Wheat Export Marketing Act 2008*. The Commission was asked to assess the effectiveness of the new arrangements in meeting the objectives of the Act, including consideration of the availability and transparency of market information.

As part of the consultation process associated with the review, stakeholders expressed differing views relating to the provision of wheat information. The Commission's final report acknowledged the benefits of stocks information (by state) to industry and recommended that if industry wanted the information, it should pay for it.

To assist industry to identify long-term funding arrangements to provide stocks data, the Department of Agriculture, Fisheries and Forestry (DAFF) funded an independent Wheat Market Information Study managed by GrainGrowers Ltd (GGL) and undertaken by GHD Pty Ltd in July 2011. As a result of this project, GGL and the Grains Research Development Corporation (GRDC) entered into a co-funding arrangement for the provision of particular market information over a 12 month period.

On 23 September 2011, the government announced its response to the Commission's inquiry, agreeing in-principle with the recommendations and detailing a staged transition to full deregulation by 1 October 2014. On 21 March 2012, legislation was introduced into the Australian Parliament to give effect to the government's response.

In February 2012, DAFF commissioned this report to provide an independent analysis of the availability and importance of stocks information in order to support and maintain an effective bulk wheat export industry.

4 SCOPE OF THE REVIEW

The terms of reference required the review provide:

- An analysis of various industry sector positions, including growers, grower organisations, industry support companies, local and export customers, exporters and integrated bulk handling/marketing companies, in relation to market information needs and demands;
- Details of possible information packages to support industry needs, including a qualitative analysis of the impact on the various industry sectors and advice on the main beneficiaries;
- Examination of the benefits to industry stakeholders of the provision of a post-harvest crop quality report in a deregulated environment;
- Examination of what data could/should be generated, who could generate it and options on who should pay for the data generation;
- Review of the usefulness of reports that have been provided to industry from both government and non-government sources;
- Review of the data provided by international competitors and the potential impact on Australian exports;
- Conclusions on the most appropriate distribution of market information to support a competitive, internationally focused and deregulated industry; and
- Provision of potential options for the implementation/delivery of the information.

5 METHODOLOGY

The methodology for the preparation of this report followed a number of steps:

- A review of the Wheat Market information that is currently provided by both the public and private sectors in Australia and in the United States and Canadian markets;
- A desk-top audit of industry sector views expressed to the PC review and other reports on Wheat Market information;
- Detailed consultations with the various industry sectors including; growers, grower organisations, industry support companies, local and export customers, grain traders, exporters and integrated bulk handling/marketing companies;
- An analysis of wheat market information needs and gaps and who are the major beneficiaries of the various wheat information data;
- Recommendations of possible information packages to support industry needs including a qualitative analysis of the impact on the various industry sectors and the main beneficiaries;
- A review of the usefulness of reports that are currently provided to industry from both government and the private sector;

- Recommendations on the most appropriate distribution of market information to support a competitive internationally focused and deregulated industry; and
- Potential options on the way forward for the generation, funding and delivery of this information.

6 BACKGROUND

Prior to the abolition of the 'single-desk' wheat marketing system in 2008, the Australian Wheat Board (AWB), later AWB Ltd, had complete control over the wheat supply chain and access to detailed wheat stocks information. As a result, AWB provided the majority of market intelligence related to wheat, and was able to decide what information to publish.

One of AWB's publications was the annual *AWB Crop Report* that provided production year data as well as commentary on the suitability of each grade for particular uses, such as noodles. The report cost around \$3 million to produce and was published several months after harvest. A prime use of the report was to promote the merits of Australian wheat to new and existing customers.

The Australian Bureau of Statistics (ABS) and Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) continue to provide a range of data on grower profiles, historical production and consumption, seasonal production forecasts, and world demand, consumption and prices for wheat and other crops.

Following deregulation and the recommendations of the Independent Expert Group (IEG), the Australian Government allocated \$3.38 million to ABS and \$0.45 million to ABARES to provide information on production, committed and uncommitted stocks and exports for a 3 year period until June 2011.

ABS produced 2 monthly reports, '*Stocks of Grain Held by Bulk Handling Companies and Traders*' and '*Wheat Use and Stocks, Australia*', while ABARES produced the '*Australia Wheat Supply and Exports Monthly*'. Copies of these reports can be accessed via www.abs.gov.au and www.abares.gov.au.

As a result of the *Independent Wheat Market Information Study*, funded by DAFF in 2011, GGL and the GRDC agreed to co-fund the ABS '*Wheat Stocks and Exports Australia*' report for a 12 month period. The report is based on the '*Wheat Use and Stocks, Australia*' publication.

The integrated Bulk Handling Companies (BHCs) contribute to the '*Wheat Stocks and Exports Australia*' report and also provide a range of data on production forecasts, stocks and infrastructure. As part of their access undertakings with the Australian Competition and Consumer Commission, BHCs are also required to publish a range of Shipping Stem information.

The majority of state departments also provide data on crop production including areas planted, seasonal and agronomic conditions, and production forecasts. There is also increasing private sector involvement in the provision of wheat market information, with a number of companies providing daily and weekly summaries of prices and crop forecasts. The Rural Press also publishes regular updates on wheat markets and prices publically.

It is common practice for large grain traders to develop their own detailed supply and demand forecasts while the small traders tend to rely more on the publicly provided data and information from private forecasters.

The PC review, discussions with industry stakeholders, and an analysis of a number of reports, showed significant differing views on the timeliness, accuracy, usefulness and transparency of the current wheat information, and in particular access to stocks data held by the BHCs.

The views range from satisfaction with the present information availability through to a desire to compel the BHCs by legislation to provide more complete and transparent information on grain stocks in their systems.

7 REVIEW OF CURRENT WHEAT MARKET INFORMATION

Market information covers a range of data along the grain value chain from supply (areas planted, seasonal conditions, yield and production estimates and actuals), demand (domestic and international prices, and volumes by grade and quality) and stock levels, including carry-in and carry-out stocks, domestic usage and international consumption.

The timely and accurate information along the grain value chain is important in supporting efficient domestic and export markets for wheat and other crops. Access to information contributes to price discovery, increases competitiveness, and reduces transaction costs and variability in markets.

Currently, wheat market information is provided by both public and private sources and is provided free of charge or by subscription. The information can be categorised as short-term/long-term, pre-competitive/competitive, and industry good/ private good.

The Productivity Commission inquiry into wheat export marketing Arrangements and the GHD '*Independent Wheat Market Information Study*' both provide detailed explanations of the history and level of wheat market information provided since deregulation.

The below table summarises wheat market information by category, timeframe, and provider.

Market information matrix

Category of Information	Description	Data term*	Provider
Grower Demographics	<ul style="list-style-type: none"> ➤ Farm numbers ➤ Average farm size ➤ Average farm production 	Long	ABARES State government Private
Pre-harvest (production forecasts)	<ul style="list-style-type: none"> ➤ Area planted ➤ Anticipated yield ➤ Anticipated quality** 	Short & long	ABARES State government Private
Harvest forecast	<ul style="list-style-type: none"> ➤ Production forecast by location, yield and quality** 	Short & long	ABARES/ABS State government Private
Post harvest (actuals)	<ul style="list-style-type: none"> ➤ Total harvest by location & quality** ➤ Total exports by feed & milling and port zone ➤ Total domestic use (feed & milling) 	Short & long	ABARES/ABS Private
Stocks	<ul style="list-style-type: none"> ➤ New stocks (carry-in) / old stocks (carry-out) ➤ Volumes held by growers on-farm ➤ Volumes held by BHCs ➤ Volumes held by traders ➤ Volumes held by end-users ➤ Volumes committed / uncommitted ➤ Volumes allocated/unallocated 	Short	ABARES/ABS Private
Prices	<ul style="list-style-type: none"> ➤ Domestic prices for milling and feed wheat ➤ International prices for wheat by quality** 	Short & long	Domestic buyers / traders Consultants Private
Shipping stem	<ul style="list-style-type: none"> ➤ Capacity at port ➤ Exports by Volume & Crop 	Short	Port Operators
International stocks information	<ul style="list-style-type: none"> ➤ World production estimates ➤ World stocks ➤ Stocks to use ratios 	Short & long	ABARE Private IGC
Wheat Quality	<ul style="list-style-type: none"> ➤ Quality** and functionality by port zone/shipment 	Short	GGL Exporter (ship)

*Long = > 1 season; Short = < 1 season

**Quality = according to grade standards such as APH, AH, etc.

8 Current wheat market information availability

8.1 Grower Demographics

Data on grower demographics provides longer-term data on changes in farm numbers, farm size, production trends and grower profiles. The principal supplier of grower demographic data is the public sector.

The data is published annually and is important for both the public and private sectors. For the public sector, it provides information on socio-economic trends and contributes to policy development. For the private sector, the data is helpful for the development of business strategies, including investment decisions in logistics and infrastructure.

Desktop audits and discussions with industry stakeholders demonstrated support for the usefulness of this data and satisfaction with the timeliness and accuracy of the reports provided. In general, growers found the data of limited use and did not represent a significant factor in their decision-making.

Finding 8.1

While long-term data trends, such as grower demographics, are useful for both the public and private sector, growers do not use this information to significantly inform their marketing decisions.

8.2 Pre-harvest and crop production estimates

This information provides forecast crop production data related to planted areas, seasonal forecasts, agronomic conditions, yield and quality (APH, AH, etc) for the current crop and beyond.

Pre-harvest and crop production estimate reports are generated by the public and, increasingly, by the private sector.

ABARES provides quarterly and annual reports on crop production forecasts, seasonal and agronomic conditions and yield forecasts. The *Australian Crop Report*, published quarterly by ABARES, provides details on stocks, usage (by flour, seed and residual) carryover stocks and prices.

The ABARES *Australian Commodity Statistics* is an annual report of historical data including production (area, yield, and value by state), exports (destination, volume, value and prices) domestic usage, supply and demand, and prices.

A number of state governments also generate data on crop production. Information generally includes planted area, yield and production forecasts by crop, but can extend to varying degrees of information on rainfall data, soil moisture profiles and disease/pest incidence. The level of detail varies between

states, with varying data scales from state wide to regional. The New South Wales, Victorian and West Australian governments provide monthly reports through their relevant departments; while South Australia publishes quarterly. The Queensland Government prepares limited crop report information. Feedback from industry participants expressed a desire for information to be better co-ordinated between state governments, to ensure accuracy and limit potential duplication.

Increasingly, private companies provide details on seasonal conditions and production forecasts. These reports are provided by subscription and also include other relevant market information. In general, major clients include grain traders, banks, farm input suppliers, domestic and international buyers and consultants.

Feedback from growers is that the information is of some use in determining price-risk management strategies; however there appears to be a limited uptake of these reports.

A number of attempts are being made to improve the accuracy of technologies in predicting crop yields and production figures. For example, GGL has developed 'ProductionWise', an online crop management tool for growers that uses high-resolution satellite imagery to predict yield and production. GGL also provide a monthly crop and weather report, the *Australian Wheat Page*, utilising this technology.

In addition to public and private sources, larger grain traders develop their own detailed production forecasts utilising the available data with additional input from their own field forces. For BHCs, the information is a useful input into developing supply forecasts for determining grain logistics requirements.

For grain traders, pre-harvest and production estimates assist the development of supply and demand forecasts and accumulation strategies. Domestic and international buyers also utilise the reports as an aid in preparing purchasing plans. The reports have also been used by farm-input and farm finance suppliers.

Finding 8.2

Australia is relatively well served with pre-harvest and crop forecast information. Although no major gaps in this information have been identified, the timeliness and accuracy of data could be improved.

Recommendation 8.2

Pre-harvest and crop forecast information can be improved through better coordination between state governments to remove inconsistencies and improve data accuracy.

8.3 Pricing Information

As discussed, there has been rapid growth in the availability and accessibility of detailed grain prices and price-risk management products since deregulation.

Domestic and international price data is readily available in real time at receival points, online, in the daily and weekly media, by subscription and directly from grain buyers and consultants. This data is accessed by all players in the market, including growers. Feedback from participants pointed to a CBH survey that showed 80% of Western Australian growers accessed pricing information online.

Growers also have access to a range of price-risk management options including cash sales, pools, forward contracts (fixed grade contracts, multi-grade contracts), futures contracts, options and commodity swaps. Discussions with participants indicated satisfaction with the number of options available, although there was general lack of confidence in utilising some of the strategies. This reluctance appeared to stem from lack of education or familiarity in some products.

The only negative comments from growers in relation to prices were that traders do not always stand in the market, the increased prevalence of 'cliff face' pricing and a lack of market signals on what varieties to grow to achieve price premiums.

Finding 8.3

The availability of pricing information and price-risk management products is superior to what was available prior to deregulation. This has provided more options for growers in marketing their wheat; however there is still a general lack of confidence amongst many growers in understanding and utilising price-risk management strategies.

Recommendation 8.3

Organisations associated with the industry, such as GRDC and GGL, should continue to provide training programs to increase grower knowledge and confidence in utilising price-risk management strategies.

8.4 Shipping Stem Information

In accordance with the *Wheat Export Marketing Act 2008*, port terminal service providers have to comply with the 'continuous disclosure rules' by publishing information related to their port on their websites daily. The provision is focused on ensuring access to terminal infrastructure by third-party traders, rather than the publishing of stocks data. However, shipping stem information provides a valuable service to industry by publically disclosing the vessel name, when it was nominated and accepted, expected and actual times of arrival, completion and

departure dates of bulk wheat exports by port. Details are also provided on the shipper, grain type and volume.

This data contributes to ABS/ABARES reports, the supply and demand schedules of traders and international buyers, and provides information related to competition. Consultancies also aggregate shipping stem data to provide customers with an overall summary of the quantities of bulk grains being exported from Australia. Few growers are known to actively access shipping stem information directly.

The requirement to publish shipping stem information does not cover all terminals that export bulk wheat, such as ABA's Melbourne port terminal and the terminal in Brisbane. However, ABA provides Shipping Stem information on a voluntary basis.

The legislation does not extend to cover information on grain exported in bags or containers. However, ABS and Customs record this data by grain type, quantity and grade that is available by subscription (approx. \$1,000 p.a.). However, shippers can request restrictions on the publication of certain data, for example CBH has restrictions related to barley and oats.

Discussions with stakeholders found that improvements could be made by ensuring information was published in a consistent format. Currently, data can be reported in varying levels of detail. For example, GrainCorp and Viterra provide a breakdown of exports by all crop types, while CBH only disaggregates crop data into 'wheat' and 'other'.

On 23 September 2011, the government announced that access issues, including continuous disclosure rules, be covered by a voluntary industry code of conduct. The code must be approved by the Minister of Agriculture, Fisheries and Forestry and in place by 30 September 2014.

Finding 8.4

There is a lack of consistency in the level of detail and format of shipping stem information published in accordance with the 'continuous disclosure rules'.

Recommendation 8.4

Shipping stem information should continue to be published under the voluntary Code of Conduct. Information should be published in a consistent format and coverage should be extended to all ports where grains are exported.

8.5 Information on international stocks levels

A wide variety of institutions provide data on international grains supply, demand and prices. In Australia, for example, the ABARES *Agricultural*

Commodity Statistics Report provides analysis and commentary on world grain stocks and usages on a quarterly basis.

The London based International Grains Council (IGC) supplies regular reports on a wide range of data on grain supplies and demand including global production, trade, consumption carryover stocks and the very important stocks/use ratio. Data is also provided on daily export prices and weekly freight rates.

International grain traders also develop their own detailed global stocks information. Comments from a number of Australian grain traders were that the international companies, such as Cargill, Glencore and Vitol, have a natural competitive advantage in this area due to their ability to source data from their international operations.

Companies such as Australian Crop Forecasters and Profarmer also provide information on global stocks to their clients.

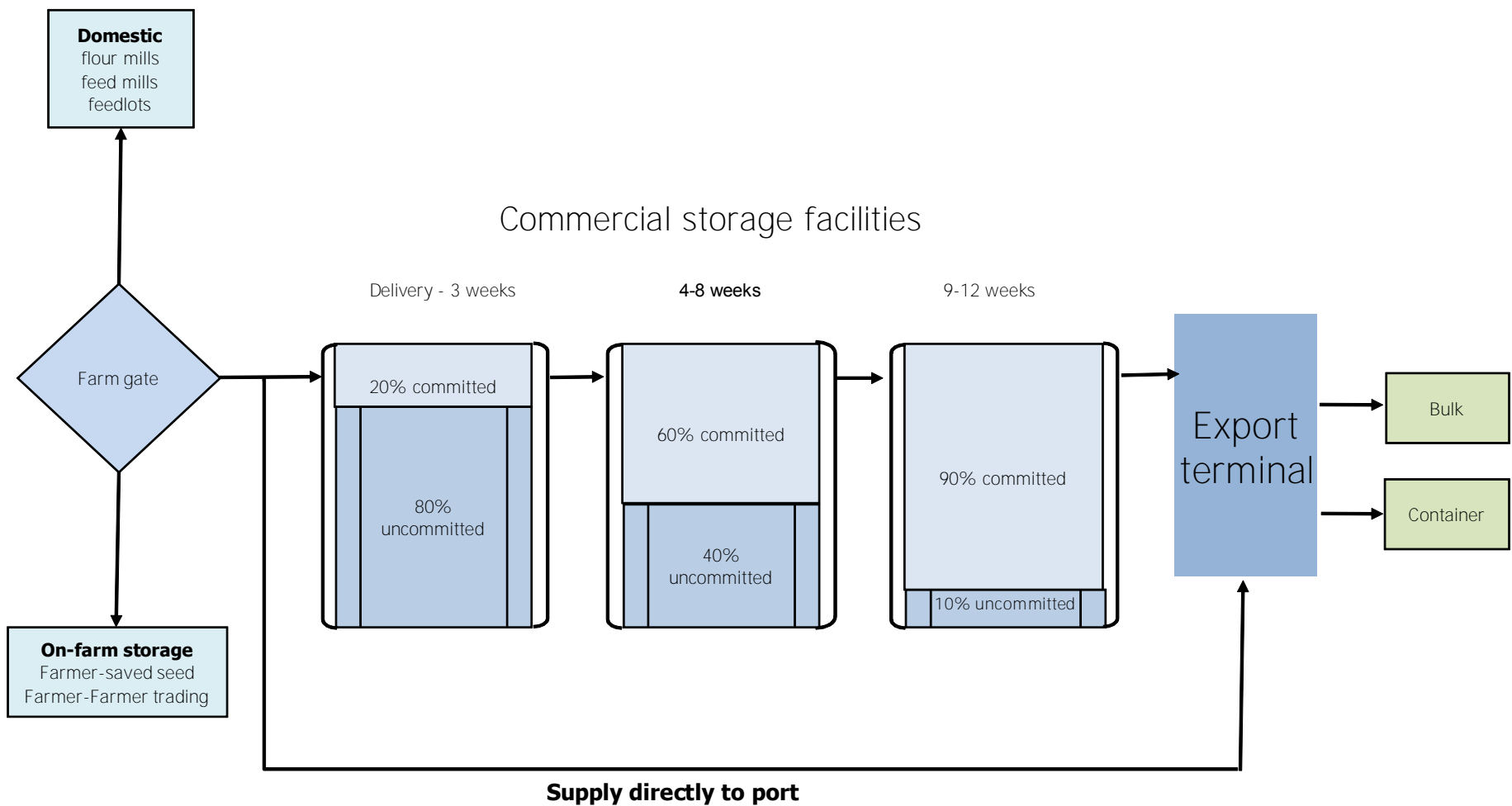
Finding 8.5

The general view from industry is that adequate information is available on international grain stocks.

8.6 Grain stocks data across the supply chain

When grain is harvested there are a number of routes it can follow.

