



Australian Government

Wheat Exports Australia

# 2009/10 MARKETING YEAR

WHEAT EXPORT ACCREDITATION SCHEME  
**REPORT FOR GROWERS**



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## Report for Growers 2009/10

In accordance with the *Wheat Export Marketing Act 2008* this Report for Growers provides an overview of the operation of the Wheat Export Accreditation Scheme for the marketing year 1 October 2009 to 30 September 2010.

Front Cover: Photo of truck on dusty road courtesy of Jo Ashworth – Kalannie, WA  
Page 29: Photo of crop nearing harvest, Horsham, VIC courtesy of VFF Grains Group.  
All other photos provided by WEA

# Chair's letter to Australian wheat growers

Welcome to this second edition of the Wheat Exports Australia (WEA) Report for Growers. It is now two years since the export of Australia's bulk wheat was opened up to competition and WEA was formed to administer the Wheat Export Accreditation Scheme.

The primary objective of our enabling legislation, the *Wheat Export Marketing Act 2008*, is:

"to promote the development of a bulk wheat export marketing industry that is efficient, competitive and advances the needs of wheat growers".

It is pleasing to report that the transition to a competitive bulk wheat export market continues to progress relatively smoothly.

During the marketing year ended 30 September 2010, the number of bulk wheat exporters accredited by WEA increased to 27, a net gain of four. Eighteen of these exporters shipped bulk wheat during the year.

Over the year, Australia exported 12.1 million tonnes of wheat in bulk to 36 countries. Indonesia, Japan and South Korea continue to be the major importing countries of Australian bulk wheat.

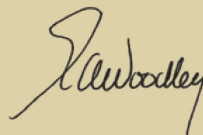
No single exporter dominated this trade - with four exporters exporting more than 1 million tonnes each and collectively accounting for almost two-thirds of all exports. The top six exporters collectively accounted for more than three quarters of bulk wheat exports.

One of the emerging outcomes of the new arrangements has been the increase in choice available to growers in the marketing of their wheat. Also we are seeing a number of small to medium sized exporters supplying Australian wheat to new and niche markets, particularly in the Asian region.

Industry participants in the bulk wheat sector continue to respond positively to the challenges associated with the new marketing arrangements. Also, it is satisfying to note that no accredited exporter has experienced financial or other difficulties adversely impacting its relationship with other industry stakeholders, particularly growers.

WEA has been developing and improving. Our systems and processes continue to be refined as we strive to improve our operations to add further value to the industry. In this respect, I acknowledge the enormous contributions made by the WEA team - my fellow Members, our CEO Peter Woods and the Secretariat staff. Their commitment to the work of WEA continues to be outstanding.

The wheat industry is well placed to face future challenges, although unfortunately it appears that 2010/11 will be a particularly difficult year, due to drought in the west and excessive rain in the east.



**EA Woodley**

Chair

22 December 2010



WEA Members and CEO: Back (L-R): Kim Halbert, Sandy Murdoch, Paul Kerin and Peter Woods (CEO)  
Front (L-R): Nicole Birrell, Ted Woodley (Chair) and Martine Pop

# About Wheat Exports Australia

Wheat Exports Australia was established on 1 July 2008 following changes to Australia's legislated wheat export arrangements. WEA is an Australian Government agency within the Department of Agriculture, Fisheries and Forestry (DAFF) portfolio.

Established under the *Wheat Export Marketing Act 2008* (the Act), WEA's primary role is to administer the Wheat Export Accreditation Scheme (the Scheme). The Scheme allows the accreditation of bulk wheat exporters who meet the specified 'fit and proper' criteria and for WEA to exercise its monitoring and enforcement powers to ensure that a competitive bulk wheat export market exists, giving growers more choice in the marketing of their wheat.

As an independent statutory body, WEA has the power to grant, suspend, cancel or vary bulk wheat export accreditations. Accredited exporters are required to provide WEA with an annual update on their financial facilities and export proposals in addition to an Annual Export Report and Annual Compliance Report. Accredited exporters must also report to WEA any 'Notifiable Matters' which may have an effect on their accreditation.

If directed by the Minister, WEA has the power to investigate a matter related to:

- its powers and functions, or
- an alleged or suspected contravention of a condition of accreditation or of the Act.

WEA consists of a Chair and five other Members supported by a Secretariat of 15 staff located in Canberra.

