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7 May 2012

Committee Secretary
Senate Standing Committees on Rural and Regional Affairs and Transport
Wheat Export Marketing Amendment Bill 2012
PO Box 6100
Parliament House
Canberra ACT 2600
By email: rrat.sen@aph.gov.au

Dear Committee Secretary,

Re: Wheat Export Marketing Amendment Bill 2012 Inquiry

Thank you for the opportunity to provide the attached submission for the consideration of the Committee. This submission has also been provided to the House of Representatives inquiry.

ASX makes this submission as the operator of the grain futures and options market for Australian grain and oilseed. With regard to the liberalisation of bulk wheat export marketing, ASX has previously made submissions in 2007 and 2008.

In regard to the current proposed Wheat Export Marketing Amendment Bill, hereafter referred to as the Bill, the submission documents that ASX believes the Commonwealth Government should consider improving the current level of grain stock reporting and explore how this would be facilitated in terms of adequate legislative support and funding arrangements.

This submission does not specifically comment on the individual Terms of Reference as represented by the Bill, rather, it makes the case that should the Bill proceed as proposed without undertaking alternative measures, it is likely this will result in a sub-optimal outcome for Australia's grain industry and an opportunity will be lost to truly maximise the benefits available from the deregulation process.

ASX would welcome the opportunity to discuss the content of this submission in more detail at any public hearings held by the committee.

Yours sincerely,

Dougal Hunter
Manager – Agricultural Derivatives
ASX Limited



ASX Submission

to the

Rural and Regional Affairs and Transport
Senate Committee Inquiry
into
Wheat Export Marketing Amendment Bill 2012

7 May 2012

Executive Summary

As the provider of the futures market for Australian grain and oilseed, ASX supports any measures that the Commonwealth Government may consider to improve the quality of data reporting. ASX supports Recommendation 2 from the Senate Committee Report “Operational issues in export grain networks” (RRAT, April 2012) (Appendix 3). ASX believes the current grain stock reporting framework is inadequate and, if not revised, will result in a sub-optimal outcome for Australia’s grain industry. An opportunity to truly maximise the benefits available from the deregulation process will be lost.

The importance of the provision of timely and accurate data on grain production forecasts and stocks as the industry transitions from a liberalised to deregulated state cannot be understated and has been raised as an issue throughout the deregulation process (Appendix 1 & 2). The existence of regional monopolies with inherent information advantages inhibits the development of open markets and challenges efficient price discovery.

The current stock reporting framework needs to be revised to address market perception concerns and avoid inherent dangers associated with asymmetric market information. Improved market information will help inform industry stakeholders and participants throughout the entire supply chain.

Key aspects to address information asymmetry

Data Quality	<p>Commodities All major grain and oilseed commodities should be reported, not just wheat. i.e. (Wheat, Barley, Canola and Sorghum)</p> <p>Grade Segregation Grain stocks should be reported by grade. For example; Milling Wheat (APH, AH, APW), Durum, Feed</p> <p>Port Zones Data should be supplied by port zone rather than aggregated on a state basis.</p>
Data Quantity	<p>Harvest receival data should be reported in line with the above segregation requirements on a weekly basis at a minimum.</p> <p>The current monthly reports supplied by ABS would be more useful if the lag between month end and the publication date was reduced.</p>
Legislation	<p>Legislative change may be required to:</p> <ul style="list-style-type: none"> • appoint and adequately resource the appropriate government authority with the ongoing responsibility for management and facilitation of this industry good service for all major grain commodities, as well as • grant the authority the necessary powers to mandate that Bulk Handling Companies (BHC) supply data as prescribed above (in the event BHC do not voluntarily supply the requested information).
Funding	<p>While the Productivity Commission recommendation (Appendix 2) to align funding arrangements within the existing GRDC levy collection scheme seems to be a pragmatic and expedient solution, any levies applied should reflect the reality that the provision of this information benefits the entire supply chain. The Wheat Special Interest Account may provide an interim solution.</p>

This submission highlights that established wheat futures markets in North America are underpinned by an industry framework that includes a mix of BHC ownership as well as robust and detailed stock reporting regimes. The continued growth and development of a liquid Australian grain futures market is, in part, dependent on the existence of a robust, independent, accurate and timely data reporting regime for crop estimates and available stocks on hand. Improved data supply would ensure that all market participants have equal access to information to enable efficient pricing in a deregulated market.

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ABBREVIATIONS

Abbreviation	Name
ABA	Australian Bulk Alliance Pty Ltd
ABARES	Australian Bureau of Agricultural and Resource Economics and Sciences
ABS	Australian Bureau of Statistics
ACCC	Australian Competition and Consumer Commission
AGEA	Australian Grain Exporters Association
AH	Australian Hard wheat
APH	Australian Prime Hard wheat
APW	Australian Premium White wheat
ARFF	House of Representatives Standing Committee on Agriculture, Resources, Fisheries and Forestry
ASX	Australian Securities Exchange
BHC	Bulk Handling Companies
CBH	Co-operative Bulk Handling
CGC	Canadian Grain Commission
CME	Chicago Mercantile Exchange
CWRS	Canada Western Red Spring wheat
DAFF	Department of Agriculture, Fisheries and Forestry
GRDC	Grains Research and Development Corporation
GTA	Grain Trade Australia
HRS	Hard Red Spring wheat
HRW	Hard Red Winter wheat
ICE	Intercontinental Exchange
KCBT	Kansas City Board of Trade
NYSE LIFFE	New York Stock Exchange – London International Financial Futures and Options Exchange
RRAT	Senate Standing Committee on Rural and Regional Affairs and Transport
SRW	Soft Red Winter wheat
USDA	United States Department of Agriculture
WASDE	World Agricultural Supply and Demand Estimates
WEA	Wheat Exports Australia
WEC	Wheat Export Charge

1. ASX Grain Futures and Options

1.1. Background Information

Futures markets (exchange-based forward markets) have existed for centuries for the purpose of providing agricultural producers, merchants and consumers with tools to manage their future delivery and price risks. The presence of risk leads to the natural development of markets in which to hedge such risk.