Generic Grain Stocks Flow Chart



On-farm

Once grain is harvested, a percentage is retained in on-farm storage as either farmer-saved seed or for direct sale to other farmers, local feed mills, dairies, piggeries, feed lots, flourmills or grain traders at a later date. There is an increasing trend where growers, either individually or in groups, are exporting grain directly, primarily in containers. It is expected that this trend will expand to bulk exports as well.

Storing grain on-farm can enable growers to better manage their own price-risk and grain quality as it increases their flexibility as to when to price grain. It also provides options to 'value-add' or arbitrage through actions such as drying, grading and blending.

Ownership of the grain remains with growers until the grain is sold or allocated. From discussions with industry stakeholders, it is estimated that approximately 20% of grain may be committed prior to harvest. Grain can be committed but not yet allocated against a specific contract.

Following deregulation there has been a large growth in on-farm storage from grain silos through to silo bags. The major growth has been in the eastern states where there is an estimated 15 million tonnes of on-farm storage. In Western Australia, there is only around 0.4 million tonnes of grain stored on-farm. The higher percentage of on-farm storage in the eastern states is primarily due to the larger domestic market and increased selling options available. It is estimated that BHCs have access to approximately 50 million tonnes, Grainflow and ABA have a combined 4.3 million tonnes and there is an additional 1.5 million tonnes in other commercial storage facilities.

The ABS '*Wheat Use and Stocks, Australia*' report contained details on domestic use, end user stocks and on-farm stocks. However, when this project finished in July 2011, it was not carried on by industry as it was deemed too expensive, underutilised and that monthly variations were insignificant.

There was considerable feedback, particularly from domestic users, that the lack of this information has left a significant gap where industry does not know the real stocks and usage position until at least 18 months after harvest, when ABS publish findings from its census surveys.

It is understood that industry players are looking at filling this gap and believe it can be provided at a lower cost and in a shorter time than the previous ABS report. It is also proposed that the report should include barley, canola, sorghum and the key pulses.

Finding 8.6a

There are significant quantities of grain stored on-farm and growth is expected to continue. The amount of grain stored on-farm is a significant proportion of the grains stocks balance, which is presently not being effectively accounted for.

Recommendation 8.6

To provide an accurate stocks-use balance, growers should supply further information on stocks held in on-farm storage. Information could be supplied at completion of harvest and then on a quarterly basis via an on-line survey. Data should be aggregated to avoid identification of individual growers.

Post farm gate

Once grain leaves the farm, it usually enters the bulk handling system or is sold directly to the domestic market for various uses.

When grain does enter the commercial storage and handling system, the majority is delivered to the three large integrated BHCs; CBH, GrainCorp and Viterra. It is estimated that GrainCorp receives around 60% of the grain harvest in the eastern grain belt. The percentage of grain that enters the Western Australian-based CBH system is higher than GrainCorp and Viterra achieve in their regions as there are generally more delivery and storage options in Eastern Australia and a larger domestic market.

When storing grain, BHCs offer a period of 'free-carry' to growers, allowing grain to be stored for free for a specific period of time. For example, Viterra and GrainCorp provide free-carry for up to 8 weeks while CBH provides free-carry from harvest to the following September. CBH has also introduced a quality optimisation program whereby a grower can conduct arbitrage on their total deliveries into the system depending on the grades delivered.

There is an estimated 6 million tonnes of commercial grain storage outside the integrated BHCs, which is expected to increase. Examples include Woods Grain, Riordan Grain, Moore Bulk Storage, Emerald and Cargill. Grower co-operatives have also emerged, providing additional options such as FREE Eyre, a grower co-operative that has a number of bunker storages, and Mallee Farmers, which has a joint-storage venture with Emerald.

When grain is received at the silo it is graded according to receival standards, including test weight, moisture and protein level, screenings and falling numbers. Growers can either deliver their grain to up-country silos or, to avoid some of the storage and handling charges, deliver directly to Port where it is graded according to the same standards.

The majority of grain enters the commercial storage and handling system as grower warehoused grain. This means that the title remains with the grower until the grain has been committed. Discussions with stakeholders confirmed that around 80-90% of delivered grain is initially received as grower warehoused stock. Estimates vary as to how long grain remains uncommitted, but approximately 50% of warehoused stock is committed within 30 days and within 3 months more than 90% has been committed and allocated.

Finding 8.6b

Growers can retain the title to grain held in commercial storage for up to 3 months following delivery.

8.7 Marketing Strategies

Growers have a number of options available to them to market their grain.

A number of grain traders and BHCs still operate a range of pools, even though their use has declined significantly since deregulation. It is estimated that on the east coast only 10-20% of wheat is marketed through pools, while in Western Australia the volume is around 25-30%. Once the grower elects the pool option, the title of the grain transfers to the pool operator.

Growers can also sell their grain to a range of domestic users (feed mills, flour mills, feedlots, piggeries, dairies, ethanol producers), to a range of small domestic and export traders, to the trading arms of integrated BHCs or to the other international grain trading companies.

There has been an increase in the number of consultants who provide advice on price-risk management for growers. As is the case for agronomic consultants, the highest percentage is in Western Australia where there are around 30 consultants offering marketing advice to growers. Some of these consultants also act effectively as 'brokers' for a number of growers that have grain of a similar quality.

There are currently 26 registered exporters under the Wheat Export Accreditation Scheme with CBH, GrainCorp, Viterra, Glencore and Cargill representing around 80% of the export volume with the remainder covered primarily by Emerald, Bunge, Gaviolon and EldersToepfer. Discussions with Viterra confirmed that there are 60 different buyers of grain in their system.

Once a grower has allocated his grain, title transfers to the purchaser and the grain can then be on-traded a number of times. The grain is eventually consumed by the domestic market (feed/flour/fuel) or exported in containers or bulk. Stakeholders quoted that more than 2 million tonnes of grain are exported in containers. Domestic grain purchases can be out-turned from up-country silos or from the port zone.

Finding 8.7

Once harvest has been completed, growers develop strategies for their uncommitted grain. The major influences on marketing strategies are cash flow needs, basis levels and potential future grain prices.

8.8 Post-harvest information

Following deregulation, on recommendations from the Independent Expert Group (IEG), the government allocated \$3.38 million to ABS and \$0.45 million to ABARES to provide additional information on production, committed and

uncommitted stocks and exports over a 3 year period. Funding for these reports has since ceased.

In late 2011, GRDC and GGL agreed to co-fund the Wheat Export Sales Survey (WESS) and Grain Handler Stock Survey (GHSS), through ABS, for a one-year period until 30 September 2012. As a result, *'Wheat Stocks and Exports Australia'* is published monthly. The report provides data on stocks held by the BHCs broken down by milling or feed grade, wheat stocks exported and wheat stocks committed for export. The report is said to be provided in a timelier manner and at considerably less cost than previously supplied. The GHSS report is published 3 weeks after month-end while WESS takes around 5-6 weeks. Feedback on the current report was that the information provided is useful; however there is still a timeliness issue.

There were also concerns that the data provided does not meet the complete needs of growers and grain traders. The new arrangement does not include all the elements of the *'Wheat Use and Stocks, Australia'* report as it was deemed too expensive, underutilised and the monthly variations were small (0 to 4%). However, as mentioned above, a number of industry players believe there is a significant gap in estimates of real stocks and usage as a result of not having the data previously provided.

Finding 8.8a

Reinstating a more efficient form of the 'Wheat Use and Stocks, Australia' report, previously published by ABS, will address data gaps in the increasing volumes of grain stored on-farm

Recommendation 8.8a

To determine the overall stocks-use balance equation, industry should reinstate a revamped *'Wheat Use and Stocks, Australia'* report to deliver data on the domestic use of grain stocks, on-farm storage and end-user consumption. The private sector should be encouraged to fund and disseminate this information in a more timely and cost effective manner than previously provided by government.

In addition to publishing shipping stem information and contributing to the GHSS, the BHCs provide a range of data on grain stocks.

Viterra provides data on weekly stocks on hand at the port terminals for all crops and includes the top 3 wheat grades; APW, APH and H. Data is also published weekly on daily average receivals at each port terminal. The 'ezigrain' website enables growers to access information on their deliveries, warehoused grain, warehouse advances, transfers and weather. It also provides daily weighted average quality data for each grade at each site where there is more than 500 tonnes, including wheat grade, moisture, test weight, protein content and screenings. Fumigation schedules are also provided. However, data is not provided on volumes and committed/uncommitted stocks through this tool.

Viterra offers growers an 'opt-in' option for the disclosure of personal information on their warehoused stock to be released to registered buyers. However, the Viterra 2010/11 Post Harvest Review Grower Questionnaire found that 67% of the 1,100 grower respondents were aware of the opt-in option, however only a small amount of growers had taken up the offer.

CBH offers growers and traders access to volume and quality data on the grain they own using LoadNet. They also provide updates throughout the season on forecast grain production and weekly harvest reports that show total grain receipts by port zone.

GrainCorp provides growers and grain traders with average stack quality data for the stacks in which they hold grain (a ticket) via GrainTransact. Industry cannot access data on volumes and committed/uncommitted stocks or data from stacks in which they do not own grain. Graincorp also provide a crop report on grade and quality by port zone.

Finding 8.8b

While industry is able to access certain post-harvest data, there are gaps in this information resulting in an incomplete stocks-use balance equation.

Recommendation 8.8b

The 'Wheat Stocks and Exports Australia' report, funded by the Grains Research and Development Corporation and Grain Growers Limited, should continue to be funded for a further 12 months, during which time growers should be surveyed to assess the future usefulness and funding of the report.

9 Industry perspectives

Some sectors of industry believe that additional information is essential to achieve a well-functioning, competitive and transparent marketplace. They believe the regular provision (daily or weekly) of data on grain volumes and grade, committed and uncommitted by site and by port zone, result in a better informed market. The various industry stakeholders' views on what additional information should be made available are shown in the Appendix 1.

Growers believe the additional data will aid their price-discovery and will increase competition from traders who, by having additional data, will not need to discount price due to a 'risk component' of incomplete information. From discussions with industry, an estimate of the potential price-benefit to growers was suggested in the order of \$2-3 per tonne.

In their submissions to the Productivity Commission inquiry, Grain Producers Australia (GPA), Pastoral and Graziers Association (PGA) and NSW Farmers Federation stated that the BHCs should be compelled by legislation to supply this

information. GGL, then Grain Growers Association (GGA), also argued for legislation, however, recent discussions revealed that this position is being reviewed as GGL believes that the value growers may gain from the various wheat stocks information is questionable. GGL is in now the process of doing market research in this area and hopes to have completed an analysis by the end of May 2012.

PGA has also advised that their position on the provision of wheat market information is being reviewed. They now advise that the supply of aggregate information on the quantity and quality of unallocated stocks in the BHCs should be on a voluntary basis and there should be no government intervention to compel the release of this information.

Grain traders believe this additional information would enable them to be better positioned to 'match' the requirements of international and domestic customers with the available supplies of wheat. They also argue that BHCs have an unfair market advantage due to their knowledge of wheat stocks in their storage and handling networks.

Domestic grain consumers also believe that the additional stocks information is essential to allow for a competitive and efficient domestic market. They highlighted a critical need for this information when there are grain shortages.

In discussions with the BHCs a number of reasons were given for their reluctance to supply additional stocks information. The key reasons given were;

- The data requested covers information on grains that in most cases are not owned by them and therefore not theirs to divulge;
- Provision of the requested data could disadvantage growers. For example, in Western Australia following harvest growers are normally long (ample amount of grain on-hand) and hence the supply of greater detail on stocks could enable buyers to exert downward pressure on prices;
- There would be significant costs in providing the additional information;
- The BHCs all have major investments in infrastructure and access to the stocks data gives them a deserved competitive advantage. However, CBH pointed out that it has an effective ring fence in place that prevents their marketing arm gaining any access to stocks information;
- That 'asset-light' traders should not be given a free-ride on grain stocks information that has been generated by others who have developed their own supply and demand work sheets and/or have significant investments in storage and handling assets; and
- Considerable and increasing quantities of grain are being stored and handled outside of CBH, GrainCorp and Viterra.

The BHCs could rightly argue that the publication of any additional information would also need to be made available for the considerable and increasing amounts of grains that do not pass through their storage and handling systems. This concern could be addressed if all companies that offer commercial storage and handling and store uncommitted warehoused grain agree to provide the

data and there was an improved method of capturing the amount of grain stored on-farm.

As part of this review, 25 growers from across Australia were asked for comments on wheat market information. The feedback showed a variety of views on the current information available, potential gaps and what, if any, action should be taken.

A number of growers were happy with the currently available information and did not believe there were any significant gaps. Some growers went further and stated that it would be detrimental to publish additional data on stocks information due to concerns that more information could result in lower prices, particularly if the market was long.

The growers who wanted more information tended to have concerns regarding the power of the BHCs due to their position in the market and access to complete stocks information in their systems. These growers believed that due to incomplete stocks information BHCs had an unfair advantage; reducing grower returns and limiting their ability for price discovery and for other grain traders to compete for their grain. A number of growers commented “we have gone from one monopoly to where we now have three”.

When asked what action should be taken there were a number of responses. Some argued that trading arms should be ringed- fenced from storage and handling operations, others suggested that the trading arms should be removed from the BHCs and they should revert to being storage and handling providers. A number of growers were in favour of the BHCs being compelled to provide more information on grains stocks while others believed this could be achieved as part of a Code of Conduct. There were also a range of views of what additional data should be provided but most mentioned volumes, locations and grade.

The growers who wanted more information were asked for their views on agreeing to having aggregated information published on warehoused uncommitted stocks. Most were in favour; however there was disagreement about whether it should be available on an ‘opt-out’ or ‘opt-in’ basis.

Finding 9.0a

The major divergence of industry views relates to the provision of current-season (short term) information on stocks from the completion of harvest until when the grain is sold and dispersed.

Finding 9.0b

Outside of the BHCs, some industry sectors argue that incomplete grains stock information places them at a significant marketing disadvantage. These sectors

believe that a range of additional stocks information should be published to reduce market information asymmetry.

10 Filling the gaps

Timely and accurate wheat market information is important to support and maintain an efficient bulk wheat export market. If industry, including growers, domestic users, small and international grade traders and the integrated BHCs all agreed to have their data freely available on stocks this would provide ultimate transparency.

However, there are a number of practical, privacy and market advantage issues that will most likely prevent this from happening. Acknowledging these limitations, there are basically three options that could be pursued by industry, including maintaining the status quo, lobbying for legislative provisions or reaching an agreement that is implemented through an appropriate protocol.

The recommended option is for industry agreement to be reached where growers and commercial storage and handlers supply additional information to improve market transparency. This option would be implemented as part of an agreement under suitable protocols, such as a Code of Conduct.

The key points to consider are who owns the grain and when does ownership transfer. As discussed previously, when grain first enters the grain storage and handling networks, the majority of grain is warehoused and is owned by the growers. Therefore, the opportunity to increase market transparency lies with growers.

To ensure a 'level playing field' for all market participants, aggregated data on the volumes of uncommitted warehoused grain held in commercial bulk storage and handling systems should be made available by grade and location on a weekly basis.

The various grower organisations, with relevant support from industry, would need to communicate with growers and convince them that it would be in their best interest to make this data available on an aggregate basis, so as to help them optimise their pricing opportunities. Growers would be given an opt-out option if they did not want their information included.

While it is recognised there may be significant challenges in obtaining grower agreement to provide this data, all grower organisations have, at one stage or another, argued for the release of more wheat stocks information.

This approach provides grower organisations an opportunity to develop a 'united vision' and agree a common way forward on wheat stocks information to present to growers and industry.

The additional wheat stocks information could either be published on the BHCs website or collated and disseminated by a third party. The costs to the BHCs in supplying the data would need to be determined but should not be significant, perhaps with the exception of adjusting systems to cater for opt-out/opt-in warehousing agreements. This approach would still enable the BHCs to realise competitive advantages through their ownership of logistics infrastructure.

Finding 10.0

The supply of aggregated uncommitted warehoused grain data should overcome most industry concerns related to stocks information. The provision of this data would enable industry participants to start on a 'level playing field' in developing pricing and accumulation strategies.

Recommendation 10.0

Aggregated data on the volumes of uncommitted warehoused grain held in commercial bulk storage and handling systems should be made available by grade and location on a weekly basis.

Information should only be published with the consent of growers through an 'opt-out' arrangement with the storage and handler. Once grain becomes committed, the information becomes the property of the buyer, and therefore should not be publically disclosed.

11 Wheat market stocks - balance, costs and delivery

It is possible to achieve a relatively accurate picture of the stocks-use balance equation for Australian wheat. Maintenance of current reports, introduction of a revamped '*Wheat Use and Stocks, Australia*' report and an agreement on uncommitted warehoused stocks will result in a reasonable overall stocks balance equation to meet the needs of industry.

It has been estimated that the cost of producing the current GHSS and WESS reports and a revamped '*Wheat Use and Stocks, Australia*' report through the ABS would be around \$0.85 million per annum.

In terms of delivery, there were a variety of views on who should collect/collate/publish the various wheat market information reports. There was general agreement that the government should continue to fund the ABS and ABARES to provide core, long-term wheat market information and that state governments should continue to provide reports on seasonal conditions and production estimates. There were differing views on the provision of short-term wheat stocks information.

The GHD *Independent Wheat Market Information Study* (2011) recommended that post 2011/12 industry should seek to transfer the *Bulk Handler Stocks* and *Wheat Export Sales Survey* from ABS to the National Grower Register (NGR) or an

alternate private service provider. It recommended that funding could be obtained via a GRDC Research Project with appropriate contributions from other sections of industry. A second option was to broaden the roles and responsibilities of Wheat Exports Australia (WEA), if it was to be retained, to fund the reports through the Wheat Export Charge (WEC).

The Productivity Commission's inquiry recommended that if the industry wants stocks information, particularly short-term information, it will need to pay for it. It recommended that an industry body should be tasked with establishing industry agreement on what stocks information (if any) industry participants are willing to pay for, and the preferred information provider.

Grower organisation submissions to the PC largely argued for continued government funding and potential ongoing role for the WEA.

From extensive discussions with industry, further consideration is needed to determine if there are benefits to tasking an industry organisation with a national role in collating, and possibly interpreting and disseminating, this information and how they would be funded. Rather than create a new body, it should be possible for existing organisations to fill this gap.

Finding 11.0a

The retention of current production reports, introduction of a revamped 'Wheat Use and Stocks, Australia' report and an agreed way forward on publishing uncommitted warehoused stocks data will provide a good overall wheat stocks balance.

Finding 11.0b

Industry needs to further investigate the need for an industry body to co-ordinate, analyse and deliver wheat market information.

Recommendation 11.0

If industry decides that a body is needed to co-ordinate and deliver wheat market information, it should utilise an established industry structure.

12 International information and market support

As in Australia, international markets develop and provide wheat stocks and use data. For example, the United States and Canada supply a range of wheat market information on stocks, use, and stocks by class and export sales. Funding in both countries is provided by a combination of industry and government.

The US Wheat Associates (USWA) is an export development organisation that provides training, information and promotional services for US wheat farmers. USWA receives the majority of its funding from the federal government. In 2009,

USWA was allocated US\$16.8million, with 74% of the funding from the federal government and the remaining 26% from grower levies.

USWA provide a number of reports including weekly price reports covering a range of wheat classes and locations, weekly commercial sales reports which tracks year-to-date and historic sales for the six US classes of wheat, monthly world supply/demand statistics, weekly reports on crop conditions throughout harvest, and an annual crop quality report. USWA also does significant market development in promoting the crop to international buyers and also training them on the functional milling quality of existing and new varieties.

