

A submission to the

**Senate Rural and Regional Affairs and Transport Legislation
Committee**

Inquiry into

Wheat Export Marketing Amendment Bill 2012

April 2012

OVERVIEW

GrainGrowers, in representing Australia's grain producers, is arguing in favour of a market-driven and highly efficient grains industry. This position is reflected in the following material.

INTRODUCTION

Grain Growers Limited ("GrainGrowers") is a national, member-based organisation which is independent and financially strong. We have a solid technical knowledge base which we use to drive a profitable and sustainable Australian grain industry.

GrainGrowers has more than 16,000 members across Australia.

GrainGrowers membership is open to all Australian grain producers. Eligibility requirements are that the member be directly involved in the production of a minimum of 20 hectares of grain crops and be 18 years of age or older.

In August 2011, GrainGrowers became the grain commodity member of the National Farmers' Federation (NFF), ensuring Australia's grain producers were represented at the national agriculture decision-making table, after a period of absence. Valuing the importance of national consultation and input, GrainGrowers now hosts National Quarterly Grower Consultation Forums which aim to bring together State Farm Associations, with GrainGrowers and the NFF to discuss key issues impacting the grain agenda.

GrainGrowers' Annual General Meeting in 2011 saw more than 90 per cent of members support important constitutional changes which will allow for two grower directors to represent South Australia and Western Australia. One of the organisation's key focuses for 2012 is building its membership in South and Western Australia to support its role as a truly national representative service provider and voice for Australia's grain producers.

GrainGrowers is a unique grain producer organisation, in that in addition to its significant membership, it has a number of dedicated science-based, technical services teams within the business, providing significant expertise. These teams provide evidence-based material which underpins much of the organisation's strategic activity. In addition, GrainGrowers undertakes, in partnership with government and industry, a number of industry good functions to drive a more profitable and sustainable industry.

GrainGrowers has a number of research and development facilities in its Sydney head office including:

- A pilot and test bakery: providing training, research and product development.
- A pilot and test mill for flour milling and grain processing from small sample testing to commercial-scale grain milling.
- An Asian foods laboratory: to test wheat performance for Australia's valuable Asian wheat markets.
- An NIR laboratory: to develop and evaluate new technology and applications.
- A dough rheology laboratory: to provide an ongoing ability to assess the functional performance of Australian wheat.
- An analytical laboratory providing grain industry chemical analysis and testing services.

GrainGrowers' facilities are NATA (National Association of Testing Authorities) accredited for grain and food quality analysis and test milling.

Decision support

GrainGrowers Information Services team utilises advanced computer modelling and databases to provide tools that allow grain producers and the broader industry to make smarter decisions and improve business returns. This includes online tools to evaluate spraying conditions, plan farm operations, maintain long term production records, and evaluate climate and weather information. GrainGrowers' flagship decision support program ProductionWise is the only program of its kind in

the world that seamlessly integrates a range of information from historical satellite and climatic data to seasonal rain forecasts specifically targeted for any nominated property.

Promoting Australian wheat

During 2010-11 GrainGrowers, with support from the Department of Agriculture, Fisheries and Forestry, undertook an extensive study of Australian wheat customers to gauge their feedback and perceptions about the quality, reliability and supply of our product. Following this detailed analysis, GrainGrowers developed a program to promote, on an ongoing basis, the global position of Australian wheat. As part of this program, GrainGrowers addressed a number of global industry forums, particularly focussing on millers, to respond to customer needs, showcase Australian wheat and enhance end-user understanding of Australian wheat, building Australia's position in the international marketplace. In addition, GrainGrowers has held technical training seminars in China, is currently undertaking a choice analysis project in Japan, and provides monthly production information to international customers, to maintain and strengthen long-term relationships with key mills, particularly throughout Indonesia.

Capacity building

GrainGrowers invests in and hosts a number of capacity building programs to underpin the future of our industry. These include the:

- Australian Future Grain Leaders program - a national leadership program, for 18-40 year olds, designed specifically for the Australian grain industry, to develop the industry's leadership skills, knowledge and potential.
- Australian Universities Crops Competition – an annual competition designed to improve the technical knowledge and practical skill development of university undergraduates and increase the connectivity and engagement between universities and Australian agriculture.
- Innovation Generation conference – a two-day event for young agriculturalists to come together with industry leaders to learn, share and grow.
- The Grain Gain training program – jointly supported by the Grains Research and Development Corporation (GRDC), a program designed to enhance the understanding of grain quality and industry leadership skills of producers and industry professionals.
- An annual Nuffield Scholarship.
- Milling, baking and Asian foods training – to improve industry understanding of Australian wheat functionality.