A central feature of deregulated agricultural markets throughout the world is the existence of exchange traded futures and options markets. The primary purposes of futures exchanges are to:

- facilitate price discovery (transparency) and the transfer of risk;
- minimise the prospect for counter-party and settlement default; and
- reduce transaction costs (the cost of market execution).

ASX has operated the grain futures and options market for Australian grain and oilseed since May 2003.

The futures and options contracts currently listed cover five commodities: NSW Wheat; WA Wheat; Eastern Australia Feed Barley; Australian Sorghum and Eastern Australia Canola. These contracts are collectively referred to as the Grain Market.

ASX Clear (Futures) is the clearing house that facilitates the delivery and settlement of ASX Grain Futures contracts. In order to facilitate deliveries, ASX Clear (Futures) has agreements in place and accounts with the following Bulk Handling Companies (BHC):

- Australian Bulk Alliance Pty Ltd (ABA), a wholly owned subsidiary of Emerald Group Australia which is 50% owned by Sumitomo Corporation of Japan;
- AWB GrainFlow Pty Ltd, a wholly owned subsidiary of Cargill Australia;
- Co-operative Bulk Handling Limited (CBH);
- GrainCorp Operations Limited; and
- Viterro Operations Ltd, presently subject to a takeover proposal from Glencore International.

1.2. Initiatives since liberalisation

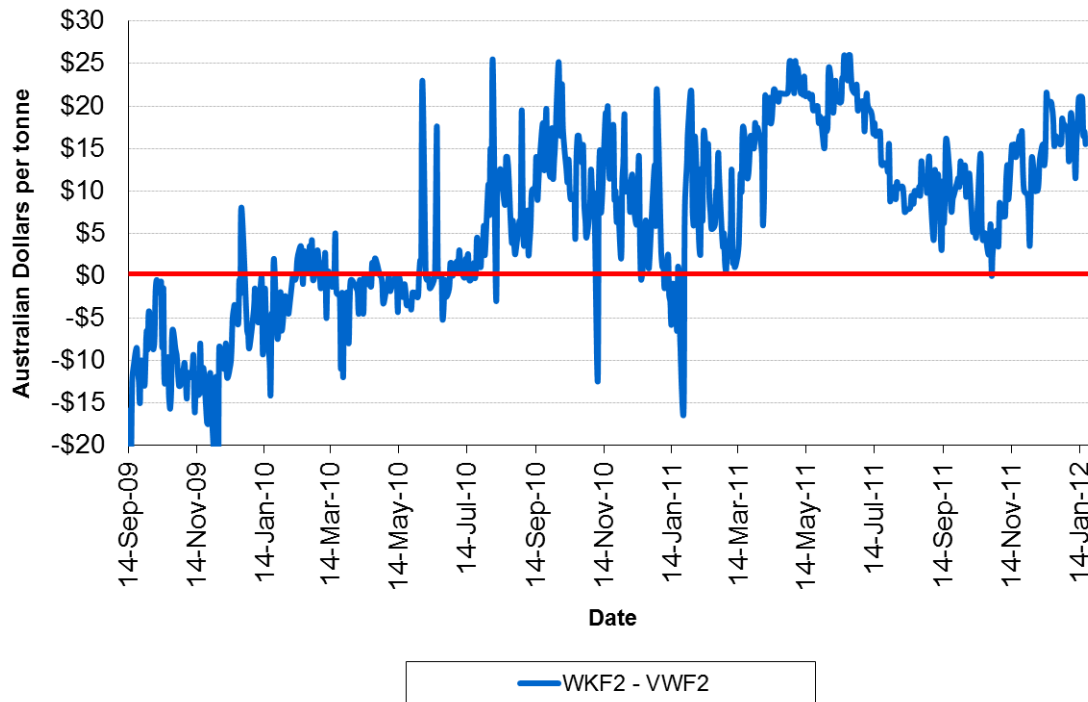
Since the liberalisation of the bulk wheat export market, ASX has undertaken two significant initiatives in an attempt to provide Australia's grain industry with a liquid futures market through which risk can be efficiently managed.

1.2.1. WA Wheat Futures Contract

In September 2009, ASX listed the Western Australia Wheat futures contract (now known as the WA Wheat contract) which prices Australian Premium White (APW) wheat based on the Kwinana port zone.

The WA Wheat contract was listed to provide wheat export activity sourced from Western Australia and South Australia with a transparent risk management facility. As can be seen in Figure 1, the price of WA Wheat has behaved quite differently to the NSW Wheat contract which prices APW based on Newcastle and Port Kembla.