The Canadian Grain Commission (CGC) is a federal government agency which provides a range of information on wheat and other grains. Weekly and year-to-date reports are published on grains and wheat flour exports, the movement of grains by shipping point, the movement of grains from farms to domestic and export use, stocks in commercial facilities and grain prices.

The CGC is also the regulator of Canada's grain handling industry, is the official certifier of grain quality, conducts research into grain quality and provides technical expertise and support to overseas customers. However, a decision has been recently made to deregulate wheat marketing in Canada which could significantly impact the activities of the CGC, including the provision of wheat market information.

Industry feedback was mixed on the impact of US and Canadian activities on competition to Australian wheat in key markets. Comments varied from minimal impact on Australian wheat to that it is being seriously undermined by not having a USWA or CGC equivalent.

Finding 12.0a

Feedback was mixed on whether the stocks information provided in the US and Canada leads to higher grain prices for farmers. In the time available, it was not possible to verify or quantify if any such advantage exists.

Over time there has been debate about whether Australia should have a USWA or CGC equivalent to promote Australian wheat abroad and do other industry good functions such as trade advocacy and grain quality certification. Pulse Australia and Barley Australia do this to a very limited degree with the crops they represent. For wheat, stakeholders have raised several potential options for delivery, including an industry funded model, such as Barley Australia, through to a version of USWA that is funded by both industry and government.

In 2011, GGL launched an Australian wheat brand with the aim of providing a national umbrella for the promotion of Australian wheat. To date there does not appear to have been widespread support for this approach.

Finding 12.0b

Over time, there has been debate about whether Australia should have a USWA or CGC equivalent to promote Australian wheat abroad and undertake other industry good functions such as trade advocacy and grain quality certification.

Recommendation 12.0

Industry should verify the need for a generic body to support Australian wheat internationally or to deliver other industry good functions. Industry would need to adopt a mature approach to determine the strategic need versus structural and control implications.

13 Export grain quality information

Prior to deregulation, AWB provided the majority of market information on wheat quality, including production year data and comments on the suitability of grades for particular uses. The reports cost around \$3 million to produce and were published several months after harvest. A prime use for the *AWB Crop Report* was to promote the merits of Australian wheat to new and existing customers.

In today's market, major grain exporters provide detailed quality information on parcels of grain to international customers directly. While this is serving individual companies, a number of international customers have given feedback that a report on the quality of the national crop is lacking.

In 2008-09, GGA (GGL) and GRDC co-funded a pilot Australian Crop Quality Report based on samples of wheat produced in each port zone, covering the eastern Australian wheat belt. In discussions with GGL, they stated that the report was well received by both domestic and international grain customers including those in Taiwan, Malaysia and Indonesia.

As a result of the pilot, GGL is planning to fund an annual national crop quality report based on samples collected by its own field staff from growers across the country. They plan to run the report for a 3 year trial period. The report will be distributed to domestic and international grain customers and will be provided by GGL as an industry good function.

GGL also funds a report called '*What the World Wants from Australian Wheat*', initially released in 2004 and updated in 2010. A further report funded by GGL and DAFF was released in April 2011. These reports provide detailed summaries of Australian and international wheat industry data and feedback from international buyers. Reports were prepared based on interviews with domestic flour and stock/feed manufactures and flour millers in South East Asia, the Middle East and Europe.

Customer feedback in the GGL reports indicated that Australia is not providing adequate information on national crop production and quality to its markets. The report recommended that Australia should provide regular, accurate and timely information on a national basis to better support purchasing decisions of all buyers of Australian wheat. This feedback no doubt influenced GGL's decision to fund the preparation and distribution of the national crop quality report for a 3 year period.

Finding 13.0

International customers have provided industry with mixed feedback on the importance of national crop quality information. A number of customers believe there is a need for a report on Australian grain quality, while others do not see a need for such a report.

Recommendation 13.0

Industry should monitor the effectiveness of GrainGrowers Limited's 'Australian Wheat Quality Report' and 'What the World Wants from Australian Wheat' in positioning Australian grain in the international market.

Feedback from the market place could help determine whether increased focus is needed on providing international customers with additional generic information on crop quality characteristics.

14 Export grain quality concerns and market signals

Although not within the scope of this report, a number of traders, industry organisations and growers expressed concerns about grain out-turns, and the quality of grain exported from Australia.

Under the single desk arrangements, AWB basically controlled the export wheat quality system. By having control of all exports, AWB were able to set the receival standards, control segregations, undertake selected blending and reserve products to meet customer specifications, and control shipment sampling and testing. It is believed that in many cases AWB supplied customers with grain that exceeded contract specifications.

In a competitive environment, some stakeholders believe that grain is now only guaranteed at the minimum or average receival standards, rather than the actual quality of grain delivered and purchased by traders in the system. The term 'dumbing down' of wheat specifications was mentioned several times in discussions with grower organisations and grain traders. However, stakeholder discussions also confirmed that grain is being supplied to contract specifications and there have been no rejections of bulk shipments of Australian wheat.

Since deregulation, multiple buyers and accumulators have entered the market, individually blending grain in stacks and at ports. As such, the BHCs only deliver grain that match receival standards. Some argue that this is not of major concern as the majority of shipments contain a blend of grades, and over 80% of Australian grain is bought on price, with the remaining 20% on quality.

Grain traders argue that they have no certainty that they will receive the grain quality they paid for and or from which location it will be supplied. Grower and some industry organisations believe this is reducing grower returns and Australia's competitive position in world markets.

In the US, the Federal Grain Inspection Service checks the quality of all grain as it is being loaded onto ships, and there are penalties for out-of-specification or misquoted grain. This service is provided on a user-pay basis. In Canada, the CGC certifies the quality of export grain shipments. Some stakeholders within the Australian industry are calling for a similar body to oversee the quality of wheat exports be established in Australia.

Going forward, there will be an increasing trend for grain marketers/traders to have direct relationships with end-use customers that will include specific segregations to supply these customers either in containers or bulk. Growers with significant on-farm storage will also be able to offer more specific grain quality to the trade, thereby attracting price premiums.

Finding 14.0a

While there have been claims that the quality of Australian wheat is deteriorating, grain is being supplied according to contract specifications and there have been no rejections of bulk shipments of Australian wheat.

Finding 14.0b

There have been claims that Australia needs a body to oversee the quality of grain export shipments.

Finding 14.0c

If industry agrees to provide information on the volumes, grade and location of uncommitted warehoused grain, this should help the trade accumulate stocks that meet market requirements and help address specific quality concerns.

Recommendation 14.0a

Industry needs to determine whether it should develop and adopt out-turn and export standards, and examine the need to certify the quality of wheat exports.

The Wheat Quality Council expressed concerns that they now receive less feedback on what the market wants from wheat grades, causing difficulties in determining wheat classifications and market signals to breeding companies. They also argued the need for additional resources to analyse and interpret the wide variety of data on wheat quality.

Recommendation 14.0b

Industry should consider funding an annual / bi-annual wheat quality forum to facilitate industry dialogue on wheat classification requirements and future grain quality needs. The forum could also provide a mechanism to improve feedback from international and domestic customers.

15 CONCLUSIONS

The availability of timely and accurate information along the grain value chain is important in supporting efficient domestic and export markets for wheat and other crops. Market information contributes to price discovery, increases competitiveness, and reduces transaction costs and variability in markets.

Currently, wheat market information is provided by both the public and private sectors. However, there are a number of gaps and inconsistencies in the data.

To address this issue, additional data on uncommitted warehoused stocks owned by growers in the commercial storage and handling systems should be published, with the consent of growers. In addition to the continuation of currently available production and stocks reports, and a revamped '*Wheat Use and Stocks, Australia*' report this additional data will result in a reasonable overall stocks balance for Australian wheat.

The face of the Australian wheat marketing is constantly changing and adapting. Achieving a resolution to this issue presents an opportunity for grain grower organisations to coordinate a common issue approach to take to growers and develop a united vision across industry for the long-term.

APPENDIX 1 DESKTOP AUDIT

Summary of submissions to Productivity Commission Inquiry into wheat export marketing arrangements

In 2010, the Productivity Commission undertook an inquiry into wheat export marketing arrangements. As part of the inquiry, the Commission held 10 public hearings and received 100 written submissions.

Initially, fifty-six submissions were received from stakeholders. An additional 44 submissions were received following the release of the draft report.

Information presented in the submissions and public hearings relevant to wheat market information were used to inform this report and are summarised below.

Growers

Of the initial 56 submissions received by the Commission, 22 were from individual growers. Of these, 5 submissions referenced the provision of wheat market information. The major comments were:

- Growers have access to all manner of information provided by marketers and brokers and ABS;
- The current information sources are more than adequate;
- BHCs should publish state-wide receival figures by grain type and grade, but there should be no obligation to state the owner of the grade;
- ABS provides enough information already;
- The ABS data and its timelines is somewhat useful, however it should also be provided for crops other than wheat; and
- The information on my grain is my business and should not be disclosed to other parties.

Following the release of the Commission's draft report, 15 additional submissions were made by growers. 3 of these mentioned information provision, stating:

- There needs to be more accurate information on stocks and their profile. This information could be provided by ABS and ABARES, although it will be more difficult to obtain grain profile information. The parties should be forced to provide this information; and
- Not in favour of the provision of monthly statistics especially if they are funded by a levy mechanism. Believes that the provision of this data will do more harm than good.

The majority of grower submissions were from Western Australia. These individuals also made a number of other relevant comments, including:

- 'Ring fencing' of BHCs from their marketing arms will not work. 'Ring fencing' was a failure with AWB; and

- The demise of AWB's Golden Rewards has taken away premium opportunities and has been replaced by 'flat pricing'. There are less 'market signals' to growers on what varieties they should plant.

Grower Organisations

8 grower representative organisations made submissions to the inquiry; Agforce, Western Australian Farmers Federation (WAFF), Victorian Farmers Federation (VFF), South Australian Farmers Federation (SAFF), New South Wales Farmers Federation (NSWFF), Grain Growers Association (GGA), Pastoralists and Graziers Association of Western Australia (PGA) and the WA Grains Group.

Key comments from the submissions were as follows:

- Most organisations recognised that the ABS/ABARES reports provided some useful data but it was generally agreed that the timeliness and breadth of information was grossly inadequate; and
- The ABS/ABARES reports did not assist growers in making effective marketing decisions for their grain.

Many of the submissions did not make specific reference to who should collate and pay for data collection. It could be assumed that ABS/ABARES would continue to provide the service, but with a broader scope and in a much more timely fashion, with funding continued to be provided by the Australian Government.

Agforce Queensland

Agforce believed that the minimum requirement included monthly reports on grain stocks by port zone. They also noted that the emergence of new technology should enable the data to be provided more frequently. Agforce believed that information should be available on a continuous basis for stocks on hand by location and quality and sales volumes, prices and destinations.

Grain Growers Association (now GrainGrowers Ltd)

The Grain Growers Association said that information was required on opening stocks, sources of grain (total supply), disappearance (total demand) and implied ending stocks. Useful supply data would include planting intentions and actual sown areas, crop condition and moisture profiles, seasonal outlook and harvest statistics. They also noted that useful demand data would include export statistics and stock in transit, demand forecasts by major market and seed requirements for the following crop. Since making its submission, GGL is now reviewing its position on wheat market information.

The GGA submission mentioned that it would be prepared to coordinate the collection and dissemination of data, provided there was a legislative requirement for this. They also suggested a compulsory industry levy could fund these activities.

WA Grains Group

In its submission, the WA Grains Group called for information on planted areas and varietal data be provided on a regular basis, pre-harvest. Grain stocks by type, grade and zone (committed and uncommitted) should also be provided on a daily basis. The WA Grains Group suggested that WEA fund and carry out these functions.

Pastoralists and Graziers Association of Western Australia

PGA said that growers and industry need access to information relating to crop production, export sales, domestic usage, and stocks on-hand at port and at country silo locations. They argued that growers require aggregate stock level information at up-country sites and it should be collected and reported electronically on a weekly basis. PGA suggested that the Australian Government should legislate for the provision of data and be involved in the funding, however this position is now being reviewed. PGA also called for robust ring-fencing provisions so that the trading divisions of the BHCs did not gain an advantage over access to information. As discussed in the report, PGA has since altered its position on wheat stocks information.

Western Australian Farmers' Federation

WAFF stated that the information currently provided by ABS and ABARES is not readily accessible to growers in a meaningful way. They recommend a 'one-stop-shop' on a single website that should provide wheat information to growers. Accurate supply and demand information would provide clear market signals to growers and contribute to marketing decisions, and should be provided on a national level.

Victorian Farmers' Federation

In its submission, VFF noted that ABS data is 6 weeks old and does not assist growers to make effective market decisions. It believes that WEA should be able to acquire data from customs, as the permit issuing agency, and publish aggregate data as it has done in previous roles. WEA should publish data at least at the state level to ensure transparency of information and enable growers to make more informed marketing decisions.

New South Wales Farmers' Federation

NSWFF also believe that the powers of WEA be extended to include the collection and dissemination of wheat market information. NSWFF believed that growers want information on stocks on hand at port zone on a weekly or monthly basis, in addition to supply and demand data. This data would include:

- Daily domestic and international market price and currency movements
- Top ten-price comparisons between cash and pools
- Weekly crop sowing data
- Weekly harvest reports
- Weekly stock on hand and export tonnage reports
- Monthly export and domestic sales
- Data on receivals, quality, variety, stock balances and outturns

South Australian Farmers' Federation

SAFF believe there is a lack of information on what grain is in bins on volume and grade, and stated that there is no transparency on information. They believe BHCs have the ability to manipulate grain flows, and recommend that all participants have access to base data on receivals, quality, domestic out turns, export shipments and stock balances. SAFF also believe that with ABB (now Viterra) there is not an effective ring-fence between the storage and handling and grain-trading arm of the company.

Bulk handling companies

ABB Grain (Viterra), AWB Limited, CBH Group, GrainCorp Operations Ltd, and Australian Bulk Alliance (ABA) made submissions to the inquiry. The key comments are summarised below.

AWB Ltd

AWB stated that the ABS/ABARES data provide a useful base level of market intelligence and transparency. However, there are issues on timelines and accuracy of the data, and believe the data should be collected electronically and provided monthly, with greater inter-agency collaboration.

AWB believes that the BHCs can access data more effectively than others and this gives their trading operations considerable advantages creating market asymmetry. They believe BHCs should be compelled to provide the information and they should disclose month end stocks on hand (without disclosing ownership) on their website. Port zone information should be provided for all grains monthly on a user pays basis.

ABB (Viterra)

This submission stated that wheat production data is supplied by PIRSA and ABARES, buyer intention information is available via the shipping stem and post terminal static capacity is available on the ABB/ Viterra website. ABB said that there would be a diminution of benefit of supplying any additional data and the costs of providing any additional data would need to be recouped.

Graincorp

Graincorp said that the information supplied by ABARES/ABS is useful for the purposes of budgeting and strategic planning. Daily pricing information is readily available, and there are multiple businesses and press articles that provide daily and weekly summaries of prices and crop forecasts. This information should continue to be provided by the private sector and should not be done by government as the industry is best to supply the data it needs. GrainCorp already supplies information to ABS on stocks and this should not change.

CBH Group

CBH believe that the wider industry already provides detailed information to aid decision making on farm and in the supply chain, and the release of any further information should only be by agreement of those who own the grain. CBH, as a co-operative, does not want to release any information that could disadvantage growers. The company claims it already releases more information than any

other like organisation in Australia. The publication of stocks by type, by grade, by location and sold versus unsold could be very valuable to buyers, particularly if there was a large crop. They reported mixed views from farmers on what levels of information should be provided.

Other industry bodies

Stock Feed Manufacturers Council of Australia (SFMCA)

The Australian grain market is limited in the amount of accurate and timely information that is published in relation to grain stocks and demand. SFMCA believe that the ABS '*Wheat Use and Stocks, Australia*' report provides essential information for end-use markets to assess the level of grain supply within the market. This report also allows the market to assess the amount of grain held post harvest and rundown of stock through the year. They also said that access to bulk handler stocks information is critical to ensure the Australian market operates in a fair and transparent manner.

Should wheat stocks cease to be published, SFMCA believe the major difficulty will be market distortions during years of reduced supply. During short supply years domestic users and AQIS need to assess the potential likelihood of insufficient grain and trigger points for the need to import grain.

SFMCA strongly supports continued provision of both ABS and ABARES reporting and believe that if Australian stocks information is less than what is provided within the USA, it will limit market transparency and opportunity for all participants to operate equally. Data needs to be more frequent to allow the market to combine bulk handler, end-user and on-farm stocks to gain better knowledge of what wheat remains in Australia.

SFMCA believe essential supply and demand data (at the state level) includes:

1. Monthly stocks held by bulk handlers, including major grade traders/marketers operating storage sites.
2. Quarterly stocks held on farm – derived from farmer surveys.
3. Monthly stocks held by end-users.
4. Monthly grain contracted to either domestic or export markets.
5. Monthly grain use by major end-users.

SFMCA believes there is a sufficient public benefit for the federal Government to continue the provision of funding for stocks and use data gathering and reporting. They further note that the ABS is the only independent body with credibility and capability to obtain and publish wheat stocks and use information.

Flour Millers Council of Australia (FMCA)

FMCA stated that information availability, and a system to provide it, is vital to a fair and efficient market. The market needs to have full knowledge of grain stocks to allow a truly free market where knowledge of supply leads to efficient price discovery, therefore enabling effective supply and price risk management systems to operate. Without this system, those who control grain stocks will seek

to profit from that control. FMCA believe that the current system for collection and supply of information for use by the market is inadequate.

FMCA have indicated a need for a responsible agency, funded by shared commitment of government and industry, to collect and disseminate wheat market information. In their submission, FMCA referenced the USDA as a mechanism that has a documented history.

FMCA believe information requirements include:

- Stocks held by BHCs, accumulators, marketers, farmers and end-users with storage facilities
- Grain used or disposed by ports
- Grain committed for forward supply of use by parties
- Reports should be weekly reporting during harvest and pre-harvest, but in most cases monthly reporting would be adequate
- Information should be collated based on port zone and list stocks by grain type and grade

FMCA believe that government involvement is necessary, ideally without regulation. However, failing agreement of participants, regulation may be necessary to some degree.

Department of Agriculture and Food Western Australia

In 2009, the Grains Industry Association of Western Australia (GIWA) and the department conducted a review of wheat information. The review made a number of recommendations, including:

- There should be a national scheme for the provision of market information;
- Pre-harvest information should be provided monthly on hectares planted and variety;
- Post-harvest information should be provided on crop type and port zone;
- Further research is needed on the inter-relationship between type and frequency of information, price and international competitiveness; and
- The efficacy of government or an industry body to deliver industry good functions should be examined.

The review found that there may be a case for greater disclosure of market information to improve pricing and pricing signals. However, the review noted that the WA industry should not be disadvantaged against the eastern states if only WA were to provide full disclosure. The review suggested that this could be overcome by having a national system.

The review found that an absence of information facilitates the trade in arbitrage. Arbitrage can operate to the detriment of some sectors in the industry as it can deliver financial benefits that do not flow across the industry. However, arbitrage is less likely to occur where there is full disclosure of information.

While there were some sections of the industry that felt that the release of information will have a negative impact on grain pricing, the overwhelming feedback was that information should be available through a 'one-stop-shop' to

be provided by an impartial body with no vested interest in releasing or withholding data. The collection of this information should be under the Census and Statistics Act.

DAFWA/GIWA believes that the role for government was to ensure market information is provided to all market participants, and recommends a national joint industry/government body be established for all grains. This mechanism could evolve to a user-pays model. However, they are concerned about eliminating the role of government in this space, and anticipate that industry will quickly adapt a high-risk approach.

