20 April 2012

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by: ......

Standing Committee on Agriculture, Resources, Fisheries and Forestry
The Chairman
arff.reps@aph.gov.au
PO Box 6021
Parliament House
Canberra ACT 2600

Dear Sir

Wheat Export Marketing Amendment Bill 2012

I have written to Senator the Hon. Joe Ludwig to advise him I object to the Wheat Export Marketing Amendment Bill 2012 to abolish The Wheat Export Authority (WEA) which has been tabled in Federal Parliament. As a grower and an industry participant, I find this decision very short sighted and not in the best interests of the wheat industry.

I have asked Senator the Hon. Joe Ludwig to withdraw the above bill and allow the growers and industry to revamp WEA and continue as an independent regulatory body to address outstanding issues in the wheat industry. Please contact Senator Joe Ludwig and ask him to do the same.

On 16 April 2012, the Senate Committee released its report which recommended unanimously continuing an enhanced role for WEA. This committee included Senators Glenn Sterle ALP WA, Rachel Siewert (for Christine Milne) Greens, Kerry O'Brien ALP Tas and Anne Urquhart ALP Tas.

Outstanding issues in the grain industry need urgent attention and include the following;

- Unequal access to wheat stocks information.
  Upcountry wheat stocks information is not currently published in sufficient detail or in a consistent and timely manner to be useful to industry. Industry requires detailed and timely information to facilitate accurate pricing and competitive tendering for international contracts. This results in a significant marketing advantage to the associated accredited exporter of the bulk handling company (BHC) as most 'up-country' storage is provided by BHC.

- Mandatory objective testing of grain receivables and control of export standards
  An export quality certification program is needed such as that in the USA. The industry is using objective testing to as large a degree as is possible given the type of equipment available at receival, however this is not guaranteed at outturn. There is considerable money being spent on new testing methods by GRDC and others to enable full objective testing but this is simply not available yet. Similar to the USA, management of the integrity of wheat exported is crucial for overseas buyer confidence.

- Management of the shipping stem.

A specialized independent body would offer a more nimble supervising role of the shipping stem than what the ACCC offer. Based on substantial feedback from exporters, and echoed in submissions to the senate committee, WEA is of the view, in order for industry to capture all the benefits of a deregulated market, the supply chain needs to be transparent and equitable to all players in the market. This includes uniform and transparent booking of shipping slots and the publication of comprehensive port capacity tables. Removal of the access test will be conditional upon a non-prescribed voluntary code of conduct being developed and implemented prior to 30 September 2014 for port terminal operators that export bulk wheat

- Port access frustration by Bulk Handlers.
  Port access is an essential service on which exporters are completely dependent to facilitate trade. Any restriction or inability for exporters to secure shipping slots on a fair and equitable basis will discourage them from participating in the export market, thereby reducing competition in the industry.

- Fees and Charges of Bulk Handlers
  BHC's control or own almost all supply chain channels to port in each of their geographical regions. BHC's encourage use of bundled services within the vertically integrated businesses, supported in part not by competition but by creating barriers to entry through fees and charges.

- Roles and Powers of the ACCC
  The movement towards deregulation of the bulk wheat export industry generates substantial concerns that three regional monopolies will be effectively developed. The current regulatory powers of the ACCC are not sufficient to provide confidence that the risk of developing these three regional monopolies will be controlled.

- Growers and industry are demanding a workable 'up country' freight logistics arrangement for wheat.

- Other issues identified by growers and industry.

The demise of AWB whilst inevitable has left Australia in a totally vulnerable position when it comes to looking at the impact of market power which the BHC's and multi-national trading companies control.

Recent media supports my request;

Countryman (Western Australia)

March 29, 2012

Emerald chairman warns of new playing field

The Australian grains industry needs to start thinking about how it will buffer the effects of three or four companies controlling the vast majority of the grain supply chain, according to grain marketer Emerald chairman Alan Winney.

Already five major companies control about 75 per cent of the grain marketing space and Mr Winney believes that concentration will increase.

Across the whole of agriculture we're not thinking enough about what the implications will be in 10 years time of some of the changes going on now, he said.

We really need to think about it because the only time we get those ground rules in is before they happen and they're happening very fast.