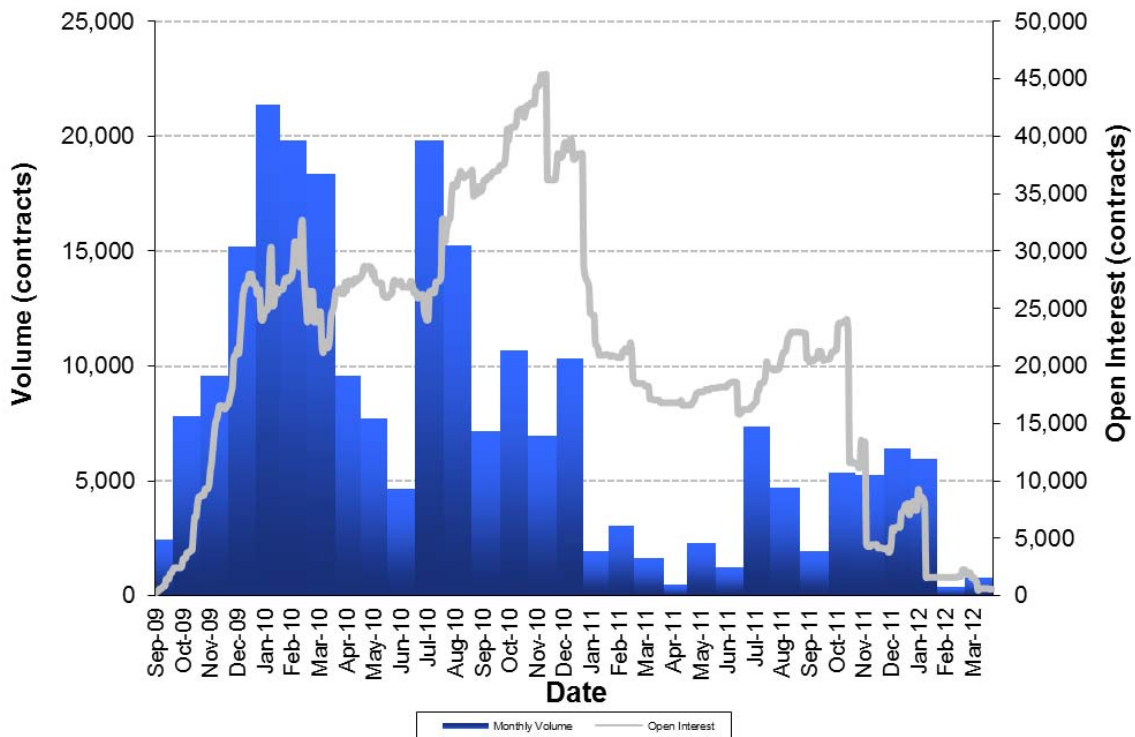
Figure 1 : WA Wheat Futures vs. NSW Wheat "East West Wheat Spread" (Jan 2012 Contract)



Source: ASX

As can be seen in Figure 2, initial market activity in the WA Wheat contract was encouraging with in excess of 3 million tonnes trading in the first grain marketing year. Unfortunately, trading activity in the past twelve months has been particularly disappointing given the record wheat harvest in Western Australia last season.

Figure 2: WA Wheat Futures & Options Monthly Traded Volume and Open Interest



Source: ASX

1.2.2. Grain Market moved to ASX 24

The second major initiative undertaken by ASX since liberalisation of bulk wheat exports was to move the Grain Market from the stock exchange to ASX 24 (formerly known as the Sydney Futures Exchange) in October 2011. The migration to ASX 24 was undertaken to improve global accessibility and connectivity as well as increase the number of trading and clearing alternatives.

1.3. Contract Specifications

The ASX contract offering is derived from the physical 'track' market (see Figure 3) for which trading standards are developed and maintained, in the main, by Grain Trade Australia (GTA) and the respective approved BHC. All contracts are deliverable, ensuring that the futures price ultimately correlates with the physical price for the underlying commodity. For detailed contract specifications please refer to www.asx.com.au/grainfutures.

Figure 3: ASX Grain Futures Contract Offering

ASX Contract	Physical Grade	Physical Track Market
NSW Wheat	GTA Wheat Standard CSG 104 (APW2) 10% Protein	NSW (Newcastle & Port Kembla)
WA Wheat	GTA Wheat Standard CSG 104 (APW2) 10% Protein	WA (Kwinana)
Eastern Australia Feed Barley	F1 (GTA)	NSW, Geelong and Portland
Eastern Australia Canola	CSO1 (AOF)	NSW, Geelong, Portland and Port Adelaide
Australian Sorghum	SOR (GTA)	Brisbane and Newcastle

1.3.1. Contract Review

ASX is presently undertaking a review of the current contract offering with the aim to further develop contract liquidity. The Industry Consultation paper discusses whether the existing product suite needs to change to better service market requirements operating within the current industry structure.

1.4. Volume and Open Interest

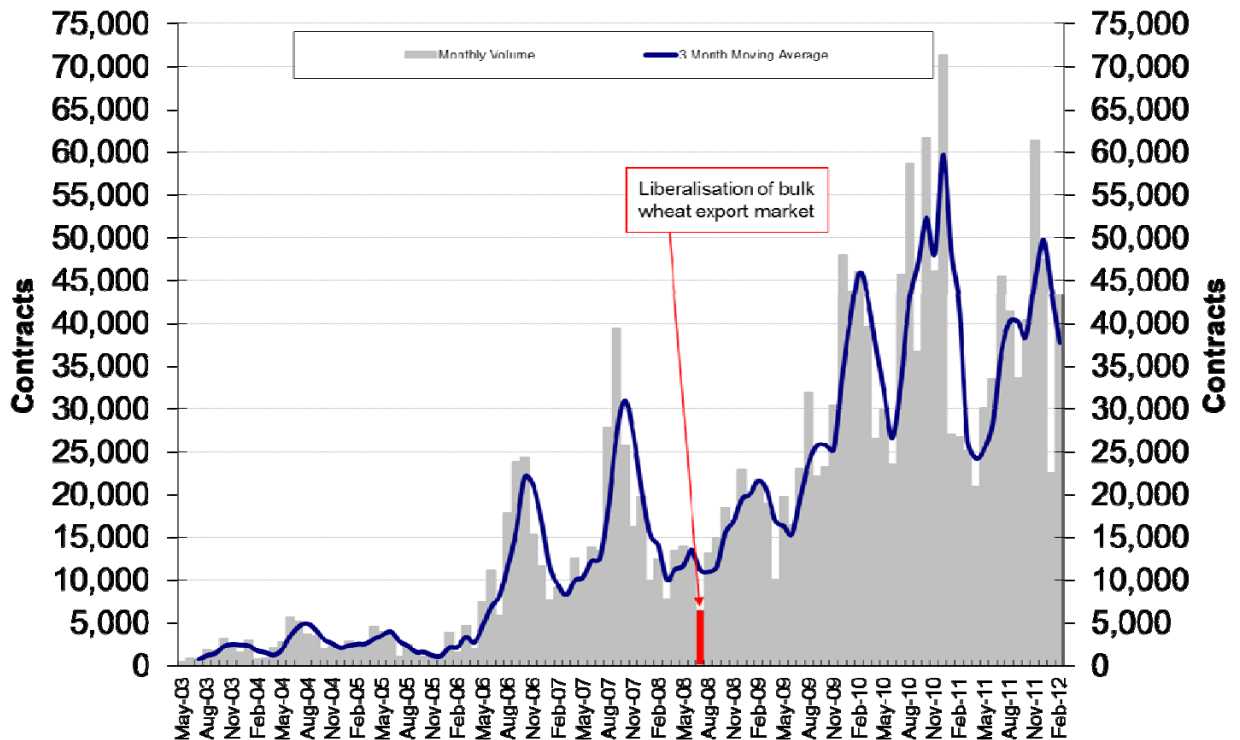
The ASX grain futures and options market is an integral part of the Australian grains industry, offering all participants a genuine marketing alternative. Importantly, the market offers tools that can be used by everyone (growers, trade and end users) to hedge their respective risks.