Grains Industry Association of Western Australia

GIWA has recommended the establishment of a not-for-profit industry organisation, known as Grains Australia, to provide a number of industry good functions. This would include the provision of 'Pre-competitive market information on crop production, stocks and exports on a timely basis for all grains', funded by a levy mechanism or fee for service. GIWA has developed a prototype of the pre-harvest information that should be collated and made publicly available during the growing season.

GIWA also recommends the injection of \$12 million over 5 years to fund establishment and operation of Grains Australia, until an industry levy could be put in place. Grains Australia would oversee the development of an industry system for the determination of what and how information is collected and disseminated, and should cover all grains.

Wheat Classification Council

The WCC stated that a revised Wheat Classification Council should include in its remit the gathering of market data and information.

Australian Grain Exporters Association

AGEA believe that the Australian Government should continue to require reporting on stocks, which should be delivered through an independent agency such as ABS or ABARES. AGEA sees that this could become a function of a smaller and refocused WEA.

Elders Toepfer Grain

In its submission, Elders Toepfer stated that information regarding wheat volumes, grades and varieties, committed and uncommitted stock should be made available to all industry. This should also be the case for other grains.

Productivity Commission inquiry into wheat export marketing arrangements

In 2010, the Productivity Commission undertook an inquiry into wheat export marketing arrangements. The Commission found that timely and accurate information is important for supporting an efficient bulk wheat export market. It also found that:

- Core, long-term wheat information is useful for historical analysis, future policy development and industry investment and planning
- Short-term information facilitates the 'day-to-day' operation of the market
- Prior to deregulation, AWB managed and provided the majority of wheat market information. In a post-deregulation environment it is necessary to determine what information should be provided, who should provide it and who should pay for it.
- The Government should continue to fund the ABS and ABARES to provide core, long-term wheat market information.
- The current arrangements for provision of short-term information, particularly in relation to stocks, are more contentious. The Commission considers that provision of regular and timely information on stocks by state is essential to support an efficient wheat market.
- If the industry wants stocks information by state beyond 30 June 2011, it will need to pay for it. An industry body should be tasked with establishing industry agreement on what stocks information (if any) industry participants are willing to pay for, and the preferred information provider.
- To manage the free rider problem, a compulsory payment mechanism – such as an industry levy – is the best approach to fund stocks information. This levy would need to be administered by an organisation with the appropriate legislative powers. The GRDC would appear to be an efficient option; given it already has a compulsory levy collection mechanism in place.
- The existing ABS stocks publications provide a good example of the type of stocks information the industry might choose to commission. The ABS is well placed to continue to provide stocks information by state, although some industry participants question its timeliness.
- The Commission acknowledged that unequal access to more disaggregated stocks information confers a marketing advantage on the trading bulk handling companies, and expects that greater disclosure of this information to all participants would improve the operation of the wheat market.
- However, the cost of imposing a mandatory information disclosure requirement on the bulk handlers is expected to exceed the associated benefits, and the Commission encouraged the bulk handling companies to disclose more disaggregated stocks information on a voluntary basis.

Independent Wheat Market Information Study – GHD Ltd

The report found that the large majority of industry stakeholders were satisfied with the availability of the following market and production information:

- farm profile data
- area planted
- expected yield
- actual yield
- domestic use
- exports
- exports (by destination)
- carry-in (new stock)
- carry-out (old stock)
- port capacity
- domestic prices
- international prices

It also found that the 3 year ABS/ABARES Wheat Information project had a number of performance issues and needed to:

- Reduce the lag-time in collection and publishing of data;
- Improve the accuracy of the estimates;
- Provide aggregate stocks data by port zone/storage location;
- Provide stocks data aggregated by grain class; and
- Provide comparable stocks data for other grain.

The report found that the ABS/ABARES study on monthly domestic use estimates was underutilised and could be provided as a quarterly report, as monthly variations were small (0-4%).

GHD Ltd noted that industry is increasingly relying on commercial forecasters to fill information gaps; however, they also rely on the ABS/ABARES data. As such, commercial forecasts alone could not be considered a direct replacement for the ABS/ABARES project.

To meet various market information gaps following the cessation of the ABS/ABARES Wheat Market Information Project, a number of delivery and funding options were considered from both the public and private sectors.

The report recommended continuation of the *Bulk Handler Stocks Survey* and *Wheat Export Sales Survey* as they represent approximately 75% of the total stocks and 88% of total usage.

For 2011/12, the GHD report recommended that ABS should be contracted to deliver the *Bulk Handler Stocks Survey* and *Wheat Export Sales Survey* to be funded by co-contributions from industry.

After 2011/12, industry should seek to transfer the surveys from ABS to the National Grower Register (NGR) or an alternate private service provider. It recommended that funding could be via a GRDC research project with appropriate contributions from other sections of industry. A second option was that if Wheat Exports Australia (WEA) was to continue, its roles and responsibilities could be broadened to allow the Wheat Export Change (WEC) to fund the reports.

APPENIX 2 REFERENCES

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- *Australian Commodity Statistics*, ABARES, 2011-12
- *Independent Wheat Market Information Study*, GHD, July 2011
- *South East Asian Trip Report*, Wheat Exports Australia, September 2011
- *Wheat Export Marketing Arrangements*, Productivity Commission Inquiry Report no. 51, 2010
- *Wheat Quality Information Requirements To Support an Efficient Export Supply Chain*, Grain Producers Australia, 2011
- *What the World Wants From Australian Wheat Stakeholders Report*, 2011

APPENDIX 3 STAKEHOLDERS INTERVIEWED

ORGANISATION	CONTACTS
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Australian Bureau of Statistics	Nigel Gibson
Australian Government Department of Agriculture, Fisheries and Forestry	Peter Ottesen, Assistant Secretary, Crops, Horticulture and Wine Roxanna Auld, Assistant Director, Crops Policy
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CBH Group	Dr. Andrew Crane, Managing Director Jodie Ransom, Supply Chain Manager Bryce Banfield, Strategy Manager
Department of Agriculture and Food, Western Australia	Barry Cox, Senior Business Analyst
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George Westons Foods	Hugh Robinson, Procurement & Risk Director
Glencore	James Maw Philip Hughes
GrainCorp	Alison Watkins, Managing Director & CEO Neil Johns, Chief Development Officer David Ginns, Business Development Manager Angus Trigg, Communications Manager
Grain Growers Limited	John Eastburn, Chair Mark Allison, CEO Michael Southern, Grower Development Manager Ken Quail, General Manager Technical Services Gordon MacAulay, Principal Economist Paula Fitzgerald, General Manager Industry Development Georgie Aley, National Business Development Manager
Grain Producers Australia	Pete Mailler, Chairman Andrew Weidemann, VFF Stephen Sheridan, VFF John Agnew, AgForce Jamie Smith, Grains Producers SA Wayne Newton, AgForce
Grain Producers S.A.	Darren Arney, CEO
Grains Research and Development Corporation	John Harvey, Managing Director
Grain Trade Australia	Tom Keene, Chair Sean Flannery, Operations Manager

Grains Industry Association of Western Australia	John Slee, Chairman Ian Longsdon Johanna Gastevich, Executive Director
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Pastoral and Graziers Association of Western Australia	Sheldon Mumby, Media and Communications John Snooke, Chairman Grains Committee
Plumgrove	Andrew Young, Managing Director
Viterra	Caroline Rhodes, Government Relations Manager Damien Fitzgerald, Director Legal Dean McQueen, Executive Manager, Grain Tim Krause, General Manager Strategy and Compliance
Wheat Exports Australia	Peter Woods, Chief Executive Officer
Wheat Quality Australia	Christine Hawkins, Chair Cindy Mills, Executive Officer

Appendix 7

The value of additional stock information

Report by The Centre for International Economics

Commissioned by Grain Growers Ltd

CODE DEVELOPMENT ADVISORY COMMITTEE

Relating to the

PRESCRIBED MANDATORY CODE OF CONDUCT FOR PORT ACCESS

For

AUSTRALIAN BULK WHEAT SHIPMENTS



FINAL REPORT

The value of additional stock information

Quantification of benefits



*Prepared for
GrainGrowers
July 2012*

The Centre for International Economics is a private economic research agency that provides professional, independent and timely analysis of international and domestic events and policies.

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Abbreviations

ABARES	Australian Bureau of Agricultural and Resource Economics and Sciences
ABS	Australian Bureau of Statistics
ARIMA	Auto Regressive Integrated Moving Average
AWB	Australian Wheat Board
BHCs	bulk grain handling companies
CBOT	Chicago Board of Trade
GRDC	Grains Research and Development Corporation
USDA	United States Department of Agriculture

Summary

GrainGrowers wishes to better understand the impact of more transparent information on wheat prices. More transparent information means the provision of additional stocks and use information, by grade and by port area, on a more timely basis.

The objective of this short report is to establish whether there would be an impact on wheat prices if more detailed information were received on a more timely basis.

Contribution of existing data collection

An obvious starting point is to assess the value of the information that is currently provided to industry. This should provide a guide to any benefits from providing additional information.

Our analysis was confined to the 2009-10 and 2010-11 production years because this period represents the months over which there was the most continuity in the coverage and approach to the collection of the ABS/ABARES stocks and use data.

Using maximum stock levels from ABS/ABARES as an indicator of stockholding capacity through the system is a simple way of ground-truthing the data. But this is complicated by changes in utilisation levels and apparent significant investment in new storage capacity, especially in the bulk sector.

- In 2010-11, total storage capacity could have been around 25 million tonnes, of which the bulk handling companies (BHCs) were responsible for around 22.1 million tonnes or 88 per cent.
- However, there was a significant decline in implied storage capacity in the non-bulk sector between 2009-10 and 2010-11. This may indicate changes in the ABS sampling approach or responses received or a fall in utilisation of existing capacity.

In terms of reliability, another way to think about the ABS/ABARES stock and use data is as comprising two components:

- monthly stocks held the BHCs and exports of wheat — we have a high degree of confidence in these numbers for two reasons:
 - The ABS can readily identify and survey the five BHCs in the market.
 - Monthly export volumes are systemically and routinely collected as part of the collection of ABS trade data.
- monthly stocks held on-farm and by grain users and domestic use of grain — around which we have lower level of confidence.
 - This is because of the survey approach taken and the translation of the survey results, from the sample, to all growers and users in the market (the population).

BHCs account for between 80 and 90 per cent of total stockholding capacity, both on-farm and off-farm, and exports account for around 73 per cent of total wheat use — and we have some confidence in these estimates.

- A key question is: does the variation of the stocks held on-farm and by users and domestic use estimates diminish the data on BHC stocks and domestic use?

A simple analysis shows that over the 2009-10 and 2010-11 seasons at the national level, the reporting error — as calculated by the difference in changes in stock plus total use less observed production — may be less than 5 per cent.

- However, on a month-by-month basis at a national level, and for each of the individual states, the degree of this error increased significantly.
- That is, the greater the detail, the lower level of confidence there is on the overall accuracy of the stocks to use ratio.

Another approach taken was a statistical analysis of wheat prices to establish a link between the release of ABS/ABARES stock information and any changes in wheat price.

- This analysis was conducted using prices across six port zones and six grades of wheat.

At a forgiving level of statistical significance, the conclusion was that these data releases provided a small amount of new information to the market.

- This analysis suggested that the current ABS release could influence prices by at most \$2. When a more usual level of statistical significance was applied, it was not possible to draw any conclusion about the impact on price.

Conclusions from the analysis

The context for this study is that there has already been a rapid growth in the availability and accessibility to market information since deregulation. In addition, the market has undergone significant structural change in terms of the number of:

- players in bulk handling and storage and in marketing;
- selling methods available to farmers including the capacity to export directly; and
- price-risk management options available in both the physical and financial markets.

Australian wheat prices are determined, in a highly competitive setting, by a combination of US futures prices, exchange rates and change in basis (the difference between the spot and the futures prices). This plus high levels of competition in the chain and substitution between grades ensures that:

- prices between Australian port zones are strongly correlated but do change as a result of differentials in transport costs and changes in regional supply; and
- prices between milling grades for each port zone are highly correlated.

The importance of variations in these drivers in explaining the changes in the farm gate price of wheat cannot be understated and are more significant than industry stocks to use ratios.

- The additional value of the information provided by the ABS monthly releases is difficult to separate from the range of other market information that drives prices.
- This makes it difficult to conclude that higher frequency ABS releases could be justified.

The potential contribution from additional data

Given this finding, it is difficult to determine what the additional value of stocks held by grade by the BHCs would provide.

- Although, the BHCs account for between 80 and 90 per cent of total stockholding in Australia, the value of this information would be diminished without collection of complementary stocks by grade from the non-bulk sector.
- Given the high level of arbitrage observed and the capacity of marketers and users to blend grades in response to relative prices, premium and discount relativities between the grades should be maintained regardless of the quality of stocks information that is available by grade.
- Therefore, Australian markets will continue to be price takers and the relativities between the grades will maintained around the general trend in prices determined by the world market.
- If the value of the addition information is worth \$2–3 per tonne, as indicated by industry, then it would be very difficult to isolate this impact from the impact of the range of other market developments in a statistically meaningful way.
 - The chain participants who would be best placed to effectively use this information are most likely already well informed about the level and grade composition of the market and therefore the data would only be of value if the information was available at even higher frequencies.
 - Without the capacity to analyse the data, it is unlikely that smaller players in the market would be able to process and take advantage of the addition information without engaging a specialist with the required marketing skills.

1 Introduction and background

In 2011, GrainGrowers oversaw the transition of the funding and management of grain stocks and wheat export sales data on behalf of the industry. This resulted in a reduced, but ongoing, provision of information for the market through a jointly funded GrainGrowers/GRDC arrangement in place until 30 September 2012.

To assist in the ongoing discussion and debate surrounding grain stocks information and their value to the industry, GrainGrowers wishes to understand better the financial impact on the market from a more fully transparent grain stocks reporting. In particular it wishes to know:

- whether greater transparency would have a net positive or net negative impact on grain producers in terms of prices (relative to the case without the additional information);
 - an overview of how stocks can impact market trends in more generic terms; and
- whether an economic framework could demonstrate a direct impact of stocks information release on price.

At present the debate around this is driven largely by subjective assessments with no quantifiable position. The objective of this report is to quantify or provide a framework for quantification.

Context and approach

These questions stem directly from the transition funding of information on wheat stocks from government to industry in 2011. It is a highly contentious issue since deregulation and even more so since the entry of multi-nationals to the Australian grains industry.

There are currently no statutory powers for the provision of market information in place. The five BHCs have agreed to supply this information at a milling and feed quality level by state. They have signed three-year agreements with the ABS to coordinate the publication with GrainGrowers and the Grains Research and Development Corporation (GRDC).

The approach will be to provide the following steps:

- provide an overview of key market drivers and changes since deregulation;
- summarise the two key studies that qualitatively analyse the benefits from the provision of current and additional information;
- summarise the scope and coverage of data that is currently collected for stocks and use of Australian wheat and comment on its apparent consistency and reliability;

- analyse and make judgements about the value of the current information as it stands and finally how the proposed additional data could impact on average price levels or contribute to value, particularly for grain producers at the farm level.

Background

Since deregulation, there has been significant structural change in the Australian wheat market. Since 2008, there have been two significant studies conducted to date on the information requirements of the Australian wheat industry by GHD (2009) and Reading (2012).

Structural change in the market

Prior to deregulation, price risks faced by producers were largely managed by pooling arrangements under the structure of the Australian Wheat Board (AWB). Post-deregulation, there have been a number of significant structural changes in the market which have resulted in the necessity for growers to better manage their own risk. Producers, and other players in the rest of the chain, have done this in a number of ways through the use of:

- significant structural change, especially in the bulk storage and marketing segment of the chain, and the greater use of direct selling methods by producers;
- both on-farm and off-farm storage;
- price risk management instruments particularly selling forward; and
- better information on the current state of the market and future demand and supply relativities.

Since deregulation there has also been significant structural change in the market. There are now five BHCs, although these are still regionally based, and over 200 independent grain traders.

- While there has been a significant increase in competition for grain, the sector has also seen a significant increase foreign ownership.
- There are now significantly more direct marketing options available to producers in the physical market. Reading (2012) identifies ‘the increasing trend where growers, either individually or in groups, are exporting grain directly, primarily in containers’. It is expected that this trend will expand to bulk exports as well.

Storage of wheat somewhere within the Australian system is necessary to:

- match harvest (production), which occurs between November and January in Australia, with demand which is spread out throughout the year;
- enable producers to better manage their price and production risk, or the uncertainty about the yield at harvest and the price that they will receive (relative to production costs); and
- enable users to manage supply risk to ensure continuity of supply, and also price risk.

Reading (2012) confirms that there has been a rapid growth in the availability and accessibility of detailed grain prices and price-risk management products since deregulation. Growers have access to a range of price-risk management options that encompass both the physical market and financial instruments including:

- cash sales;
- pools offered by the bulk handlers;
- forward contracts — fixed and multigrade contracts;
- futures contracts; and
- options and commodity swaps.

There are a range of market commentaries provided on the relative merit of each of these marketing options. However, the extent of adoption of options is not readily known but it is clear that there has been a significant increase in the use of forward and direct selling.

Given the increase and use of available marketing options, decisions on when to sell and at what price depend on available market information. This information is not without risk itself; its value depends on:

- whether the data truly reflects the current market situation, which depends on a number of factors including the representativeness and scope of survey coverage;
- the timeliness between data capture and release; and
- the detail in terms of the data capture including by wheat grade, type and regional locations of storage, usually by port zone.

Key market pricing relationships

Corresponding to these developments and the capacity of producers to respond to price and other market signals, a feature of the current market is its high level of competitiveness and arbitrage and strong linkage between the Australian market and the world market. Bartholomaeus (2012) confirms what we already know: that Australian wheat prices are driven by:

- US futures prices (the Chicago Board of Trade as the indicator of the world price);
- exchange rates; and
- changes in the basis (difference between the spot price and the futures price) against the US futures price.

This analysis showed that Australian Premium White (APW) prices track the futures price, in Australian terms, with a correlation of 96 per cent. With the Australian price being set by the world price, the scope for any changes in the availability or release of domestic stock information can have only a marginal impact on producers' returns.

Additional information on stock levels by grade, in concert with changes in prices by grade could assist producers to better understand key drivers of the market by grade.

Domestic and international price data are readily available:

- at receipt points in real time online;
- in the daily and weekly media; and
- by subscription and directly purchased from grain buyers and consultants.

Previous studies

GHD (2009) found that the majority of the industry were satisfied with the availability of market information but the ABS/ABARES wheat information had a number of constraints including the:

- time lag in collection and publishing of data; and
- accurately of the estimates.

The data gaps were:

- aggregate stocks by port zone or storage location;
- stock data by grain class; and
- comparable stocks for other grain.

The report also concluded that information gaps were increasingly being provided by commercial providers of information, especially forecasts, but these providers also depended on ABS/ABARES estimates.

The report recommended continuation of the Bulk Handler Stocks Survey and Wheat Exports Sales Survey as they represent 75 per cent of total stocks and 88 per cent of total usage.

In addition to GHD, Reading (2012) has conducted a comprehensive review of the information requirements for the industry based on extensive consultation of industry. The report outlines:

- current availability of market information
- industry perspectives on the value of additional information; and
- how the information gaps could be filled.

The report makes a number of recommendations relevant to this report.

- Aggregated data on uncommitted warehoused grain held in commercial bulk storage and handling systems should be made available by grade and location on a weekly basis through the consent of growers on an opt-out basis.
- Shipping stem information should continue to be published under the voluntary code of conduct.
- *Wheat Stocks and Exports Australia* should be funded for a further 12 months, during which time industry should be surveyed to assess its future usefulness.
 - Growers should supply information on stocks held in on-farm storage, to improve the quality of stock use estimates, at the end of harvest and on a quarterly basis.
 - The private sector should be encouraged to fund and disseminate use and stocks information in a more timely and cost-effective manner than previously provided by government.
- Industry should re-instate revamped *Wheat Use and Stocks, Australia* report.
 - Industry should consider providing similar stocks information for other crops including barely, canola, sorghum and pulses.