ADDRESSING THE TERMS OF REFERENCE

GrainGrowers acknowledges that the *Wheat Export Marketing Amendment Bill 2012*, if passed, will implement the Australian Government's response to the Productivity Commission review on wheat export marketing arrangements – specifically the abolition of the Wheat Export Accreditation Scheme, the abolition of the Wheat Export Charge, the winding up of Wheat Exports Australia and the removal in 2014 of the port access test for grain port terminal providers contingent on the development and implementation of a voluntary code of conduct.

GrainGrowers supports the conclusion of this wheat export regulatory framework, however, in doing so, GrainGrowers recognises that the Australian grain industry, specifically the wheat supply chain, has undergone – and continues to undergo - enormous change and adjustment since the deregulated bulk wheat export market commenced on 1 July 2008. GrainGrowers believes that continued support and partnerships with industry and government, is required if Australia is to truly realise a profitable and sustainable industry.

Participants in the Australian grain industry have been actively engaged since July 2008 in making the necessary adjustments required for a deregulated market. This has included gaining clarity around industry good functions and accountability. The industry has made enormous progress in a relatively short period of time however, ongoing work and focus is required. It should be noted that while this transition continues to unfold in Australia, the global grain supply chain is also going through a period of change.

GrainGrowers is working to promote the development of a sustainable, viable and efficient Australian grain industry. A number of key areas of activity are pertinent to this Bill.

Critical information

Grain producers require timely, accurate and transparent information in order to make informed decisions – from pre-planting through to product sale. Information, across the supply chain, will help drive greater efficiency. In addition, it has been found in recent overseas research, that effective market information has the effect of reducing variability in both prices and quantities within markets. Overseas customers have also expressed specific needs for information, as follows:

Crop quality reports

The United States of America and Canada produce seasonal crop quality reports, and Australia's wheat customers have indicated a need for this from the Australian market. Such a report provides measures of the quality of each wheat grade. For Australia's customers it would provide benchmarking for domestic and international buyers, providing them with a guide to wheat standards anticipated within a particular season. Such information serves to enhance Australia's brand in the marketplace and while private grain trading entities provide reports to customers detailing the specific grain available in their systems, international customers have requested an annual, independent, national quality report. GrainGrowers undertook to deliver a crop quality report from the 2011-12 season with growers from around the country providing crop samples for the undertaking. The final report is due to be published in May 2012.

Weather and crop forecasts

Overseas customers, surveyed as part of the "What the World Wants from Australian Wheat" report indicated a need for regular crop and climate forecasts from Australia. It was noted that the Australian Government agency, ABARES, does produce such material, however, customers expressed concern regarding the timeliness of this. GrainGrowers has responded to this request with the "Australian Wheat Page" – a monthly rainfall and wheat production report which commenced in 2011. While in its infancy, GrainGrowers hopes to grow this report to deliver information requirements for both grain producers and customers.

Wheat stocks

GrainGrowers and the GRDC committed to supporting the ongoing provision of Wheat Market Information through the Australian Bureau of Statistics (ABS) from October 2011 to September 2012. The information contains the monthly Grain Handler Stocks Survey (GHSS) and Wheat Export Sales Survey (WESS) – wheat grain stocks and exports (including committed).

Specifically, monthly reports contain tables relating to the following – all reports are produced in tonnes:

- Wheat grain stored by state total and also broken into stocks by state for 'milling' and 'feed' grade;
- Exports total by state and national; and
- Wheat exports contracted for export by state (excluding a breakdown of domestic contracted and total committed).

To ensure a comprehensive report, GrainGrowers believes that this information needs to include data from producers in terms of on-farm stocks. Such information would deliver a complete report. It should also be noted that should the *Wheat Export Marketing Amendment Bill 2012* be passed, it is unclear, in the absence of Wheat Exports Australia, how published export information data from Customs will be communicated and distributed. In addition, there is an agreement between ABS and bulk handling companies, to continue to release this information that is an essential part of continuing data provision for a three-year term which commenced on 1 October 2011.