Since inception and as at the end of April 2012, the Grain Market has traded in excess of 38 million tonnes and facilitated the delivery of more than 2.5 million tonnes of Australian grain and oilseed.

Figure 4 demonstrates that volumes in the ASX market have grown since the liberalisation of the bulk wheat export market in July 2008 (red bar). That said, the volume traded to date is still modest when compared with established exchanges globally. For the purposes

of comparison, I am referring to the established wheat futures markets in Chicago, Kansas City, Minneapolis and Paris which are discussed in more detail in Chapter 4.

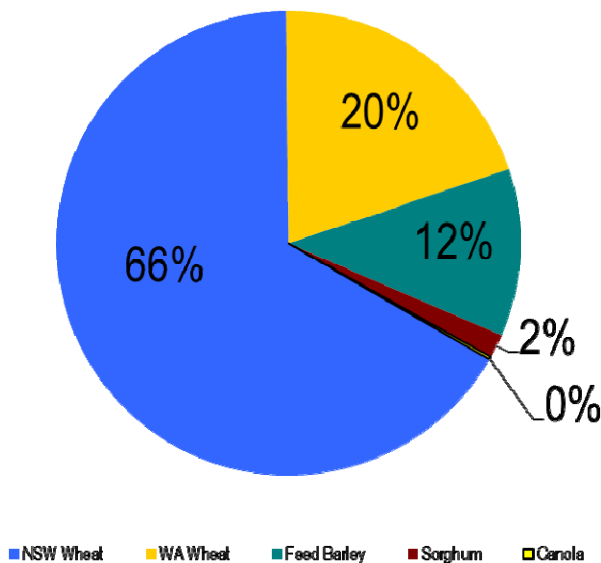
Figure 4: ASX Grain Futures & Options: Monthly Traded Volume



Source: ASX

Figure 5 demonstrates that in excess of 85% of the total volume traded on ASX is in the wheat contracts with the NSW Wheat contract being the most active equating to two-thirds of business since the WA Wheat contract listed.

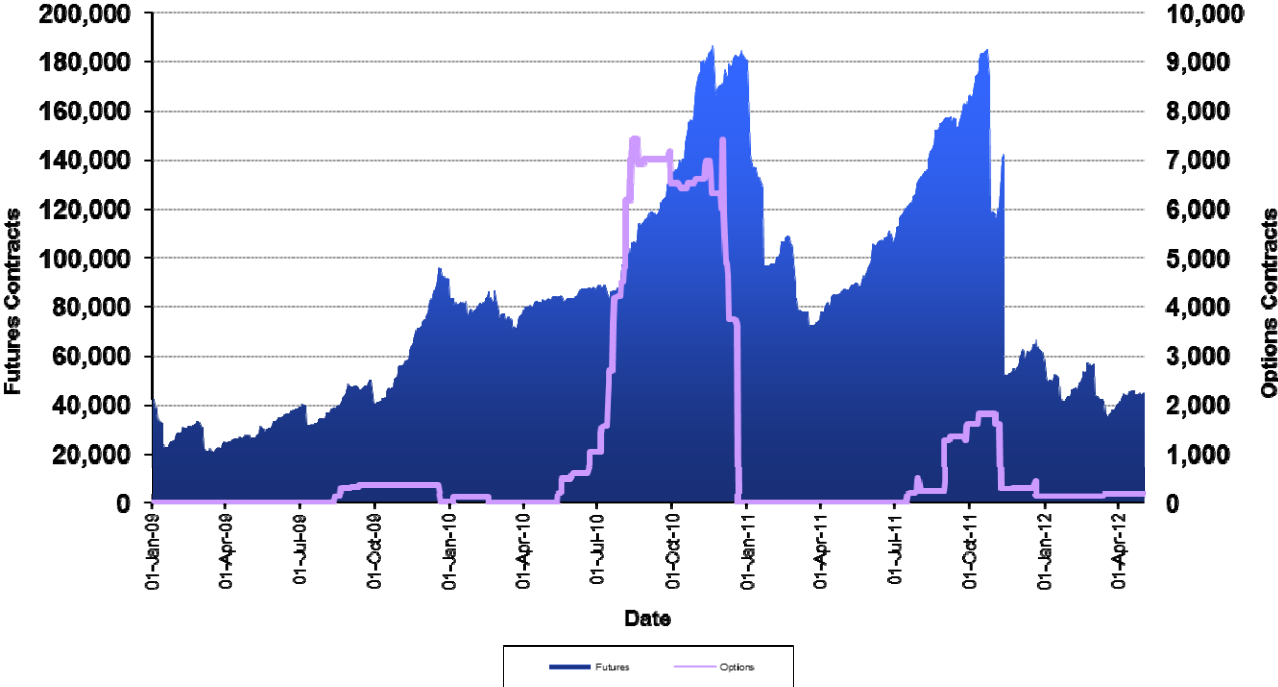
Figure 5: ASX Grain Futures Commodity Breakdown (Sept 09 - Mar 12)



Source: ASX

Figure 6 tracks the performance of Open Interest for the Grain Market since 2009. Open interest represents the number of “open” futures positions and is used as an indicator of market maturity and liquidity. Open interest in the ASX grain futures contracts has been contained around a maximum of 180,000 contracts which represents 3.6 million tonnes of Australian grain and oilseed. As at the end of April, Open Interest across the ASX Grain Market was 45,322 contracts which represent 906,440 tonnes of physical grain.