2 *Analysis of available data*

If the existing data provides considerable benefits to industry then it would be easier to justify additional data collection. Quantifying the benefit is the challenge.

There is existing data on stocks and use, and on prices. To justify additional data price changes would need to be identified in response to the release of data on stocks and use. This would indicate that the stocks and use data was conveying important new information to the market.

Stocks and use

Estimates by ABS/ABARE on stocks and use back to October 2008 are presented graphically in appendix A on both a national and state level.

- The charts also indicates the coverage of each of the series since that time and how coverage has changed in response to needs of the industry and changes in funding streams.
- A good example of this is the on-farm stockholding series where it was recognised that it was a worthwhile gap filling but subsequently the funding for the collection lapsed.

Composition of stockholding capacity

Table 2.1 summarises apparent stockholding capacity for the 2009-10 and 2010-11 harvests. Stocks data released by the ABS suggest that the total available wheat storage capacity for 2010-11 is between 24 and 25 million tonnes (as measured in January).

2.1 Indicated stockholding capacity by sector^a

Month	2009-10		2010-11	
	Volume	Share	Volume	Share
	kt	%	kt	%
Bulk grain handlers	17 788	80.9	22 162	88.6
Total users and growers	4 205	19.1	2 863	11.4
Growers ^b	na	na	2 063	8.2
Users	na	na	800	3.2
Total stocks	21 993	100.0	25 025	100.0

^a Maximum stocks held over each production year. ^b Note change in ABS series. na Not available.

Source: ABS/ABARES data.

This is complicated by changes in utilisation levels and apparent significant investment in new storage capacity especially in the bulk sector. If this data on total stockholding capacity is accurate, this implies that 22.1 million tonnes or 89 per cent of this capacity is held by the BHCs located up-country (regional silos and rail heads) and at ports.

There is a wide recognition that on-farm storage capacity has become considerably more important for the industry. Data for 2010-11 indicates that 2.9 million tonnes or 8 per cent of storage capacity is held by growers. This capacity is held for:

- retention of seed and as feed grains for livestock enterprises;
- total seed requirements for 2010-11 is 705 kt, representing around 34 per cent of the on-farm holding;
- direct export (as noted, mostly in containers); and
- as an alternative to storage by commercial providers.

However, there was a significant decline in implied storage capacity in the non-bulk sector between 2009-10 and 2010-11. This may indicate changes in the ABS sampling approach or responses received or a fall in utilisation of existing capacity.

Around 3 per cent is held by domestic users including millers, feedgrain and ethanol users. Given the stockholding capacities in other parts of the chain, stocks held by users are usually of a transactional nature, with stocks on hand representing up to one week of use. This is especially the case where grain is purchased forward and needs to be prepared and mixed with other inputs to achieve a target ration specification.

To put this simple snapshot in context, if the ABS/ABARE estimates are accurate, then on-farm storage makes a modest contribution to the overall stock capacity picture and this reinforces the significance of commercial storage by the BHCs. Given there are only five BHCs, maintaining goodwill and ensuring access to their information should remain a priority for industry.

Accuracy of the stocks use balance

Reading (2012) reflected that some industry stakeholders had reservations around the accuracy of current stocks and use data. What we can be confident about are:

- stockholding by the BHCs — because there are only five companies involved; and
- exports use — because of the collection of export data by the ABS and the concentration of BHCs in storage and loading grain at the exit ports.

These indicators contrast with data for stocks and use by feedgrain users and millers. Collection of this data currently requires a survey approach and is dependent on:

- how the questionnaire is stratified across different types of users; and
- how the result from the sample is translated to an estimate for the population (all users).

Given that exports account for 75 per cent of total use and the BHCs account for up to 90 per cent of total storage capacity, the overall level of inaccuracy should be manageable.

One approach to testing the supply balance is to simply compare monthly data on wheat stocks and use (which implies production) with official ABARE estimates of production.

- That is, implied production is equal to monthly use plus changes in stock as shown in table 2.2 (and on a state basis in table A.6).
- Because of the discontinuity of the series, this comparison is limited to the period October 2009 to September 2011.

Production over the two harvests in this period was 48.725 million tonnes. Implied production by the data was 49.993 million tonnes.

These estimates are within a 0.5 per cent difference over 24 months. This difference is comprised of:

- 5.5 higher for the 2009-10 harvest; and
- 3.3 lower for the 2010-11 harvest period.

2.2 Consistency of the Australian wheat stock and use data

Month	Export use	Domestic use	Change in stocks	Implied production	Actual production
	kt	kt	kt	kt	kt
Nov-09	767	415	357	1 539	
Dec-09	1 077	558	6531	8 166	
Jan-10	1 386	525	11 367	13 278	21 834
Feb-10	1 226	511	-1 833	-96	
Mar-10	1 447	497	-1 841	102	
Apr-10	1 052	472	-1 937	-413	
May-10	1 464	482	-1 627	320	
Jun-10	1 138	484	-2 002	-380	
Jul-10	1 605	489	-1 581	512	
Aug-10	1 384	479	-2 219	-356	
Sep-10	1 353	476	-1 421	408	
Oct-10	1 638	477	-1 734	380	
Nov-10	913	466	-1 833	-454	
Dec-10	1 246	464	6 070	7 781	
Jan-11	1 755	471	10 251	12 476	
Feb-11	1 837	497	4 372	6 706	27 891
Mar-11	1 678	515	-1 431	762	
Apr-11	1 690	532	-1 926	295	
May-11	1 827	748	-1 670	906	
Jun-11	1 438	595	-2 465	-431	
Jul-11	1 670	509	-2 487	-308	
Aug-11	1 383	531	-2 112	-198	
Sep-11	1 492	564	-1 895	160	
Total 24 months	32 466	11 756	6934	51 155	49 725

Source: ABS/ABARES data.

As expected, the large increases in measured stocks occurs over the harvest period with stocks then being run down over the remainder of the calendar year.

- Ideally, the implied production for months outside of harvest would be zero.
- This residual is a reflection of the error from a range of sources including under-reporting of stock levels and including errors in timing between months.

It appears that these errors more or less wash through the analysis over the longer term. However, it puts into question the accuracy of data when used for short term (less than one month) decision making.

- Table A.6 shows that this analysis by state reveals substantial inconsistencies between implied and observed production.
- This is to be expected because of the sampling approach to the non-bulk sector and the recognition of inter-state trade in wheat.

These issues put an overall constraint on the value of the state level data that is collected and how it can be used to translated changes in stocks by state through to changes in prices by port region.

Price data

The other core component of the available information set is wheat prices by grade and by port zone. Appendix B graphically summarises this data.

There are only small variations in Australian wheat prices by port zone and grade. For instance, there is little difference in the average price of APW — the highest average price over the sample period was \$312 (at Port Kembla) and the lowest was \$293 (at Brisbane). Over the same period Newcastle, Geelong and Fremantle had an average price that was within \$2 of each other.

Wheat prices at Brisbane and Newcastle tend to be similar. The exception has been the price of H1 wheat, which has been consistently higher at Newcastle since 2011. Port Kembla, Geelong and Adelaide tend to have similar prices, especially since 2010. Prices at Fremantle have been a little different and tend to be slightly higher than the other port zones. For instance, during the financial year 2010-11 Feed prices were higher at Fremantle compared to the other port zones (however, since the beginning of 2012 these prices have tended to be similar). The average order of prices (APH being the most expensive, Feed being the least expensive) is generally consistent across all port zones (table 2.3).

Impact analysis

A key step is establishing a value for the stocks information at the current level of detail is to observe any linkage between the release of the stocks information and the impact on prices. This is within the context that the trend in Australian wheat prices should follow the change in the CBOT future and spot prices.

2.3 Average price of various wheat grades

Grade	Brisbane	Newcastle	Pt Kembla	Geelong	Adelaide	Fremantle	Average
	\$	\$	\$	\$	\$	\$	\$
Feed	250.14	246.42	247.70	249.62	235.69	246.22	247.32
ASW	269.25	272.63	275.48	272.88	260.87	288.18	273.73
APW	281.27	284.93	284.32	285.93	277.78	299.16	285.61
H2	291.88	296.84	297.58	293.30	289.63	305.25	295.92
H1	292.96	309.30	312.14	309.61	301.43	311.28	307.07
APH	320.35	322.39	-	-	-	-	321.70

Source: Australian Crop Forecasters.

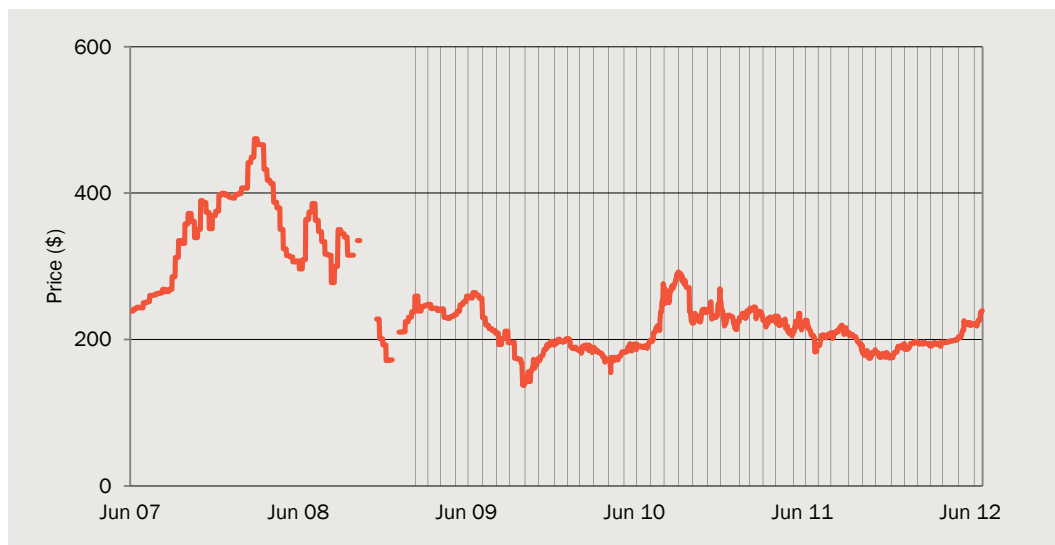
There are indications from the market that stocks information does impact on the spot price by port zone, and this impact could be asymmetrical: when the market is long, prices fall proportionally more than the case where the market is short and prices increase.

- The release of stocks information can impact on the spot price if the release information provides new information to market players that is different from their expectations and if that information is sufficiently timely for them to react to it.
- The charts in appendix A show that movements in stock levels in the bulk sector throughout the year are reasonably easy to predict after accounting for the relative size of harvest.

A very simple approach to establish this causality is what is termed a peaks analysis that graphically compares the release data of stocks information with any change in the price series. The proposition is simple, if the release of ABS/ABARE data now has an impact on wheat prices (as already noted, this is most likely small as a percentage of the wheat price), then we would be more confident in saying that more detailed information on stocks would also impact on the wheat price.

The ABS has released data on wheat stocks and exports (ABS catalogue 7307.0) approximately once a month since February 2009. If these releases provided relevant new information to the market then on days when new information is released, there would be a change in the price. However it is difficult to see a particular price impact on H1 wheat for an average of the port areas (chart 2.4) or for APH wheat (chart 2.5) (the days of a data release are signified by a vertical line). It was also difficult to see an impact for the other grades of wheat.

2.4 Average price of H1 wheat



Data source: Australian Crop Forecasters.

2.5 Average price of APH wheat



Data source: Australian Crop Forecasters.

This is substantiated by statistically analysing the change in average daily price (see box 2.6).

When all days, for which the price is different to the proceeding day, are considered the average daily change is worth around \$0.02.

- When only the days of a data release are considered the average daily change is worth around \$1.50. Even this small magnitude difference is due to two large changes that align with data releases – August 2010 and December 2010.
- If those two points are not included then the average daily change on days that there is a data release is \$0.64.

2.6 ARIMA modelling

In its simplest form an autoregressive integrated moving average (ARIMA) model explains the movement of a variable by earlier measures of that variable. The current value of the variable may depend on only its immediate past value or on many past values. For example, the price of APW grade wheat could be expressed as:

$$APW_t = c + APW_{t-1} + \epsilon_t$$

where c is a constant, ϵ_t is an error term, and t is used to denote a particular time period.

In the context of wheat prices ARIMA modelling is useful to analyse the impact of data releases. If there is no change in the wheat price when new data are released then it is likely these data have not provided new information that is important to the market. A series of dummy variables is used to include this in the model. The dummy variables take a value of zero when there was no data release and one when there was a data release.

To construct the appropriate ARIMA model it is first necessary to determine the required number of lagged terms. This is traditionally done using the Aikaike Information Criterion (AIC). Lower AIC values tend to be associated with better models. The APW, H2, H1, APH, and ASW grades of wheat were individually evaluated and the AIC indicated the use of eight lags was most appropriate.

Having decided to use eight lags the next step is to construct ARIMA models with and without a dummy variable series that accounts for data releases. These models can then be compared based not only on the AIC, but also on whether the dummy variable is significant.

At the most forgiving level of significance we concluded that the data releases provided a small amount of new information to the market. At more strict levels of significance it was not possible to make this conclusion.

- The broad outcome of the ARIMA modelling is that the ABS data releases (Catalogue 7307.0) may provide some new information to the market, but the value of the information may not be worth the cost of collecting the information.

3 *The value of additional information*

To this point the following observations can be made.

- Australian national wheat prices are predominately set by the US futures market and the world spot markets.
- The Australian wheat supply chain is becoming increasingly competitive with the entrance of new players in storage, handling and trading as well as the option to sell direct or to sell forward, using both the physical market and financial instruments.
 - This adds to competitive pressures and is realised in a more competitive pricing.

Because of this, Australian prices by region and by grade vary around national average prices depending on regional supply-demand imbalances. But generally, this movement is based around a grid of premiums and discounts as both producers and consumers arbitrage between regions and between grades.

Given these facts, the benefit of additional information is likely to be modest in terms of percentage of the farm gate wheat price. If there were opportunities to take advantage of additional information, then large, existing, market participants would have been likely to have already done so. This means the benefit is likely to be small on a per tonne basis. For example, from consultations, Reading (2012, p. 25) concluded

Growers believe the additional data will aid their price-discovery and will increase price competition from traders who, by having the additional data, will not need to discount price due to the 'risk component' of incomplete information. From discussions with industry, an estimate of the potential price-benefit to growers was suggested in the order of \$2-3 per tonne.

However this benefit, has the potential to translate into a significant improvement in gross margin at the farm level.

- Over milling wheat sales of around 19 million tonnes, this could equate to between \$38 and \$57 million dollars.
- The difficulty for many market participants is being able to take advantage of such relatively small price differences especially when they are already taking a number of different approaches to manage production and price risk.

Evidence from overseas

The United States is a good example where the government, through the United States Department of Agriculture (USDA), has a central role in the provision of information to agricultural industries.

The US information, like Australia, provides estimates across both crop production, stock and use levels. Box 3.1 outlines the findings of study that quantified the impacts of the provision of all USDA information on US wheat prices.

3.1 The effect of USDA reports on wheat prices

The price received by Australian wheat producers is correlated with the American wheat futures market. As such, the variables that affect prices in America are also of interest to Australia.

Marone (2008) examined two decades of wheat prices data from the Chicago Board of Trade. She found that the monthly release of the USDAs World Agricultural Supply and Demand Estimates (WASDE) had a significant effect on the price.

- This implies the WASDE contain new information that is important to the market. Specifically, Marone (2008) found that if the estimated ratio of wheat stocks to use increased by one per cent, then this would be associated with a 0.36 per cent price decrease.

One reason the WASDE are important is that supply and demand estimates allow a more informed decision as to appropriate production levels. Marone (2008) found that the price of wheat reacted more strongly in the spot market than in the futures market.

- This is because in the longer-term (governed by the futures market), producers can change production levels in response to a surplus or shortage.
- In contrast, in the shorter-term (governed by the spot market) supply is more difficult to change so there will be a larger effect on prices.

Interestingly, the importance of the WASDE release has changed over the past two decades.

- In the first half of the sample Marone (2008) finds that the price impact occurred on the day of the WASDE release.
- In contrast, in the second half of the sample the price impact occurred in the days leading up to the release.

One possible explanation is that market participants have gained access to alternative estimates, perhaps from private data providers, which are similar to those of the WASDE.

Evidence from the United States suggests that information on production and stocks has a more significant impact on the spot price than the futures price and so will change the basis.

- Also as expected when the market is long (stock to use ratio increases by 1 per cent), then spot price falls by 0.36 per cent.
- But the analysis is silent if this outcome is symmetrical, that is, if the price falls by the same amount for a 1 per cent fall in the stocks to use ratio.
- This analysis also does not provide us with any insights on the *marginal* value of *additional* information, just the value of the whole information bundle.

It is also clear from the United States that the value of the government's data release has diminished over time. Marone (2008) argues that it is possible that private data providers

noticed the premium that the data was able to attract. This created an incentive for them to gather the data themselves, rather than wait for the government's data release.

There is no reason to believe that a similar outcome would not occur in Australia if it were clear that there was value in higher frequency data releases on stocks and use.

How to refine this analysis

The broad conclusion of the analysis was the difficulty in separating the value of additional stocks and use information from the other factors that determine the price of wheat. This analysis relied on there being a consistent effect on the day of the data release.

But at some times of the year stocks and use data may be easy to forecast, such as the post-harvest period based on the knowledge of production and the profiles of grades that are put into stocks by port zone (and thus build this into an expectation of the price).

- While at other times (coming into harvest) it may be difficult especially when prices in some port zones and by selected grades is based on low volumes and thin trade.
- It is in the latter periods that additional stocks and use data would be more valuable.

To better model the value of additional stocks and use data future work could build a model that explicitly considered *expectations* of stocks and use. The analysis would then concentrate on how the actual data corresponded with those expectations, and how market participants changed their behaviour given past mistakes. This would allow for a more nuanced analysis of the impact of additional data on stocks and use.

