



Australian Grain Exporters Association

Submission to the Senate Standing Committees on Rural Affairs and Transport inquiry into Wheat Export Marketing Amendment Bill 2012

Introduction

The Australian Grain Exporters Association (AGEA) was formed in 1980 and is the representative body for exporters of Australian grain. AGEA represents its members (refer Attachment 1 for list of members) to facilitate an efficient and effective export industry. Members are active in grain accumulation, storage, handling and processing, as well as risk management and hedging strategies involving commodity futures, foreign currency and counterparty risk. AGEA member companies also have substantial investments in non-grain sectors of the rural economy, such as meat processing and intensive livestock production, oilseed crushing, fertiliser distribution, cotton trading and ginning, ocean freight ownership and bulk and container shipping.

AGEA supports open and contestable markets. AGEA's focus is on assisting Australia to grow its exports of grains and oilseeds. It brings the export sector together to focus on pre-competitive issues that underpin the position of Australian grains and exports in world markets and to ensure that the export supply chain operates efficiently.

Deregulation has delivered opportunities

The grains industry has responded positively to the new marketing environment. Australian wheat remains in strong demand globally and growers now have more flexible access to a selection of accredited buyers, offering a variety of marketing options.

After four seasons under a deregulated market, the industry is performing well. Despite some difficult seasons, the industry has seen:

- Record exports of all grains
- Container exports continuing to grow alongside bulk shipments providing flexibility to meet varying customer requirements
- More international buyers of Australian wheat
- Greater competition for grain with multiple exporters providing price signals in all port zones across Australia.
- Expanded range of marketing options for growers including larger range of pricing options and continuation of wheat pools that offer improved features
- Greater range of advisory services for growers
- Opportunities for growers, exporters and customers to work together i.e. number of exporter alliances formed with growers and grower groups and/or and alliances with end users
- Supply chain investment and innovation with both local and global companies continuing to invest in infrastructure as they establish a broader presence in Australia including new and expanded upcountry storage capacity, additional train sets and rolling stock and new port storage and loading capacity

While deregulation has provided opportunities for the industry, there remain significant barriers to the industry maximising the opportunity and performance, in particular, fair and contestable access to ports for all exporters.

Wheat Export Marketing Amendment Bill 2012

The Wheat Export Marketing Amendment Bill provides the pathway for the industry to transition to a fully deregulated market in a managed way.

The amendments to the *Wheat Export Marketing Act 2008* will:

- abolish the Wheat Export Accreditation Scheme on 30 September 2012
- abolish the Wheat Export Charge on 30 September 2012
- wind up Wheat Exports Australia on 31 December 2012
- require providers of grain port terminal services to pass the access test as a condition for exporting bulk wheat until 30 September 2014
- abolish the access test on 30 September 2014, contingent on a non-prescribed voluntary code of conduct being in place

AGEA believes the amendments will provide a smooth transition to a fully deregulated market by removing, in the short term, those elements that impose costs but do not deliver benefit; and providing a period for industry to put in place the necessary protocols and processes to address those areas where there are still barriers to the efficient operation of the market.

AGEA's view on the key provisions of the bill is:

- Removal of accreditation requirements and monitoring by WEA

AGEA believes that WEA and the accreditation process was an important step in the transition to deregulation, but that this has now served its purpose in facilitating that transition and is no longer required. The objective of increased competition in acquisition and marketing of grain has been achieved and the current accreditation arrangements are simply adding cost, without creating any benefit. AGEA supports the removal of the accreditation requirement and WEA.

- A managed approach to port access

Fair and competitive access for all exporters to port capacity remains a core issue for the industry.

The concept of allocating shipping capacity is still relatively new for the industry and experience of the past four seasons demonstrate that there are still issues remaining that need to be addressed before the systems offered by each the port terminal operators (PTO) meet the requirements of a fair and efficient mechanism for allocating capacity.

AGEA has indicated through the ACCC undertakings process and other various enquiries that a number of key principles that will underpin and deliver fair and contestable access still need to be put in place or modified to ensure they deliver the desired outcome. These include allocation and transferability of shipping slots, transparency of the stem, accountability for performance including appropriate commercial consequences on all parties (exporters and PTOs), information transparency and governance of the allocation process. The system should also operate to provide the incentive for investment by port terminal operators and exporters to promote improved operation of the supply chain.