Figure 6: Open Interest - ASX Grain Futures & Options (Jan 09 - Apr 12)



Source: ASX

2. Grain Stock Reporting in Australia

ASX understands that over the course of the last five years, numerous stakeholders representing all segments of the supply chain (with the exception of the BHC), are of the view that the current grain stock information is insufficient and not in the interests of a competitive market place.

ASX also notes that the Australian Grain Exporters Association (AGEA), on behalf of its members, has repeatedly called for greater stock transparency. It remains to be seen whether those AGEA members that have recently acquired, or are in the process of acquiring, a BHC maintain these previously held views on stock transparency.

ASX has observed the continual evolution of the grain industry since liberalisation and remains to be convinced that the BHC will voluntarily supply greater transparency by way of improved grain stock reporting. While it is acknowledged that the initial stock reporting on a quarterly basis improved to a monthly basis in 2009, more needs to be done to ensure that the monthly report is meaningful.

Likewise, the co-funding of the current ABARES/ABS reporting service by Grain Growers Limited and the Grains Research and Development Corporation (GRDC) deserves credit; however, the report is a continuation of the status quo. This suggests that the industry, on its own, does not have the ability to adequately develop this industry good function.

The continued growth and development of a liquid Australian grain futures market is, in part, dependent on the existence of a robust, independent, accurate and timely data reporting regime for crop estimates and available stocks on hand. Independent and timely supply of data would ensure that all market participants have equal access to information to enable efficient pricing.

ASX believes grain stock reporting for the Australian grain industry needs to be:

- improved both in terms of data quality and data quantity;
- managed and facilitated by an independent government authority that is adequately equipped and supported by way of legislative amendments; and
- appropriately funded through existing levy arrangements and infrastructure.

Establishing a robust framework for information supply on deliverable quality and quantity in Australia's grain and oilseed markets would bring the industry into line with North America. Such reporting has been in place for Australia's wool industry since the creation of the Greasy Wool futures contract in the mid-1990s. (Appendix 4)

2.1. Data Quality

2.1.1. Commodities

Grain stock reporting (as well as shipping stem information) should include other major grain and oilseed commodities and not be limited to wheat. ASX would like to see reporting expanded to include barley, sorghum and canola.

2.1.2. Grade Segregation

Current stock reporting is provided on an aggregated basis by state and segregated into "milling wheat" and "feed wheat" stocks. ASX would like to see further segregation that provides insight into the breakdown by major wheat grades. Milling Wheat should be grouped into Australian Premium White (APW), Australian Hard (AH), Australian Prime Hard (APH) as well as Durum grades.

Barley should be reported according to feed and malt segregations. Canola should be reported in line with GM and non-GM segregations.

2.1.3. Port Zones

ASX contracts are based on certain port zones. As such it would be preferred for stock reporting to be supplied by port zone for all commodities.

2.1.4. Warehoused Stocks

While reporting warehouse stocks obviously provides greater transparency, ASX understands this issue is potentially the most complex issue for BHC to manage. Given grain ownership can change hands multiple times after the initial grower sale, ASX is of the view that the reporting of warehouse stocks, while beneficial, is of lesser importance than 2.1.1 - 2.1.3.

2.1.5. Private Grain Storages

ASX contracts are ultimately delivered within the major bulk handler systems. As a result, futures market participants will be primarily interested in the stocks within the system. That said, ASX understands that, particularly in the eastern states, there is a competitive reality provided by on-farm storage as well as a multitude of smaller private storages. While the United States Department of Agriculture (USDA) method of random sampling across both public elevators and private storages would be the optimum solution ensuring a uniform and equal reporting regime, such a solution would come at a significant cost. The findings of the Independent Wheat Market Information Study (GHD Pty Ltd, July 2011) seem reasonable that in the absence of routine reporting for domestic demand and private storage stocks estimates should be applied for both.

2.2. Data Quantity

2.2.1. Harvest Period

Receival reporting during Harvest should be provided, at a minimum, on a weekly basis in line with the segregation requirements outlined above.

Winter Crops: October – February (if required due to delayed harvest)

Summer Crops: March - May

2.2.2. Monthly Reports

In addition to the harvest receival reporting, monthly reporting that incorporates the above mentioned quality characteristics would provide more meaningful data. A reduction in the lag between the reporting period and the production date would also be desirable.

2.3. Legislation

In order to address the stock reporting issue, legislative change will be required.

2.3.1. New Authority

Appoint and adequately resource the appropriate government authority with the ongoing responsibility for management and facilitation of this industry good service for all major grain commodities.

2.3.2. Mandatory Reporting

Grant the authority the necessary powers to mandate that BHC supply data as prescribed above (in the event BHC do not voluntarily supply the requested information). The proposed powers would not be dissimilar in

nature to the information gathering powers the WEA has under the Wheat Export Marketing Act 2008.

ASX notes that while the Productivity Commission, in its report (Appendix 2), did not propose the stock information be made available to the market on a compulsory basis; the Commission did encourage the BHC to voluntarily disclose greater levels of detailed stocks information. ASX is of the view BHC will not voluntarily supply greater transparency.

2.4. Funding

2.4.1. Wheat Industry Special Account

ASX notes that the Wheat Industry Special Account may be a source of funding for any interim period between the proposed abolition of WEA and the creation of a new authority. ASX believes the provision of stock reports is consistent with the stated aims of the account.