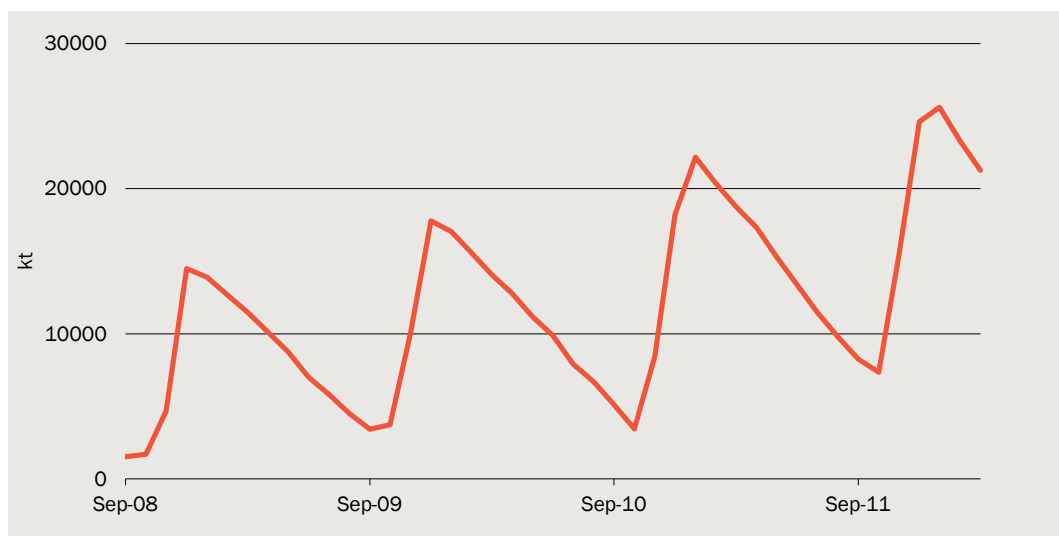
Appendixes



A ABS/ABARES stock and use data

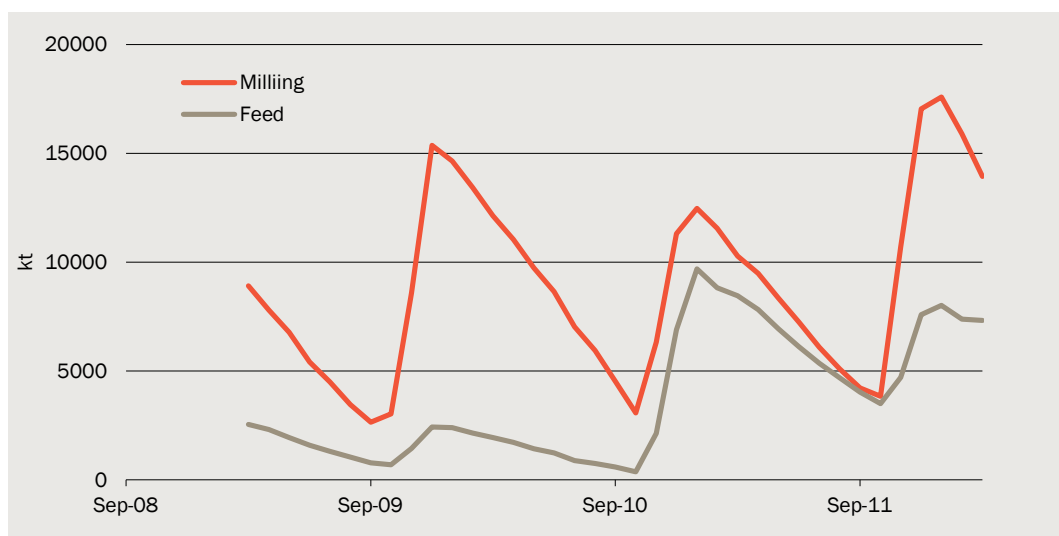
Charts A.1 and A.2 shows stocks held by BHCs have increased since the start of the 2008-09 harvest and reflect a total storage capacity of over 25 million tonnes in 2011-12.

A.1 Stocks held by BHCs



Data source: ABS/ABARE.

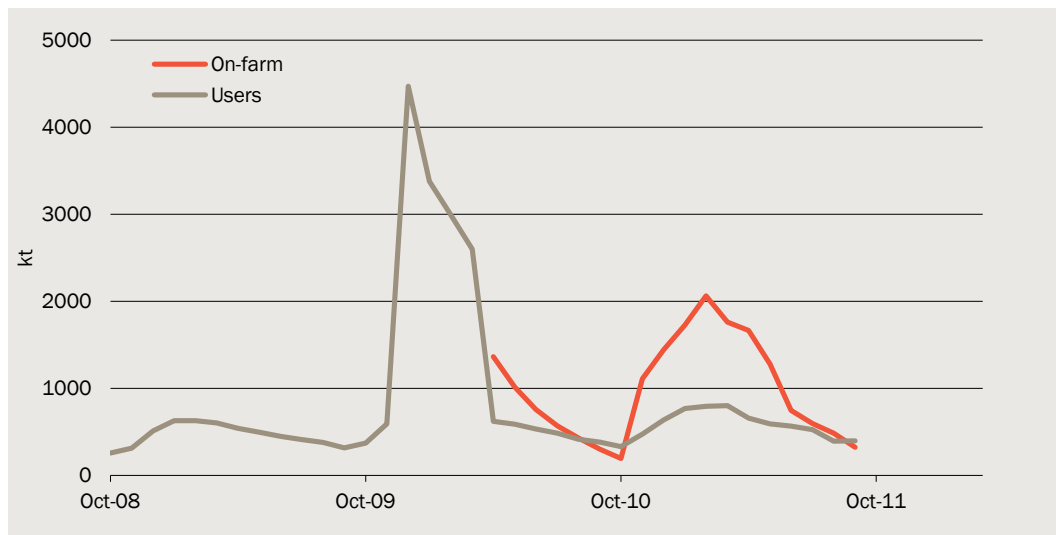
A.2 The composition of stocks held by BHCs



Data source: ABS/ABARE.

Chart A.3 shows that stocks held outside of the BHCs are significantly smaller. Also that this data series involves significant breaks as a result of changes in funding for data collection of these variables.

A.3 Stocks held on-farm and by users^a

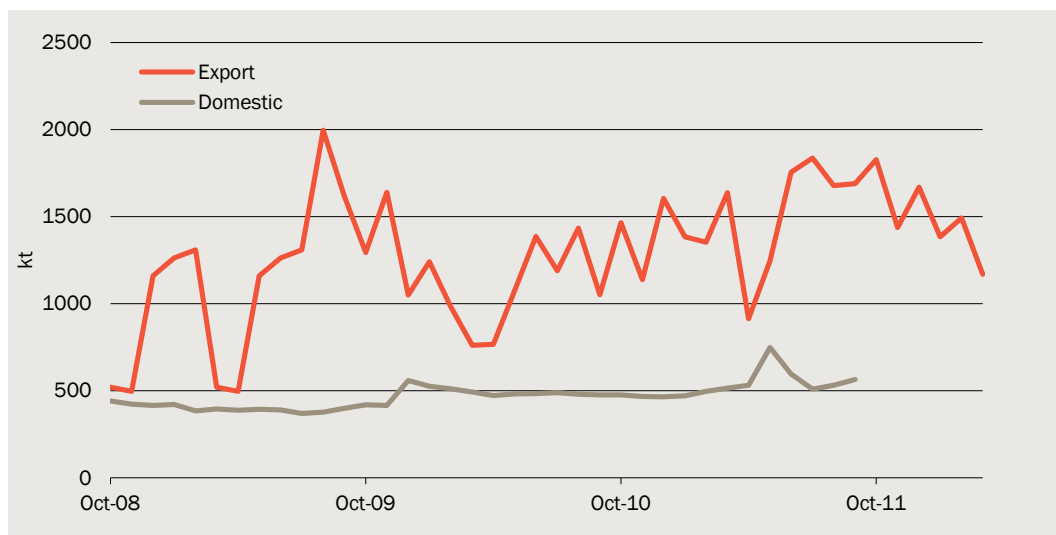


^a Note the change in scale from tables A.1 and A.2.

Data source: ABS/ABARE.

Chart A.4 shows the monthly disposition of Australian wheat. While domestic use is relatively stable and growing, exports tend to be highly variable and dependent on a range of factors such as world demand and prices and the Australian dollar.

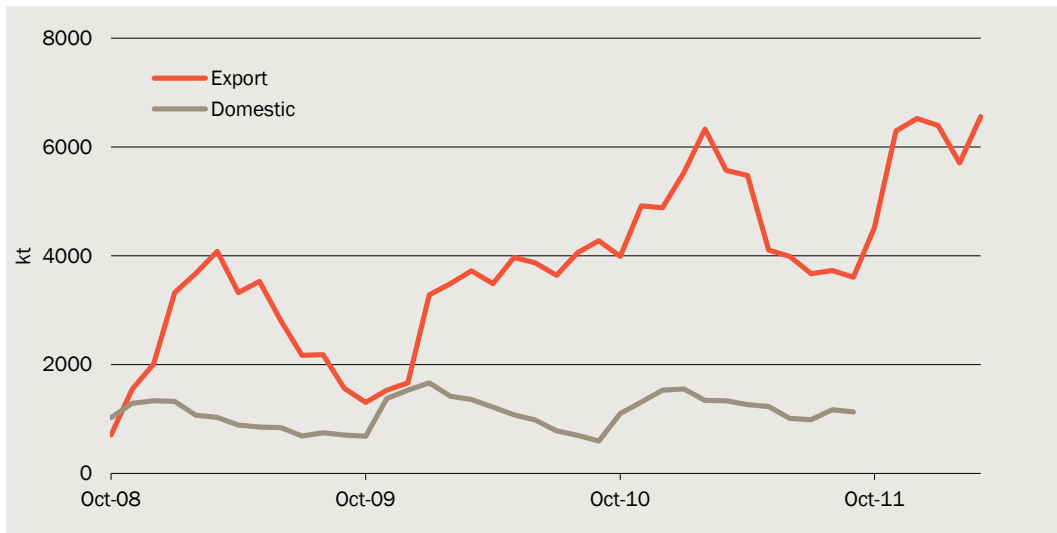
A.4 Monthly domestic and export use



Data source: ABS/ABARE.

Chart A.5 shows the growth in wheat contracted forward to the export market since deregulation in 2008, while equivalent arrangements for domestic users have remained fairly flat over the same period.

A.5 Wheat contracted forward



Data source: ABS/ABARE.

Table A.6 is the state-based equivalent to table 2.2.

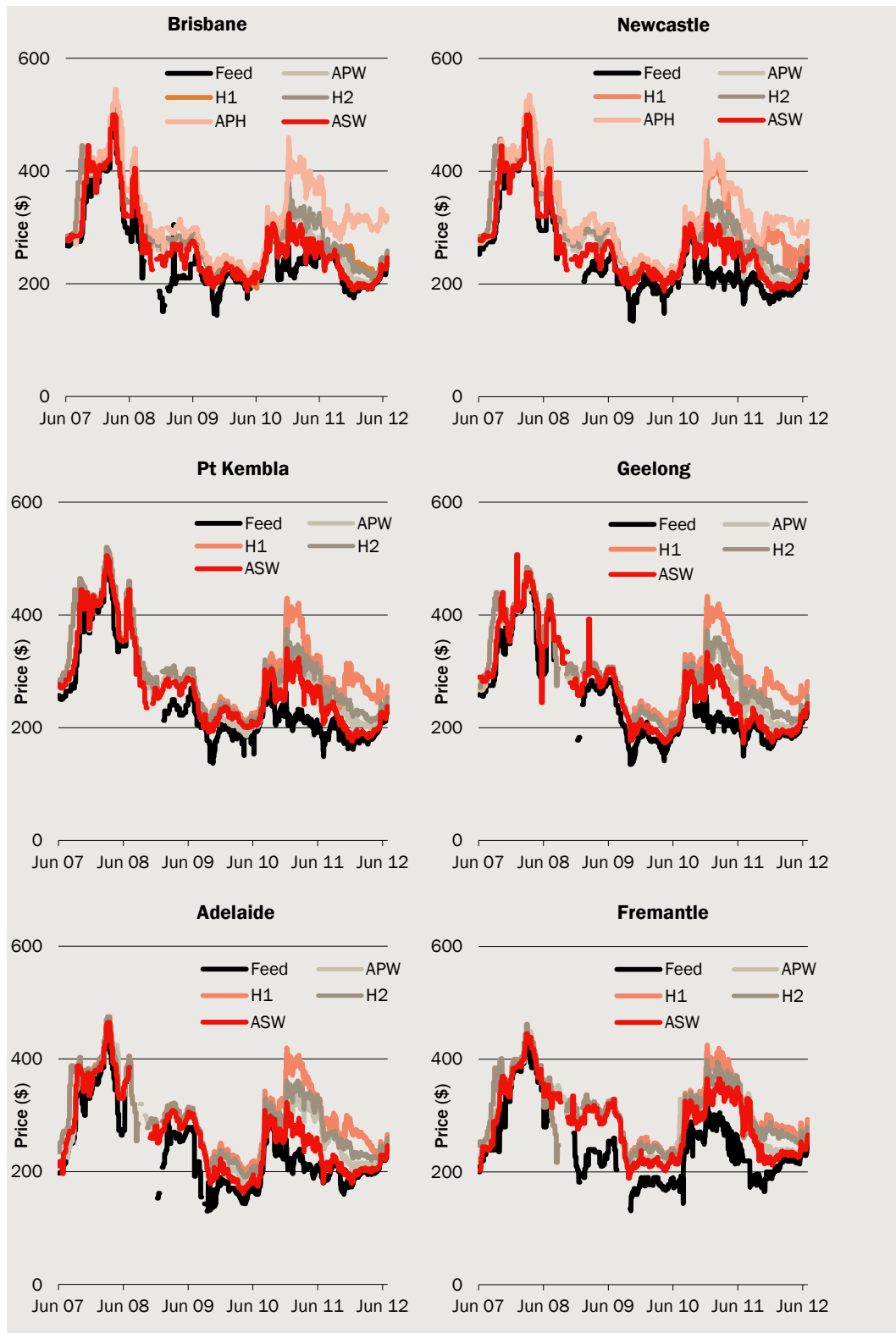
A.6 Consistency of Australian wheat stock and use data by state

Month	NSW (inc. ACT)	VIC (inc. TAS)	QLD	SA	WA	Total
	kt	kt	kt	kt	kt	kt
Nov-09	579	92	616	58	194	1539
Dec-09	3172	472	430	1620	2472	8166
Jan-10	1988	2257	588	2748	5697	13 277
Feb-10	-364	140	-89	104	113	-96
Mar-10	-191	269	5	-62	81	103
Apr-10	-212	-22	28	27	-235	-413
May-10	4	35	28	39	214	320
Jun-10	-150	19	22	33	-304	-380
Jul-10	129	158	36	64	125	513
Aug-10	-321	-30	-18	86	-73	-356
Sep-10	211	93	57	-73	120	407
Oct-10	-83	236	77	221	-70	380
Nov-10	-259	35	2	-255	23	-453
Dec-10	3036	96	1392	583	2675	7781
Jan-11	4089	2312	234	3779	2062	12 476
Feb-11	2753	1901	59	1909	83	6706
Mar-11	-147	593	72	289	-45	762
Apr-11	246	22	27	-117	118	295
May-11	41	479	18	314	54	906
Jun-11	-384	192	78	-3	-315	-431
Jul-11	-368	-25	-30	47	68	-309
Aug-11	41	-22	-18	-123	-77	-198
Sep-11	-376	338	-2	245	-45	160
Total 24 months	13 436	9640	3615	11 531	12 933	51 155
Actual production	16 050	7550	2951	10 061	13 113	49 725
% difference	19	-22	-18	-13	1	-3

B Prices by grade and by port zone

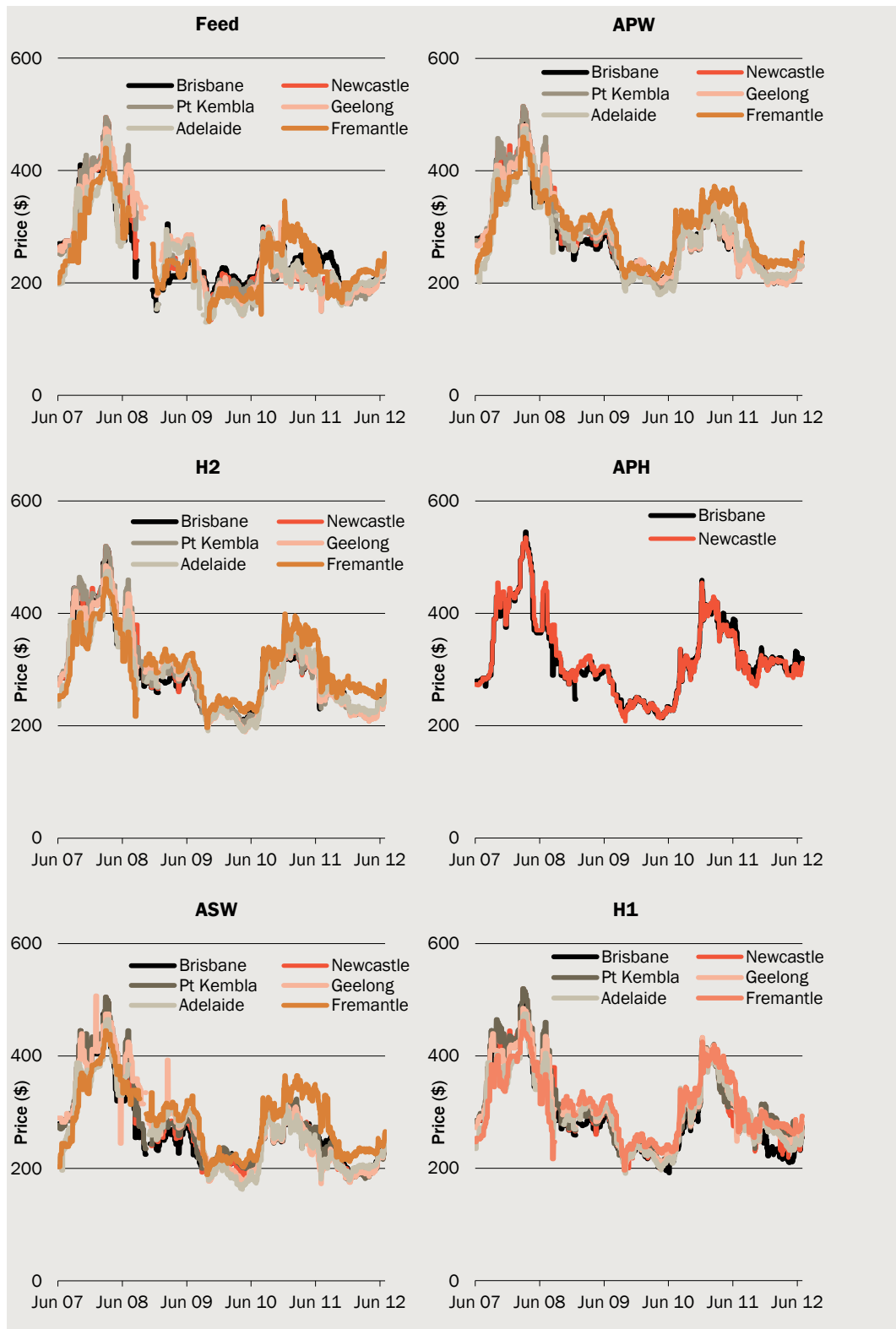
Charts B.1. And B.2 shows the price series used by wheat grade and by port zone over the period July 2007 to June 2012 noting that deregulation of the market took place on 1 July 2008.

B.1 Price at selected ports



Data source: Australian Crop Forecasters.

B.2 Price of selected grades



Data source: Australian Crop Forecasters.

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Bartholomaeus, M., 2012, *The tools for hitting income targets and minimising risks in a deregulated wheat market*, Presentation to ABARES Outlook Conference 2012.

GHD 2011, *Independent Wheat Market Information Study*, prepared for the Department of Agriculture, Forestry and Fishing, July.

Marone, H 2008, *How do wheat prices react to USDA reports?*, United Nations Development Programme Working Paper, November.

Reading, P 2012, *Information requirements for an effective bulk wheat export market: ensuring a 'level playing field'*, Prepared for Department of Agriculture, Forestry and Fishing, May.



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Appendix D

Funding Post Farm Gate Industry Development Functions



Wednesday 4 July 2012

MEDIA RELEASE

GTA proposes voluntary levy to fund industry development

Grain Trade Australia (GTA) is proposing that a voluntary levy on grain exports be introduced to fund post farm-gate grain industry development functions and has released a discussion paper on the issue.

The Chairman of GTA, Mr Tom Keene, said feedback was now being sought on the paper which has been developed in response to changes in the grain industry.

“The deregulation of the wheat export industry saw the loss of funding for many industry development functions.

“This paper not only sets out to identify those industry development functions which enjoy widespread industry support, but importantly details a long term sustainable funding model,” Mr Keene said.