The proposed amendments recognise that the industry has moved some way towards facilitating access to ports, but that this is not yet at the point where it can be totally deregulated. The pathway proposed will assist the industry to transition to an industry managed approach, but provides important safeguards to ensure that right processes are in place to create strong competition for grain for the benefit of Australia's grain growers before industry self-regulation is put in place.

AGEA supports the retention of the access test and, if a voluntary code governing port access can be agreed and approved by the Minister, that the ACCC is given the responsibility to review the effectiveness of the voluntary code after a reasonable period of time. AGEA would recommend ACCC review the performance of the voluntary code 12 months after the code is implemented.

- **Wheat Export Charge (WEC)**

AGEA does not support the continuation of the WEC to fund WEA. Since deregulation in 2008, the industry has investigated and clarified what pre-competitive industry functions that are required and is in the process of putting in place the processes to deliver these services in a deregulated market e.g. Wheat Quality Australia, GIMAF, etc. AGEA recognise that the industry requires a sustainable funding mechanism to ensure that pre-competitive industry functions can be adequately delivered,

Deregulation has delivered the positive outcomes of competition that the Wheat Export Marketing Act was designed to deliver. However, it is also recognised that there are some important areas where the industry is not operating as efficiently as possible. These include port access, information transparency and quality management and integrity through the supply chain.

The industry is still developing the structures that will enable it to support these important industry functions and all sectors need to have input into this process. However, regulation is not required to deliver this.

There are already a number of forums in place to address the issues e.g.:

- The Code Development Committee is a broad industry representative committee charged with development of the Port Access Code
- Wheat Quality Australia to manage classification and management of the Australian wheat brands
- Grains Industry Market Access Forum to provide strategic direction on market access and work with Government to manage market access issues
- GTA via its Standards Committee to manage industry standards
- Australian Grains Industry Code of Conduct is being reviewed and revised by GTA to meet the needs of a deregulated market

Transparency and access to information is important to ensuring that markets operate efficiently. Access to information regarding the available (i.e. unsold) volume of grain type by port zone and information on grain quality by type by storage location will facilitate more efficient assembly of cargos to meet customer requirements and aggregate information relating to grower-owned stocks will significantly enhance competition for growers' unsold grain. Currently this information is only accessible to integrated companies with port terminal operations, thus restricting access by other exporters. AGEA is aware that an independent review regarding issues associated with information availability and access is being undertaken and looks forward to the outcome of this review.

These forums are at varying stages of development and some will have a finite life (e.g. Code Development Committee). The industry has demonstrated that there is goodwill to work together to solve the issues collaboratively and commercially.

However, funding of these activities is a constraint and the industry does need to develop a sustainable funding mechanism to support the required industry functions. AGEA is and will continue to work with the industry (e.g. producers, GTA, etc) and the Government to identify the best way for the industry to organise itself to manage and fund these activities.

Summary

- Deregulation has been successful: grain exports have increased, number of buyers has increased, more choice for growers, increased investment across the supply chain
- However, there remain some barriers to maximising industry performance and achieving the full opportunities of deregulation from being captured i.e. port access, information and industry good functions
- Stipulating stock quality and quantity information held within commercial storage providers across Australia will assist in creating a more informed and competitive market
- Future port access protocols need further definition and the implementation of changes should be overseen by ACCC until proven to be sufficiently robust to create necessary robust competitive environment that maximises the opportunity for Australian grain growers to achieve sustainable returns from export markets
- The Amendment Bill provides the mechanism for a smooth pathway to a fully deregulated market.
- Industry self regulation is achievable and the industry has a number of forums in place to address the key industry issues and deliver key industry functions. Resolution for the funding structure for WQA, GIMAF, NWPGP are key requirements to normalise the industry structure
- The industry is aware of these deficiencies and is working together to identify the best way to organise and fund itself

Attachment 1: AGEA Members

Bunge Agribusiness Australia Pty Ltd
Cargill Australia
PentAG Nidera Pty Ltd
Alfred C. Toepfer International (Australia) Pty Ltd
Emerald Group Australia Pty Ltd
Gavilon Grain Australia Pty Ltd
Glencore Grain
Goodman Fielder Consumer Foods Limited
Greentree Farming
J K International
Louis Dreyfus Commodities Australia Pty Ltd
Noble Grain
Riverina (Australia) Pty Ltd
Touton Australia
Viterro Ltd