2.4.2. Productivity Commission Recommendation

While the Productivity Commission recommendation (Appendix 2) to align funding arrangements within the existing GRDC levy collection scheme seems to be a pragmatic and expedient solution. Any levies applied should reflect the reality that the provision of this information benefits the entire supply chain.

3. North American Grain and Oilseed Industry

In terms of wheat exports, the United States of America (USA) and Canada are key competitors with Australia. Their supply chains differ from Australia both in terms of the level of stock reporting provided but also in the mix of ownership of BHC.

3.1. Stock Reporting

ASX acknowledges that the reporting services of the United States Department of Agriculture (USDA) and the Canadian Grain Commission (CGC) in part reflect the comparative size of their grain and oilseed industries. However, the fact that both agencies provide more meaningful stock information concerning wheat grades than is currently the case in Australia cannot be explained as being a matter of scale.

Appendix 5 is an extract from the April 2012 World Agricultural Supply and Demand Estimates (WASDE) report that is issued by USDA on a monthly basis. Appendix 6 is an extract from the weekly Canada Grain Industry Statistics and Quality Report published by the CGC. Both reports detail stock information that is pertinent to existing futures contracts in North America.

3.2. BHC Ownership Mix

Appendix 7 analyses the deliverable locations for North American wheat futures contracts. In addition to more transparent stock reporting, the ownership mix of BHC in North America is more diverse than is the case in Australia. While the ownership of BHC may change, the regional monopolies within Australia will remain a legacy for the foreseeable future. These differences underscore the importance of improved stock reporting for Australia's grain industry.

4. International Grain and Oilseed Futures Markets

Figure 7 summarises the volume traded in the benchmark futures contracts for wheat in the United States and Europe and for canola in Canada in calendar year 2011. It highlights the growth that has been experienced since 2006 and what the annual volume represents in terms of trading a multiple of the underlying crop.

The CME Wheat contract, based on Soft Red Winter (SRW) wheat, is the most liquid contract globally and in 2011, traded volume in futures equated to a multiple in excess of 500 times the underlying crop of SRW.

The growth in the European milling wheat contract since 2006 is particularly interesting and demonstrates the ability for futures exchanges to achieve exponential growth. To provide some context, in terms of contracts traded, the ASX Grain Market is in the vicinity of where the NYSE LIFFE wheat contract was in 2006.

Figure 7: International Grain and Oilseed Futures Contracts

Country & Exchange	Contract			% growth since 2006	Tonnage Equivalent	Underlying Physical Production & Multiple ¹	
	Name	Size (tonnes)	Volume 2011 ²				
United States of America							
CME	SRW Wheat	136	24,282,746	50	3,302,453,456	6,450,085	512
KCBT	HRW Wheat	136	6,311,383	33	858,348,088	27,205,430	31
MGEX	HRS Wheat	136	1,551,565	-4	211,012,840	15,512,863	14
Canada							
ICE	Canola	20	4,128,151	58	82,563,020	14,164,500	6
	CWRS	100	Not Listed	n.a.	n.a.	18,031,300	n.a.
Europe							
NYSE LIFFE (Paris)	EU Milling Wheat	50	5,640,520	1,250	282,026,000	62,376,700	5
Australia							
ASX	NSW Wheat	20	314,424	356	6,288,480	7,920,000	80%
	WA Wheat	20	41,698	n.a.	833,960	11,730,000	7%

A timely parallel development in the global grain trade is the looming deregulation for the Canadian wheat and barley markets and the recent product listing by the Intercontinental Exchange (ICE) (formerly the Winnipeg Commodity Exchange) of Canadian grain contracts as well as the proposed listing of U.S. grain contracts. The performance of the ICE canola contract will give both ICE and MGEX optimism that deregulation of the Canadian market will result in volume growth in their respective markets which are both based on Hard Red Spring (HRS) wheat. It will also be interesting to see how the CME Black Sea wheat futures contract which was also recently announced performs.

¹ ^ Underlying Physical, except where noted, refers to the underlying crop size for the commodity as specified by the futures contract. Physical data sources:

United States: USDA World Agricultural Supply and Demand Estimates Report (April 2012)

Canada: Statistics Canada

Europe: Food and Agriculture Organization of the United Nations – Production Estimate for France and Germany 2010. Total EU Wheat Production ~ 120 million tonnes

Australia: ABARES Australian Crop Report (Feb, 2012) – Wheat production estimate for NSW and WA 2011.

² Contract volume – aggregate volume for futures only Source: Bloomberg

5. Post WEA

ASX does not hold a view on matters pertaining to the future role or function of Wheat Exports Australia (WEA) per se. That said if the WEA is disbanded as proposed without the inadequacies of stock reporting being addressed then this will result in a suboptimal outcome for the industry.

Beyond the statistical information pertaining to supply and demand metrics, trade information such as grain exports by grade and destination should be maintained and kept available to the industry for a historical record.

While Australia's grain industry has evolved substantially over the past 15 years and proved capable of handling the progressive deregulation of domestic and export marketing structures, it is not as yet clear how the current shortcomings regarding stock transparency will be addressed in a post WEA world.

The Productivity Commission's recommendation that this role would most likely fit with the Grains Research and Development Corporation (GRDC) has merit however, it is likely that the new authority will need robust powers to ensure adequate reporting.

6. Conclusion

If the aim of the Wheat Export Marketing Amendment Bill is to encourage an efficient and competitive marketplace, then improved transparency of stocks is required to achieve this.

While the stock transparency issue is not directly related to the WEA, removing the WEA without addressing this issue would be a backward step. ASX does not believe BHC will voluntarily forgo what is seen by the rest of the supply chain as asymmetric information and potentially market advantage.

While ever there remains information asymmetry, there will be a perception that the three major BHC have a market advantage and it may remain challenging to attract new competition to the market place.

Globally, liquid grain futures markets exist in almost every major grain producing region. In this regard and at this point in time, Australia is still somewhat of an exception. ASX has outlined in this submission, that improved grain stock reporting is one piece of the puzzle that is still missing. Improved information would encourage increased competition and market activity in the Australian grain market.