GTA is proposing that an industry managed Trust be set up to collect a voluntary levy on all grain exports in bulk and containers. Funding would then be allocated to industry development functions such as wheat variety classification, market access initiatives, development and maintenance of codes for the industry and provision of wheat stocks data.

“Other functions can be included as their need is identified by the grain industry.” Mr Keene added.

Should there be broad support for GTA’s proposal GTA will develop a business plan for the Trust which will identify the industry development functions to be initially covered, a budget, governance and administrative issues.

A copy of the discussion paper is now available on the GTA website – www.graintrade.org.au .

Submissions should be forwarded to reach GTA by Friday 3rd August 2012.

Further information:

Geoff Honey – Grain Trade Australia, 02 9235 2155

Grain Trade Australia develops the grain standards and contracts that are used across the Australian grain industry and has over 250 member organisations ranging from regional family businesses to large national and international trading/storage and handling companies.

Members operate within all sectors of the grain industry in Australia. Organisations involved in related commercial activities such as banking, communications, grain advisory services and professional services (solicitors and accountants) are also members.



GRAIN TRADE AUSTRALIA

Discussion Paper

FUNDING POST FARM-GATE

GRAIN INDUSTRY DEVELOPMENT FUNCTIONS

DRAFT (JULY 2012)

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2 PURPOSE

This paper sets out Grain Trade Australia’s (GTA) ideas regarding future funding of industry development functions. It seeks feedback from GTA members, the broader grain industry, government and aligned agencies.

Should there be broad industry support for the structure outlined in this paper, GTA will develop a business plan and governance details for final sign-off.

The rationale for GTA’s proposal includes:

- 1) While industry development functions enjoy widespread industry support, their funding has been both problematic and inadequate.
- 2) The planned wind up of the Wheat Exports Australia (WEA) on 31 December 2012 and the \$0.22/t Wheat Export Charge (WEC) on 30 September 2012, will leave residual funds which could be secured for industry development.
- 3) This proposal is consistent with GTA’s charter to be an industry leader and provide advocacy in ensuring an efficient and effective Australian grains industry.

Grain Trade Australia (GTA) request that feedback be received by close of business Friday 3rd August 2012 by email to admin@graintrade.org.au addressed to CEO Geoff Honey.

3 EXECUTIVE SUMMARY

The Australian grains industry produces between 15-45 million tonnes (mt) of grain each year (34mt avg), where most is exported (avg 21mt). The industry has been through an intense period of deregulation over the past three decades, leading to greater competition, investment and industry returns. Despite this, there remains a need for co-operation between industry participants in the provision of industry development functions (e.g. grain variety classification; trade and market access; grain protection; port access code of conduct; stocks data etc.).

Wheat Exports Australia (WEA) was established in 2008 to manage licences for bulk wheat exports after deregulation. WEA is funded through a compulsory wheat export charge (WEC) of \$0.22/t on all wheat exports, payable by exporters. The Federal Government is looking to wind-up WEA (Dec 2012) and the WEC (Sept 2012).

This paper examines the potential introduction of a new, lower and unregulated charge on all exported grains to ensure post farm-gate industry development functions are adequately funded. Another potential way of building up cash reserves could be retaining the residual funds after winding up WEA in Dec 2012.

Grain Trade Australia (GTA) is seeking feedback from its members, the broader industry, government and aligned agencies, which is consistent with GTA's charter to be an industry leader and provide advocacy in ensuring an efficient and effective Australian grains industry.

In order to secure funding for important post farm-gate industry development work, GTA proposes that:

- A new discretionary trust is established to collect (indicative) funding of \$1.825 million pa for industry development functions. Note: these funds do not replace existing government/agency funding, nor funding by grain industry group members for secretariat services

- Collect funds via a \$0.15/t levy on grain exports (wheat, coarse grains, oilseeds, pulses, cottonseed & birdseed in both bulk and containers)
- The levy is industry regulated and voluntarily paid by exporters. This is consistent with current industry membership funding which ensures a focus on delivering benefit to members
- Cash reserves be maintained at an amount which is at least 75% of the previous year's distributions/costs (due to production volatility)
- In the event cash reserves exceed 75%, the levy may be reduced (having regard to future projected grain production volumes)
- A balance be struck between arms-length separation from GTA and ensuring the trust is low cost (fostering a culture of volunteering). Accordingly, GTA should provide administrative support at cost
- The trust has a Board of Trustees which includes two GTA appointees (members nominate & vote), two suitably qualified trustees from industry (including producers) and an independent chairman
- Separate bank accounts and financial records to be audited and published annually
- Funds to be used for post farm-gate industry development functions where fund applications will be judged against selection criteria, and
- Special majority of Board required to amend trust deed, funding criteria, funding allocation, and the quantum of the levy.

Should there be broad support for GTA's proposal; GTA will further develop a business plan for the Trust identifying the industry development functions, a detailed budget, governance and administrative issues.

Grain Trade Australia (GTA) request that feedback be received by close of business Friday 3rd August 2012 by email to admin@graintrade.org.au addressed to CEO Geoff Honey.

4 INDUSTRY BACKGROUND

The Australian grains industry produces between 15-45 million tonnes (mt) of grain each year (34mt avg). Approximately half the grain produced is grown in WA, with NSW, SA, Vic and Qld producing the other half. Wheat constitutes around 65% of all grains grown, followed by barley (20%), canola (5%), pulses (5%) and sorghum/oats (5%). Domestic consumption is 13mt pa and the remainder is exported (avg 21mt).

The industry has seen a significant period of change over the past three decades as deregulation of marketing; handling and freight have led to the entrance of new commercial players and industry consolidation. This has resulted in improved marketing options for producers, increased investment and better returns for the grains industry as a whole.

While competition has increased under deregulation, co-operation between participants remains essential in ensuring 'industry development functions' continue. These functions are important to the efficient and effective operation of the Australian grains industry both domestically and internationally. They include tasks such as R&D, grain variety classification, setting grain standards, advocacy and trade facilitation (fuller definition included in subsequent sections).

Wheat Exports Australia (WEA) was set-up in 2008 to manage accreditation post single desk for bulk wheat exports after deregulation. Funding is through a compulsory wheat export charge (WEC) of \$0.22/t on all wheat exports, payable by exporters. The Federal Government is looking to wind-up WEA (Dec 2012) and the WEC (Sept 2012).

This paper examines the potential introduction of a new, lower and industry regulated charge on all exported grains to ensure post farm-gate industry development functions continue for the efficient and effective operation of the Australian grains industry.

5 GRAIN TRADE AUSTRALIA (GTA) BACKGROUND

Grain Trade Australia (GTA, previously named NACMA) was formed in 1991 to standardise grain standards, trade rules and grain contracts across the Australian grain industry to enable the efficient facilitation of trade across the grain supply chain. GTA's role today is to ensure the efficient facilitation of commercial activities across the grain supply chain.

Over 95% of all grain traded in Australia utilise GTA contracts. GTA's membership base is made up of virtually all post farm-gate organisations including traders, bulk handling companies (BHCs), food processors (millers, maltsters, oil-crushers), financial institutions, brokers, agents, stock-feeders, industry and merchant associations (see Appendix B for full list of almost 250 members). GTA is the only Australian grain industry organisation that provides this breadth and depth of membership and representation.

GTA is fully-funded by its members and does not rely on Government funding. In addition to membership fees, GTA provides services to industry (e.g. accredited training) which generates income to cover operating costs. GTA is a not-for-profit company limited by guarantee. There are 13 Board members, 8 of whom represent different levels of members and 5 with special qualifications.

In addition to setting grain standards, trade rules, contracts and providing education and dispute resolution services, GTA is a joint-venture partner in Wheat Quality Australia (WQA) with GRDC, and represents Australia internationally at conferences and on organisations such as IGTC (International Grain Trade Coalition). GTA hosts the Australian Grains Industry Conference with Pulse Australia (PA) and Australian Oilseeds Federation (AOF), where funds are managed by GTA through a trust.

GTA is a single point of contact for the Australian Government when looking for industry input on many post farm-gate issues.

6 INDUSTRY DEVELOPMENT FUNCTIONS (HISTORICALLY)

The definition of industry development functions differs according to various participants within the grains industry. Although wheat constitutes only 60-65% of total grain production in Australia, a useful starting point can be found in a 2008 report by the Wheat Industry Expert Group (IEG). It found that 'some members of the industry have suggested [the following] constitute industry development functions:

- Industry strategic planning
- Research and development (R&D)
- Wheat variety classification
- Wheat receival standards
- Information provision
- Crop shaping activities
- Technical marketing support
- Wheat promotion
- Branding
- Trade advocacy
- Regulatory advocacy'¹

While many organisations historically assisted in the provision of these functions for wheat, AWB (International) Ltd (AWBI) was very prominent in doing much of the work by virtue of its mandate and regulated wheat export monopoly. The IEG report went on to recommend the government's role in assisting with these functions is limited to R&D, information services, trade advocacy and to a small extent promotion (through Austrade). It should be noted that the Grains Research and Development Corporation (GRDC), a statutory corporation representing

interests of growers and government, plays an important role in R&D and variety classification for all grains.

In addition to GTA, post farm-gate industry development functions are currently carried out by a number of organisations including:

- Pulse Australia (PA)
- Australian Oilseed Federation (AOF)
- Australian Grain Export Association (AGEA)
- Wheat Quality Australia (WQA)
- Barley Australia (BA)
- Grain Industry Market Access Forum (GIMAF)
- National Working Party on Grain Protection (NWPGP)
- Various state based industry and merchant groups.

Funding for these not-for-profit groups is usually through a mixture of member fees, fees for service and government grants/contributions (mainly through GRDC). It is important to note that the administrative/secretariat services for these groups are currently funded by membership fees, which GTA believes, assist in keeping costs under control. Members also contribute their time and expertise which GTA considers appropriate to ensure industry buy-in and low cost of operation.

One important change which is currently being proposed is the abolition of the \$0.22/t WEC used to regulate licences in Sept 2012 and WEA winding up in Dec 2012.

¹ Wheat Industry Expert Group, "The provision and transition of industry development functions for the Australian wheat industry"; Report to Hon Tony Burke MP (Minister for Agriculture, Fisheries & Forestry); April 2008; p9

7 INDUSTRY DEVELOPMENT FUNCTIONS (FUTURE)

While many of the post farm-gate industry development functions will continue as they have in the past, there are numerous issues affecting some functions which warrant further analysis. Please note, the financial requirements below are indicative only. Detailed business plans and costs will be developed if there is broad industry support for the concepts outlined in this paper.

- 1) *Wheat Variety Classification*: involves assessing new wheat varieties to determine processing and end-product quality (such as dough strength, baking performance and extensibility) to meet key market requirements. Wheat Quality Australia (WQA) was formed by GTA and GRDC in 2011 to do this work. WQA is funded by industry contributions (approximately \$450k pa) and GRDC (approximately \$450k pa). WQA is currently completing a strategic plan to secure industry funding to continue and enhance service delivery. There is scope to secure funding of \$500-700k pa.
- 2) *Trade & Market Access*: while the Australian Government maintains a central role in many of the global issues for grain trade (WTO, AQIS, FTAs, Codex etc.), it needs commercial support from industry to guide its position. GTA (through its Trade & Market Access Committee) and Grain Industry Market Access Forum (GIMAF) provides this industry support. GIMAF was formed in 2011 as an outcome from the Grain Ministerial TaskForce (GMTF) on Export Certification Reform. GIMAF received initial funding from government of \$500k, but ongoing funding arrangements are not clear. There is scope to secure funding of \$150-300k pa.
- 3) *Grain Protection*: involves research into grain protection issues (such as chemical residues; effectiveness and sustainability of grain protectants), liaison with regulatory bodies (e.g. DAFF Biosecurity;

SGRL; CSIRO etc.), and education/communication activities relating to grain storage from farms to export terminals. The work is performed by the National Working Party on Grain Protection (NWPGP) which is a voluntary group of industry participants, administered by GTA (\$40k pa). It is crucial work, yet the NWPGP is significantly underfunded. There is scope to increase funding to \$200-500k pa.

- 4) *Industry Code of Practice*: GTA facilitated the development of the code of practice with industry and government (DAFF) to ensure Australian grain and grain products marketed meet domestic or export customer requirements. The Code covers a range of common standards, operating procedures and documented processes. GTA is the custodian of the Code and is charged with reviewing it to ensure its on-going integrity is maintained. There is scope to secure industry funding of \$50-100k pa.
- 5) *Port Access Code of Conduct*: As set out in the Wheat Export Marketing Amendment Bill 2012, from 1 October 2014 access to port terminal services will be governed by a voluntary industry Code of Conduct and general competition law, subject to the Code meeting legislative requirements and the approval of the Australian Government. Recognising the need to coordinate industry to develop a Code, GTA in its capacity as the secretariat, has formed an industry driven Code Development Committee (CDC). There is scope to secure industry funding of \$50-100k pa to ensure development and ongoing administration / review of the Code.
- 6) *Stocks Data*: the recent Senate Committee report into the Wheat Export Marketing Amendment Bill 2012 [Provisions] recommends that the government “consider options to assist industry develop measures enabling the provision of more comprehensive wheat stock data to stakeholders and participants through the wheat export

supply chain". While it is unclear as to what this may entail, there is scope to secure industry funding of \$100-200k pa.

- 7) *Other/Unknown*: as the industry continues to evolve there will be other/unknown requirements as identified by industry.

It is proposed that a culture of volunteering will be important in performing these industry development functions (as it is currently within GTA and other industry groups). This will ensure that the vast majority of funds are used in performing work rather than administering the funds generated. The indicative future industry development funding outlined on the previous page can be summarised as follows:

Post Farm-Gate Industry Development Function	Indicative Industry Funding (\$000's pa)		
	Low	High	Midpoint
WQA (wheat classification)	\$ 500	\$ 700	\$ 600
GTA/GIMAF (market access)	\$ 150	\$ 300	\$ 225
NWPGP (grain protection)	\$ 200	\$ 500	\$ 350
Industry code of practice (market access)	\$ 50	\$ 100	\$ 75
Port access code of conduct (trade access)	\$ 50	\$ 100	\$ 75
Stocks data (trade access)	\$ 100	\$ 200	\$ 150
Fund administrative costs	\$ 100	\$ 200	\$ 150
Contingency/Variability-Buffer	\$ 150	\$ 250	\$ 200
Indicative Total Costs	\$ 1,300	\$ 2,350	\$ 1,825

Indicative future industry funding for these groups totals \$1.825 million p.a. (midpoint of estimated costs ranging between \$1.3m to \$2.35m p.a.). It is important to note that this does not include any funding for GTA, which would continue to be funded by industry as it is today.

GTA believes it is an appropriate time to secure funding for this essential work through the introduction of a new industry regulated levy, which is lower than the current WEC of \$0.22/t. The next section will examine potential mechanisms for collecting funds.

8 OPTIONS FOR FUTURE FUNDING MECHANISM

As modelled in the previous section, approximately \$1.825m pa is required for on-going industry funding of wheat variety classification, grain protection, and various trade/market access functions. It should be noted that this \$1.825 is from industry only, and does not reflect current/future government funding.

GTA believe these future industry based funding requirements may be secured via a new voluntary levy on grain production and/or exports.

The following is an analysis of the different potential mechanisms to collect the required \$1.825m pa in funds:

Issue	Pros	Cons
Charged on all grain types ✓✓	<ul style="list-style-type: none"> Grain protection issues affect all grain types Trade & market access issues affect all grain types Provides potential to add new industry development functions 	<ul style="list-style-type: none"> WQA represent 33% of \$1.825m pa in funding of itself A different levy for each grain type may be more cost reflective
Charged on tonnes produced ✓	<ul style="list-style-type: none"> Both domestic & export markets benefit from industry development functions 	<ul style="list-style-type: none"> Easier to collect from post farm-gate organisations than producers (fewer collection points) Difficult to collect due to unregulated nature of market (receivals by company unknown) Increase collection & administrative costs
Charged on export tonnes (bulk & box) ✓✓✓	<ul style="list-style-type: none"> Exports represent approx. 72% of production (close proxy) Both bulk & box (containers) benefit from these functions Easier & cheaper to collect than trying to charge tonnes produced 	<ul style="list-style-type: none"> Require information from BHCs (bulk) & packing facilities (boxes) Failure to collect 2mt pa in boxes represents 10% of tonnes Greater seasonal fluctuation than basing on production

Issue	Pros	Cons
Unregulated ✓✓✓	<ul style="list-style-type: none"> No role for government Less regulatory cost GTA will encourage members & non-members to pay the levy This is consistent with current arrangements with most industry development functions today 	<ul style="list-style-type: none"> May not collect all levies
Separate trust is established with GTA admin support ✓✓✓	<ul style="list-style-type: none"> Separate trust is transparent, auditable & at arms-length Reduce levy/trust admin costs by GTA contracting admin work Industry & government to be consulted about requisite governance framework 	<ul style="list-style-type: none"> Independence from GTA (would require clear set of levy/trust guidelines re funding criteria)

GTA believes the risk of not collecting the levy on all export tonnes outweighs the burden of regulating/mandating a levy. A voluntary levy is consistent with the current industry practice of membership funding, and ensures industry development functions have the support of participants.

Given this analysis, GTA recommend the following for the proposed new levy to fund post farm-gate industry development functions:

- Charge on all grains exported (wheat, coarse grains, oilseeds, pulses, cottonseed and birdseed in both bulk and containers)
- Is not regulated (but strongly encouraged by GTA), and
- Funds are managed through a separate trust which GTA has representation on and provides administrative support (see future section on trust structure and governance for details).

The next section will examine the quantum of the levy and resultant implications given export volatility.

9 QUANTUM OF NEW INDUSTRY DEVELOPMENT LEVY

In order to raise the indicative \$1.825 p.a. in funds the following table models the different levels of such a levy for grain exports:

Post Farm-Gate Industry Development Function	Indicative Industry Funding (\$000's pa)		
Total Costs	\$ 1,300	\$ 2,350	\$ 1,825
	Low	High	
Export Tonnes	10,000	33,000	21,500
Tonnes levy collected on	7,000	23,100	15,050
Fee/tonne	\$ 0.19	\$ 0.10	\$ 0.12

This analysis indicates the costs of \$1.825m pa equates to \$0.12 per tonne. This is averaged across different production levels ranging from 15-45mt pa, and 10-33mt pa exported. It is noteworthy that these tonnages are for all grain types (wheat represents approximately 65% of production; barley 20%; oilseeds 5%; pulses 5%; sorghum/oats 5%).

An important funding consideration is that cash reserves will need to be built up in order to deal with seasonal variation in crop production (and therefore the amount of levies collected).

In order to achieve this, it is proposed that the levy be \$0.15/t in the initial 5 years (not \$0.12/t) until cash reserves reach a minimum of 75% of the previous year's distributions/costs.

Once cash reserves exceed this threshold, the levy could be reduced accordingly (given expectations for the future year grain production and projected levy income).

Another potential way of building up cash reserves could be retaining the residual funds after winding up WEA in Dec 2012. This could be as much as \$1 to 2 million (e.g. cash at bank after ceasing operations). This would ensure WEC monies are applied to post farm-gate industry development functions as they were intended. It would also assist in commencing work immediately (rather than waiting until levies are collected).

To simulate the impact of volatility in grain exports, and retaining WEC cash reserves, the following table models the new \$0.15/t levy on an annual basis. It utilises actual grain export volumes from 2006/07 to 2011/12 to demonstrate the variance in the fund/levy revenue. It then deducts the average fund costs of \$1.825m pa to detail the annual surplus (or shortfall) in levy/fund cash-flow.