GrainGrowers is continuing to work with all parties to ensure a system is in place for the continuation of timely information beyond September 2012.

Quality control

It is critical that the Australian industry maintains and improves the integrity and quality of its product. Maintaining grain export standards is in the interest of the entire wheat industry. Failing to do so threatens to damage the reputation of Australian wheat and thereby reduce the market returns for many market disciplines.

A program to monitor and control standards would be of benefit to the reputation of the Australian industry and provide buyers with an increased degree of comfort. Quality assurance (QA) or grain certification is a transactional cost and should be carried by the seller and buyer. This is because the primary benefits are for those directly involved in the transaction, with secondary benefits flowing up and down the value chain. It is acknowledged that the flow of benefits will result in cost sharing across the value chain, but GrainGrowers maintains that the direct costs should be specific to the transaction.

Grain producers have a responsibility in the value chain to support the sale of their grain and this is accounted for by their on-farm QA programs and the receival standards applied at delivery. However producers should not be paying for transactions further down the chain. GrainGrowers believes that the most effective QA programs will be commercially driven by the seller and buyer. It is in the wider industry's interest to drive uptake of these programs to protect Australia's reputation as a supplier of high quality grain. GrainGrowers recommends that all export contracts carry a recommendation that buyers engage independent grain certification programs. This will drive a more efficient quality assurance program tailored to the needs of the buyers. Such a process would be greatly strengthened by government requiring such statements be included on the relevant paperwork. This avoids placing unnecessary costs on exporters and/or importers where such quality assurance or testing is not necessarily part of the market transactions.

Communication

GrainGrowers acknowledges that some grain producers are concerned by the introduction of this Bill. After years of variable seasons, producers are focussed on production and on-farm innovations and have not closely followed industry developments since deregulation – particularly the establishment of numerous entities to undertake specific wheat industry functions. While much work is underway in pre-empting developments and planning for the future, it should be noted that:

- producers are not necessarily aware of these activities and (predominantly industry) forums, and
- not all these forums are accessible to all industry participants, particularly producers.

GrainGrowers acknowledges the activities of important organisations such as Wheat Quality Australia (responsible for grain classification), Grain Trade Australia (particularly in setting grain standards for the industry), and Biosecurity Australia (overseeing quarantine), however, it questions if producers are aware of the roles and function of these entities.

GrainGrowers, as a membership organisation, encourages the Australian Government to consider a communication and outreach program, in partnership with the sector, which provides information to producers on the roles and functions of the numerous grain entities, as producer concern often stems from an inability to obtain timely information, explanation and answers on important issues.

Technical training and support

GrainGrowers supports ongoing technical training and support – for Australia's grain producers and our customers, and it will continue to seek partnerships to deliver these programs.

For our international customers, increasing awareness of the benefits of Australian wheat will assist markets to utilise our products more effectively. Greater optimisation will, in turn, increase demand which delivers benefits back through the supply chain.

For producers, GrainGrowers encourages an ongoing commitment to capacity building for producers operating in a, still changing, deregulated market.

Long term vision

As the grain industry continues to evolve and adjust, ongoing market information is required to assist the development of the industry – both now and into the future. With large commercial companies and governments focussed on the ‘here and now’, it has been recognised that the grain industry needs a mechanism or forum to plan for the long term horizon. For example, information which scoped a vision for the industry to 2050 would provide valuable material to assist the industry in its planning.

Such material could be used to assist:

- Wheat breeders in improving wheat quality, identifying research targets and shaping Australia’s future national crop.
- The broader industry to identify and address infrastructure needs, particularly at ports and on rail.

GrainGrowers looks forward to working with industry and government partners, to develop a mechanism or forum through which this planning can be undertaken, to ensure the ongoing development of a sustainable and profitable sector.

REFERENCES

- Quail, K. (2011), *What the World Wants from Australian Wheat; Stakeholders Report 2011*, Grain Growers, Sydney. Accessed on 22 December 2011 at http://www.graingrowers.com.au/images/Documents/FINAL_GrainGrowers_WtWWFAW_Stakeholder_Report_July.pdf
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