Prior to liberalisation, ASX saw no reason why the successful experiences of grain futures markets in North and South America, South Africa, Asia and Europe could not be replicated in Australia. If the industry framework facilitates improved information reporting, ASX is still of the view a liquid and robust futures market for Australian grain will be a key feature in a fully deregulated market. An independently managed and transparent grain stock information process would be supportive in achieving this goal.

While ASX sees merit in the funding proposal put forward in the Productivity Commission Report, the Commonwealth Department of Agriculture, Food and Fisheries should be in a position to identify and construct the most efficient structure to facilitate this industry good function which benefits the entire supply chain.

Appendix 1: Wheat Industry Expert Group Report (extract)

The Provision and Transition of Industry Development Functions for the Australian Wheat Industry - April 2008 (page 27)

7.05 Information Provision - Is information provision essential to the industry?

“The availability of base information is essential to all stakeholders (be they growers, grain traders, domestic end-users or exporters) to develop their production, marketing and technical strategies. This would include information on the quality cross-section of the crop (i.e. volumes of grades produced) and more general market information such as production and the amount of uncommitted wheat available for purchase.”

“It is critical to the proper operation of a fully functioning open and competitive market and a lack of information could adversely affect the efficiency of the Australian cash and futures markets for wheat.”

“In the cash market, traders could potentially build risk premiums into their prices if there is an information vacuum. They could also choose to restrict or refuse to operate in particular markets, leading to a possible reduction in market liquidity.”

“In relation to the futures market in Australia, an active and liquid market is dependent on participants having access to detailed and transparent information on the volume of wheat that is committed and uncommitted.”

Appendix 2: Productivity Commission Inquiry Report (Extract)

Wheat Export Marketing Arrangements No 51, 1 July 2010 (pages 21-22) **Availability and transparency of market information**

“Provision of more detailed, frequent, and up-to-date information could further facilitate the operation of the market. However, what information is provided, how often and by whom are more contentious.”

“However, this information has public good characteristics which leads to no one wanting to pay for it. As a result, there will be inadequate provision of the information without some kind of intervention. Because the information on wheat stocks by state is of benefit primarily to the wheat industry itself, the information should be funded by the industry through a compulsory payment mechanism, such as an industry levy. Funding through an organization such as the Grains Research and Development Corporation would appear to be an efficient option given it already has a collection mechanism in place.”

“The commission is not proposing that this information be compulsorily made available to the market. However, the Commission recognizes the value of this information for the efficient operation of the domestic and export wheat markets, and encourages the bulk handling companies to voluntarily disclose greater levels of detailed stocks information.”

Recommendation 7.1: “The Commission sees value in the provision of stock 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 most practical and cost-effective option for funding stock information by state.”

Appendix 3: The Senate Rural and Regional Affairs and Transport References Committee Report (extract)

Operational Issues in export grain networks - April 2012 Recommendation 2

8.28 The committee recommends that a mechanism for making wheat stockpile information available in an equitable manner to all participants in the bulk wheat export industry be further considered in the inquiry into the Wheat Export Marketing Amendment Bill 2012.

Appendix 4: AWEX Audit Report: Greasy Wool Futures Contract



13-April-2012

AWEX Audit Report: Greasy Wool Futures Contract

The AWEX Audit Report is supplied to the ASX 24 on a weekly basis for the Greasy Wool (21 micron) Futures Contract.

The report contains the following information on a regional basis.

- (a) The number of bales eligible for delivery, being offered for sale during the delivery period.
- (b) The number of bales certified during the delivery period.
- (c) The number of bales offered at auction during the last 6 delivery periods (including the current period) and eligible for delivery this period (this represents between 10 and 12 months of data, depending on the week within the delivery period) and includes bales in (a).
- (d) The number of bales certified in the last 6 delivery periods (including the current period) and includes those bales in (b).

Region	April Delivery Period *		Total To April Delivery **	
	Eligible	Certified	Eligible	Certified
North	2,275	0	16,341	115
South	7,210	0	42,971	178
West	1,820	0	11,165	20
Total	11,305	0	70,477	313

* Bales offered for sale or certified during the April delivery period

** Bales offered for sale or certified in the last 6 delivery periods including April.

The above document is provided by the Australian Wool Exchange (AWEX) details the number of bales that meet futures contract specifications for the nearby delivery period as well as the previous 12 months on a rolling basis.

Appendix 5: USDA WASDE – US Wheat by Class Report (extract)

April 2012

WASDE - 505 - 11

U.S. Wheat Supply and Use 1/

	2009/10	2010/11 Est.	2011/12 Proj.	2011/12 Proj.
			Mar	Apr
			<i>Million Acres</i>	
Area Planted	59.2	53.6	54.4	54.4
Area Harvested	49.9	47.6	45.7	45.7
			<i>Bushels</i>	
Yield per Harvested Acre	44.5	46.3	43.7	43.7
			<i>Million Bushels</i>	
Beginning Stocks	657	976	862	862
Production	2,218	2,207	1,999	1,999
Imports	119	97	120	120
Supply, Total	2,993	3,279	2,982	2,982
Food	919	926	930	930
Seed	69	71	82	79
Feed and Residual	150	132	145	180
Domestic, Total	1,138	1,128	1,157	1,189
Exports	879	1,289	1,000	1,000
Use, Total	2,018	2,417	2,157	2,189
Ending Stocks	976	862	825	793
CCC Inventory	0	0	0	0
Free Stocks	976	862	825	793
Outstanding Loans	51	15	10	10
Avg. Farm Price (\$/bu) 2/	4.87	5.70	7.15 - 7.45	7.20 - 7.40