Finally, WEA/WEC residual funding of \$1.5m is added to provide the cumulative surplus (or shortfall) in cash. This demonstrates that although income from the new \$0.15/t levy would have varied from \$1.05m to \$2.835m pa over the past six years, there would have been \$2.52m of cash reserves in the final year:

Grain Volumes (000's tonnes)	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Production	17,000	26,000	35,000	35,000	44,000	46,000
Domestic consumption	13,000	13,000	14,000	13,000	14,000	14,000
Export 'consumption'	10,000	12,000	21,000	22,000	27,000	33,000
Levy Tonnes	7,000	8,400	14,700	15,400	18,900	23,100
Indicative Fund Income/Costs (\$000's) - model based on historical volumes						
Levy per tonne	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15
Fund revenue	\$ 1,050	\$ 1,260	\$ 2,205	\$ 2,310	\$ 2,835	\$ 2,310
Fund costs (development functions)	\$ (1,825)	\$ (1,825)	\$ (1,825)	\$ (1,825)	\$ (1,825)	\$ (1,825)
Annual surplus (shortfall)	\$ (775)	\$ (565)	\$ 380	\$ 485	\$ 1,010	\$ 485
Residual (WEA/WEC) funding	\$ 1,500	\$ -	\$ -	\$ -	\$ -	\$ -
Cumulative surplus (shortfall) at Yr End	\$ 725	\$ 160	\$ 540	\$ 1,025	\$ 2,035	\$ 2,520
Yr End Cash Reserves as % of Prev Yr Distributions		9%	30%	56%	112%	138%

Therefore, GTA propose that the funding for post farm-gate industry development be secured by:

- 1) Levy of \$0.15/t on all grain exports
- 2) Cash reserves equivalent to 75% of previous year's distributions/costs be built up (potentially assisted by retaining residual WEC funding)
- 3) Adjust levy in-line with cash reserves policy (e.g. decrease levy once cash reserves exceed threshold, as the table above demonstrates).

The next section examines issues regarding levy collection.

10 LEVY COLLECTION

As stated earlier, GTA believe the risk of not collecting the levy on all export tonnes outweighs the burden of regulating/mandating a levy. A voluntary levy is consistent with the current industry practice of membership funding, and ensures industry development functions have the support of participants.

GTA's experience is that a reliance on voluntary contributions ensures industry groups stay focussed on delivering benefits to members.

To assist in the collection of levies, it is proposed that GTA be contracted (at cost) to invoice exporters monthly. Monies would be paid directly into a separate bank account which is managed by the fund trust.

In so doing, GTA is striving to achieve a balance between keeping the trust at arm's length from GTA, whilst ensuring administrative costs are minimised and a culture of volunteering is retained.

The next section explores governance issues which should assist in helping achieve this balance of independence and low-cost.

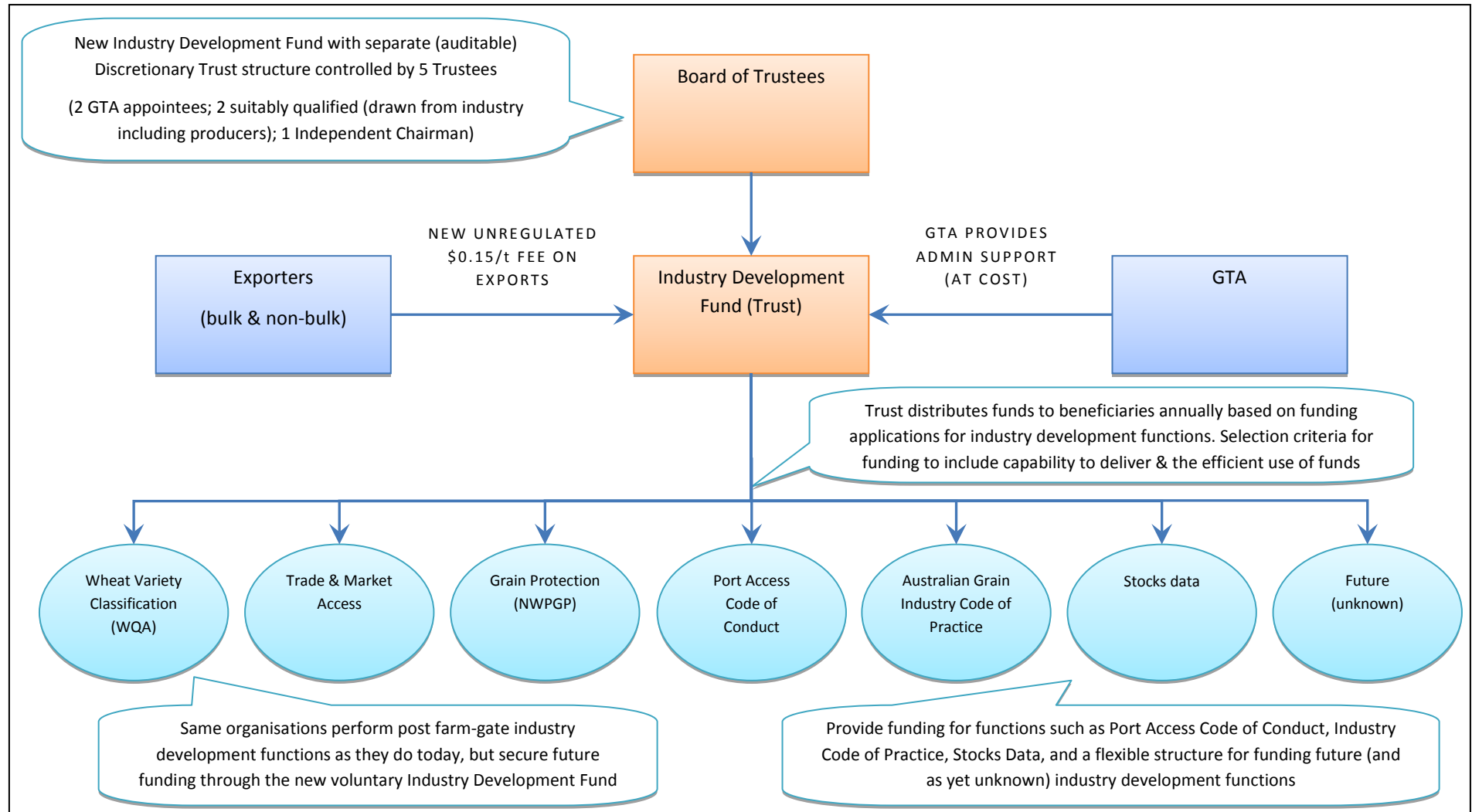
11 FUND GOVERNANCE ISSUES

GTA propose the new \$0.15/t levy on grain exports for post farm-gate industry development functions include:

- A separate discretionary trust structure is established to manage funds collected and distributed. Note: The Trust will not report to GTA (it will have its own separate mandate and responsibilities).
- The Board of Trustees include five appointees, where two are appointed by GTA (e.g. GTA members nominate and vote), two suitable qualified Trustees are appointed from industry including producers (having respect to issues such as Board composition, skill requirements etc.), and an independent Chairman.
- The Trustees will be responsible for approving funding allocation on behalf of industry.
- The Trust has its own bank account and financial records which are independently audited annually. Financial reports and audit statements to be publicly available.
- Trust administrative costs be minimised by contracting services of GTA to assist with the levy collection and secretariat of the Trust. Note: this is completely separate from GTA's existing work.
- Funds are distributed annually to applicants/beneficiaries based on an established selection criterion. The criterion are likely to include requirements such as capability of the organisation requesting funds, the efficiency with which funds will be used, the industry requirement for the post farm-gate industry development function(s), clearly defined deliverables and accountability etc.
- Cash reserves are to be maintained at a level which is 75% of the previous year's fund distributions/costs. In the event cash reserves exceed 75% the quantum of the \$0.15/t levy may be reduced at the discretion of the Trustees.

12 INDUSTRY DEVELOPMENT FUNDING STRUCTURE

The following is a model of how a new industry development fund could work:



13 SUMMARY OF GTA PROPOSAL

In order to secure funding for important post farm-gate industry development work, GTA propose that:

- A new discretionary trust is established to collect (indicative) funding of \$1.825 million pa for industry development functions. Note: these funds do not replace existing government/agency funding, nor funding by grain industry group members for secretariat services of current grain organisations
- Collect funds via a \$0.15/t levy on grain exports (wheat, coarse grains, oilseeds, pulses, cottonseed & birdseed in both bulk and containers)
- The levy is unregulated and voluntarily paid by exporters. This is consistent with current industry membership funding which ensures a focus on delivering benefit to members
- Cash reserves be maintained at an amount which is at least 75% of the previous year's distributions/costs (due to production volatility)
- In the event cash reserves exceed 75%, the levy may be reduced (having regard to future grain production volumes)
- A balance be struck between arms-length separation from GTA and ensuring the trust is low cost (fostering a culture of volunteering). Accordingly, GTA should provide administrative support at cost
- The trust has a Board of Trustees which includes two GTA appointees (members nominate & vote), two suitably qualified trustees from industry (including producers) and an independent chairman
- Separate bank accounts and financial records to be audited and published annually
- Funds to be used for post farm-gate industry development functions where fund applications will be judged against selection criteria, and

- Special majority of Board required to amend trust deed, funding criteria, funding allocation, and the quantum of the levy.

Should there be broad support for the concepts outlined in this paper; GTA will develop a business plan for the Trust which will detail the industry development functions, a budget, governance and administrative issues.

14 INDUSTRY & GOVERNMENT FEEDBACK

GTA would like to invite submissions from GTA members, the broader grains industry, government and aligned agencies in response to this proposal. GTA request that feedback be received by close of business Friday 3rd August 2012 by email to admin@graintrade.org.au addressed to CEO Geoff Honey.

To assist GTA in collecting feedback, it would be beneficial if submissions are structured as follows:

- 1) Industry development functions
- 2) Options for future funding mechanism
- 3) Quantum of new industry development levy
- 4) Levy collection
- 5) Fund governance issues
- 6) Industry development funding structure
- 7) Other issues

15 APPENDIX A - ACRONYMS

Acronym	Definition
AGEA	Australian Grain Export Association
AOF	Australian Oilseed Federation
AQIS	Australian Quarantine and Inspection Service
AWBI	AWB (International) Ltd
BA	Barley Australia
CSIRO	Commonwealth Scientific and Industrial Research Organisation
DAFF	Department of Agriculture, Fisheries and Forestry
FTA	Free Trade Agreement
GIMAF	Grain Industry Market Access Forum
GTA	Grain Trade Australia (previously NACMA)
IEG	Industry Expert Group
IGTC	International Grain Trade Coalition
NWPGP	National Working Party on Grain Protection
PA	Pulse Australia
SGRL	Stored Grains Research Laboratory
WEA	Wheat Export Association
WEC	Wheat Export Charge
WQA	Wheat Quality Australia
WTO	World Trade Organisation

16 APPENDIX B – GTA MEMBERS

Ordinary Member

Level A (over 1.5 Million Tonnes)

Alfred C Toepfer International (Australia) Pty Ltd
Cargill Australia Limited
Co-operative Bulk Handling Limited
Emerald Group Australia Pty Ltd
Glencore Grain Pty Ltd
GrainCorp Operations Ltd
Viterrra Ltd

Corporate

Large

ASX Operations Limited
Australia New Zealand Banking Group
Commonwealth Bank of Australia
Dairy Australia Limited
Meat & Livestock Australia Limited
Rabobank

Ordinary Member

Level B1 (1.0 - 1.5 Million Tonnes)

Louis Dreyfus Australia
PentAg Nidera Pty Ltd
Ridley Agriproducts Pty Ltd

Level B2 (500,000 - 1 Million Tonnes)

Bunge Agribusiness Australia Pty Ltd
George Weston Foods Limited
Inghams Enterprises Pty Limited
Queensland Cotton Corporation Ltd
Riverina (Australia) Pty Ltd

Level B3 (250,000 - 500,000 Tonnes)

AACL Services
Arrow Commodities Pty Ltd
Australian Bulk Alliance
Centre State Exports Pty Ltd
COPRICE
Gavilon Grain Australia Pty Ltd
JBS Australia Pty Limited
K M & W M Kelly & Sons
Plum Grove Pty Ltd
Riordan Grain Services
Southern Quality Produce Pty Ltd
Touton Australia
Walgett Special One Co-Op

Level C (under 250,000 Tonnes)

A & B Grains Pty Ltd
A T Waterfield & Son Pty Ltd
A W Vater and Co
Adams Australia Pty Ltd
Agmark Commodities
Agracom Pty Ltd
AGRIGRAIN
Alex Maitland & Co
Allied Mills
AMPS Agribusiness Group
Associated Grain
Auscott Ltd
Australian Growers Direct Pty Ltd
Ausrealt International Pty Ltd
Australia Milling Group Pty Ltd

Australian Grain Export Pty Ltd
Australian Grain Growers Co-operative Limited
Australian Grain Storage
Avigrain Produce
B & L Seed and Grain
Barooga Agriproducts
Berrillock Grain Storage Co-Operative Ltd
Big River Feeds Pty Ltd
Blairs Produce Company
Blue Ribbon Seed and Pulse Exporters
Brooks Grain Storages Pty Ltd
Broun and Co Grain Marketing Services Pty Ltd
C K Tremlett Pty Ltd
Cameron Pastoral Company Pty Ltd
Cascade Brewery Co Pty Ltd
Clyde Agriculture
Concordia Agritrading (Australia) Pty Ltd
Coorow Seeds
D & M Stockfeeds
DA Hall and Co
Dalby Bio-Refining Limited
Darwalla Milling Co Pty Ltd
Deacon Seeds Company
Defiance Maize Products Pty Ltd
Demeter Cormack Pty Ltd
Derrick and Son (Grain) Pty Ltd t/as Preston Grain
East Coast Stockfeed Pty Ltd
EP Storage Pty Ltd
Feed Central Pty Ltd
Fletcher International Exports Pty Ltd
Frankling Custom Feeds Pty Ltd

Gardner Smith Pty Ltd	Laucke Flour Mills P/L	Popina (Vic) Pty Ltd
Gavan Kerr Commodity Services Pty Ltd	LDC Enterprises Australia Pty Ltd	Premium Grain Handlers P/L
Gilmac Pty Ltd	Lempriere Grain Pty Ltd	Queensland Bulk Terminals
Global Grain Australia Pty Ltd	LPC Trading Pty Ltd	Quadra Commodities Pty Ltd
Golden Harvest Grain Exports	Mahony's Transport Services	Quirindi Grain & Produce
Goldman Sachs Financial Markets Pty Ltd	Malteurop Australia Pty Ltd	R V Broadbent & Sons
Goodman Fielder Limited	Mars Petcare Australia	Regal Seed & Grain P/L
Grain Link (NSW) Pty Ltd	Marubeni Australia Ltd	Reid Stockfeeds Pty Ltd
Grain Link WA Pty Ltd	Matthews Transport and Grain Traders	Rivalea (Australia) Pty Ltd - Animal Nutrition
Grain Direct Australia	Max Grains Pty Ltd	River City Grain Co
Grainforce Pty Ltd	MC Croker Pty Limited	Riverina Oils & BioEnergy Pty Ltd
Grainpro Pty Limited	McGregor Gourlay Agricultural Services	Riverland Oilseed Pty Ltd
Greentree Farming	Milross Grains	Robinson Grain Trading Co Pty Ltd
Grenfell Commodities Pty Ltd	Mitsui and Co (Australia) Ltd	Roty Grain Store
Guy Roberts Commodities Pty Ltd	Moore Bulk Storage	Rural Logic (Aust) Pty Ltd
GV Grain & Fodder	Moulamein Grain Co-Operative Ltd	Seedhouse Tasmania
Hassad Australia Operations Company Pty Ltd	Mountain Industries Pty Ltd	Shannon Bros Bulk Haulage
Holland's	MSM Milling Pty Ltd	Silo Bag Grain (NSW QLD) Pty Ltd
IBW Grain's Pty Ltd	Namoi Cotton Co-Operative	Societa Cofica Pty Ltd
Iloura Resources Pty Ltd	Nandaly Grain Co-Operative Ltd	Southern Ag Grain
Independent Grain Handlers Pty Ltd	Newcastle Agri Terminal Pty Ltd	Southern Cotton Pty Ltd
Irwin Stockfeeds	Noble Resources Australia Pty Ltd	Southern Stockfeeds (Operations) Pty Ltd
J & R Tyner Grains Pty Ltd	Oakey Holdings Pty Ltd	Sumitomo Australia Pty Ltd
J K International Pty Ltd	One World Grain Pty Ltd	Summer Hill Grains
Castlegate James Australasia Pty Ltd	OOMA Enterprises NSW Pty Limited	Tamma Grains
James Stock Feed and Fertilizer Pty Ltd	Origin Grain Pty Ltd	Tangaratta Stock Feeds Pty Limited
Jerilderie Grain Storage & Handling	PB Seeds Pty Ltd	Tasmania Feedlot Pty Ltd
Kangaroo Island Pure Grain Pty Ltd	PeaCo	Tasmanian Agricultural Producers Pty Ltd
Kennett Rural Services Pty Ltd	Pearson's Grain Pty Ltd	Tasmanian Stockfeed Services P/L
Lachlan Commodities Pty Ltd	Pentarch Grain Pty Ltd	The Wimmera Grain Company
Laharum Bulk Handling Co	Peter Cremer Australia Pty Ltd	Twynam Pastoral Company
Langdon Grain Logistics	Peters Commodities Pty Ltd	Unigrain Pty Ltd
Laragon Almond Processors Pty Ltd	Philp Brodie Grains	United World Enterprises Pty Ltd

W B Hunter Pty Ltd
WL & LK Fay Grain
Ward McKenzie Pty Ltd
Wilken Grain
Wimpak Export Company Pty Ltd
XLD Grain Pty Ltd

McDonald & Pelz
Murray Lindenmayer Pty Ltd
Shearwater International Pty Ltd
Woodside Commodities Pty Ltd

Mirfak P/L
Murray Goulburn Trading Pty Ltd
O'Halloran Deal Lawyers
OMIC Australia
Pertin Instruments Australia Pty Ltd
Pinnacle Commodities Pty Ltd
Primal Foods Group
Rural Directions Pty Ltd
SGA Solutions Pty Ltd
Ten Tigers

Transport Operator

Gehrke Grains and Transport Pty Ltd
LodeHaul
Wakefield Grain Export Services

International Affiliate

Viterra Asia

Broker

Medium

Agfarm Pty Ltd
Allied Grain Pty Ltd
Cereal Milling Services Pty Ltd
FC Stone Australia Pty Ltd
GRAINassist Marketing Pty Ltd
Perkins Commodity Brokers
Teague Australia Pty Ltd

Sole Operator

AgLink - CMS
Australian Brokerage International P/L
Knight Commodities
Mallon Commodity Brokering

Corporate

Medium

AgriFood Technology Pty Ltd
CLEAR Commodities
Commodity Inspection Services (Australia) Pty Ltd
Foss Pacific Pty Ltd
Holman Fenwick Willan
Intertek
Macpherson + Kelley Lawyers
Norton Gledhill
SGS Australia Pty Ltd

Small

Advance Trading Australasia
Ag Scientia Pty Ltd
Agrisk Management Pty Ltd
Agvise Management Consultants
Australian Superintendence Company
Barley Australia Limited
Cloud Break Advisors Pty Ltd
Daily Grain Pty Ltd
Eyre Peninsula Integrated Commodities Pty Ltd
FarMarCo Australia Pty Ltd
Finesse Solutions Pty Limited
GP McMullen Consulting
MarketAg Pty Ltd
MarketSmart Commodity Management P/L

Industry Association

Agforce Queensland
Grain Growers Limited
Grain Producers Australia Ltd
NSW Farmers Association
South Australian Farmers Federation
Victorian Farmers Federation

Merchant Association

Grain Industry Association of SA
Grain Industry Association Of Victoria
Queensland Agricultural Merchants Inc.
Rural Marketing Supply Association