Mr Winney said the ultimate effect of fewer companies controlling more of the grain supply chain was less competition and fewer buyers for farmers' grain.

This was already evident in up-country transport and grain logistics on the east coast.

If you're a small country merchant or a medium-size operator, unless you take the multimillion dollar risk of investing in rail transport, then you can't move by train, Mr Winney said.

If you can't afford to have rail then you're locked into a space where you're not competitive any more. It just reduces competition and concentrates the whole industry.

What you find then will be barriers to entry and there will be fewer players able to compete in the market place.

He said that if there were just a few players in the industry and one or more of them decided not to operate in a particular area, growers would be left high and dry.

Mr Winney said many of the big international grain companies did not have a grower-based focus, which could change the mentality of the industry. That meant the Australian industry needed to start thinking ahead about which aspects of the industry need future protection.

Stock Journal 29 March 29 2012

Quality concerns: Indonesian wheat customers have raised concerns about the quality of Australian exports, saying the final delivered product does not match the standards of what's been promised in the original contracts. National Farmers Federation president Jock Laurie said Indonesian grain importers raised the issue while he was visiting the country last week with a high-level trade delegation, for important talks on market issues and opportunities. The delegation comprised the Australian Trade Minister Dr Craig Emerson and Federal Agriculture Minister Joe Ludwig and saw meetings held with their Indonesian counterparts and a range of government and industry officials. "For this issue to be raised in this kind of forum with the Trade Minister and the Agriculture Minister ... it was significant," Mr Laurie said. "What they are buying is not what they are getting and something needs to be done about that."

Wheat Associates from the U.S along with the U.S Grains Council expend millions of promotional export dollars driving U.S grain exports – in Australia we expend very little on promotion and now we propose to abolish the one vehicle that can give the industry "some" form of protection.

WEA's role should evolve to be expanded to embrace wheat quality control and promotion on a global scale whilst working hand in hand with groups like the GRDC and Grain Growers Australia to maintain an independent voice for industry – this is not the role of the BHC's or the multinationals.

Possible function of a new independent body such as a revamped WEA;

- Continue the 'light touch' accreditation and monitoring arrangement. A system whereby exporters maintain accreditation adds capacity to rectify bad behaviour of exporters. As well, 'light touch' accreditation offers a standard of 'fit and proper' for exporters to limit fly by night operators who could seriously damage the reputation of the current accredited exporters and overall Australia's reputation.

- Add non bulk wheat exports to the 'light touch' system of accreditation. Recent failures of exporters in the non-bulk market have caused financial devastation to growers involved.

- Take back from ACCC the proposed monitoring of the shipping stems. A more nimble and effective supervising role of the shipping stem is required.

- Provide more guidance and necessary action to the ACCC of any obstructive port access behaviour.

- Continue the Wheat Export Charge and raise to 30 cents/tonne paid by the exporters. This would ensure there is no cost to Government to run such a body.

- Develop with growers and industry a workable 'up country' freight logistics arrangement for wheat.

- Develop with growers and industry an arrangement for mandatory objective testing of grain receivables and control of export standards. The varietal integrity of wheat which is currently a key issue for the Australian wheat industry, requires independent supervision.

- Continue as a reliable grains regulator as all the current grains groups throughout Australia are in disarray and need time to sort out their differences.

This decision by Government to even entertain this Bill let alone introduce it reflects an absolute contempt for the primary stakeholders who stand to lose most if the WEA is abolished – Australian wheat growers. I wonder just how many of our hard working rank and file growers Australia wide really know what the Government is proposing let alone the implications to our industry.

The Wheat Export Marketing Scheme 2008 has largely achieved the Federal Government's objectives in deregulating the Wheat Industry whereby WEA has overseen the wheat Industry move from a single desk to 26 accredited exporters of which 19 shipped bulk wheat to 36 countries in 2010/11. The accreditation scheme has now achieved a sound working arrangement whereby exporters are required to be accredited and be monitored under a non-onerous 'light touch' regime.

However, evolving issues still need to be addressed and an independent body (such as a revamped WEA) could undertake this function.

I request that this matter be given urgent review and follow the recommendation of your ALP Senate colleagues.

Yours sincerely