U.S. Wheat by Class: Supply and Use

Year beginning June 1		Hard	Hard	Soft	White	Durum	Total
		Winter	Spring	Red			
2010/11 (Est.)	Beginning Stocks	385	234	242	80	35	976
	Production	1,018	570	237	275	106	2,207
	Supply, Total 3/	1,404	832	508	362	173	3,279
	Domestic Use	403	308	228	95	95	1,128
	Exports	616	339	109	182	43	1,289
	Use, Total	1,018	647	337	277	138	2,417
	Ending Stocks, Total	386	185	171	85	35	862
2011/12 (Proj.)	Beginning Stocks	386	185	171	85	35	862
	Production	780	398	458	314	50	1,999
	Supply, Total 3/	1,167	620	662	408	126	2,982
	Domestic Use	436	237	306	126	84	1,189
	Exports	380	240	145	210	25	1,000
	Use, Total	816	477	451	336	109	2,189
	Ending Stocks, Total	351	143	211	72	17	793
	Apr						
	Mar	336	142	243	87	18	825

Note: Totals may not add due to rounding. 1/ Marketing year beginning June 1. 2/ Marketing-year weighted average price received by farmers. 3/ Includes imports.

Source: USDA WASDE April 10 2012

Appendix 6: Canadian Grain Commission – Grain Statistics Weekly (extract)

STOCKS OF CANADIAN GRAIN BY PRINCIPAL GRADES AT EASTERN TRANSFER ELEVATORS STOCKS DES GRAINS CANADIENS PAR PRINCIPAUX GRADES AUX SILOS DE TRANSBORDEMENT DE L'EST (in 000's of tonnes/en milliers de tonnes métriques)

W.E. April 22/12

	Bay & Upper Lakes/ Baie et Haut- des-Lacs	Lower Lake & Upper St. Lawrence/ Bas-des-Lacs et Haut- Saint-Laurent	Lower St. Lawrence/ Bas-Saint- Laurent	Maritime Ports/ Ports des Maritimes	TOTAL
WHEAT/BLÉ					
No. 1 CWRS/CWRS n° 1	24.0	-	76.3	4.3	104.6
No. 2 CWRS/CWRS n° 2	-	-	74.9	11.8	86.7
No. 3 CWRS/CWRS n° 3	-	-	5.4	-	5.4
No. 1 CWES/CWES n° 1	-	-	-	-	-
No. 2 CWES/CWES n° 2	-	-	1.4	-	1.4
CW Feed /Fourrager OC	.1	2.1	15.9	11.4	29.5
Others/Autres	-	-	58.2	1.8	60.0
Eastern/De l'Est	124.6	42.5	230.9	19.9	417.9
TOTAL	148.7	44.6	463.0	49.2	705.5
DURUMBLÉ DUR					
No.1 CWAD/CWAD n° 1	14.6	-	122.3	-	136.9
No.2 CWAD/CWAD n° 2	8.0	-	40.1	-	48.1
No.3 CWAD/CWAD n° 3	3.9	-	22.4	-	26.3
No.4 CWAD/CWAD n° 4	-	-	16.1	-	16.1
Others/Autres	1.2	-	.8	-	2.0
TOTAL	27.7	-	201.7	-	229.4
OATS/AVOINE					
No. 1 CWOC n° 1	-	-	-	-	-
No. 2 CWOC n° 2	-	-	-	-	-
No. 3 CWOC n° 3	-	-	-	-	-
Others/Autres	-	-	-	-	-
Eastern/De l'Est	-	.1	-	-	.1
TOTAL	-	.1	-	-	.1
BARLEY/ORGE					
Select CW Six-row/Extra OC à six rangs 1/	-	-	-	-	-
Select CW Two-row/Extra OC à deux rangs 1/	-	-	-	-	-
No. 1 CWOC n° 1	-	-	-	-	-
No. 2 CWOC n° 2	-	-	.1	-	.1
Others/Autres	-	-	-	-	-
Eastern/De l'Est	-	.1	.1	-	.2
TOTAL	-	.1	.2	-	.3

Source: CGC Grain Statistics Weekly April 22 2012

Appendix 7: BHC makeup of Deliverable Wheat Futures Contracts

Figure 8: Map of CME Wheat Delivery Locations



Source: Google

Figure 8 highlights a key difference between the grain logistics supply chain for the Australian market and that which exists in the United States of America (USA).

The locations indicated on the map are delivery locations for the Chicago Soft Red Winter (SRW) wheat contract. Each BHC has been identified using a unique icon (colour/shape). The map demonstrates the variety and mix of BHC ownership within the delivery network.

The mix of BHC ownership for each of the three major wheat futures markets in the USA and the recently listed wheat futures contract in Canada has also been summarised in the following tables.

CME Wheat Delivery Locations

Delivery Region	Bulk Handling Companies	Elevators
Chicago & Burns Harbor Switching Districts	2	2
St. Louis & East St.Louis Switching Districts	4	5
Toledo, Ohio Switching District	2	7
Ohio River	6	25
Mississippi River	6	26
Northwest Ohio	6	10
Total	15	

Source: Chicago Board of Trade (CBOT)

KCBT Wheat Delivery Locations

Delivery Region	Bulk Handling Companies	Elevators
Kansas City	3	7
Hutchinson	2	6
Salina/Abilene	4	4
Wichita	3	3
Total	6	

Source: Kansas City Board of Trade (KCBT)

MGEX Wheat Delivery Locations

Delivery Region	Bulk Handling Companies	Elevators
Duluth/Superior Switching District	4	6
Minneapolis/St. Paul/Red Wing Switching District	5	13
Total	6	

Source: Minneapolis Grain Exchange (MGEX)

ICE Canada Milling Wheat Delivery Locations

Delivery Region	Bulk Handling Companies	Elevators
Par	6	76
Southern Manitoba	6	43
Northwestern Manitoba	4	7
Western Saskatchewan	6	30
<i>Alberta</i>	6	42
Peace River	4	9
Total	6	

Source: Intercontinental Exchange (ICE Canada)

ASX – Wheat Delivery Locations

Contract	Port Zones	Bulk Handling Companies
NSW Wheat	Newcastle & Port Kembla	3
WA Wheat	Kwinana	1

Source: ASX