Funding for WEA is provided through application fees under the Scheme, as well as the Wheat Export Charge (WEC), a levy payable on all exports of wheat from Australia.

## **Our Vision**

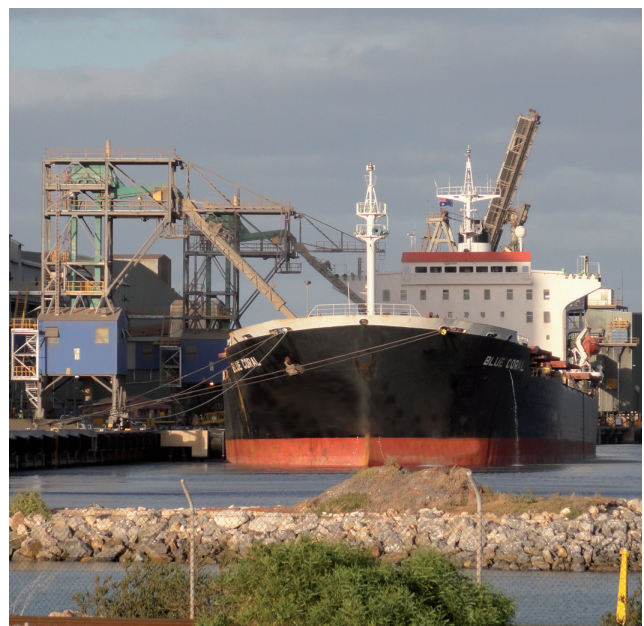
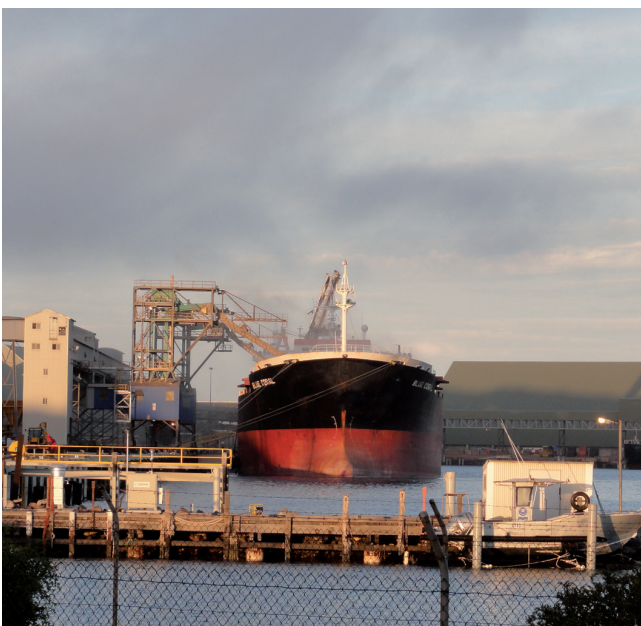
An Australian bulk wheat export industry that is competitive, sustainable and innovative.

## **Our Mission**

To administer the Wheat Export Accreditation Scheme and to contribute to the ongoing development of Australia's wheat industry.

## **Our Role**

- To administer the export of bulk wheat from Australia through the Scheme.
- To report on the operation of the Scheme.
- To consult with stakeholders (Government, growers, accredited exporters and the industry) and contribute to the ongoing development of Australia's wheat industry.
- To undertake investigations and provide the Minister with information on such other matters as requested.
- To continuously improve WEA's governance and corporate operations.



Vessel being loaded at Geraldton Grain Port Terminal, WA.

# Analysis of the 2009/10 wheat marketing year

This section provides an overview of the 2009/10 marketing year (1 October 2009 to 30 September 2010) for the Australian and international wheat industries. It is based on statistics and data collected by WEA throughout the year as well as information sourced from the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES), the United States Department of Agriculture (USDA) and the International Grains Council (IGC). Extracts have also been adapted from 'What the World Wants from Australian Wheat: Update 2010' prepared for the Grain Growers Association Ltd by BRI Australia.

## Australian wheat exports

The Australian wheat industry is heavily export oriented with 60-70% of annual production typically going to overseas markets. On average over the past 10 years, Australia has exported 13.2 million tonnes per year to 52 countries.

Domestic consumption including human consumption and stock feed industries is typically 6 million tonnes annually. Domestic stock feed demand varies depending on the availability and relative pricing of substitute feed grains.

## Fact Box

### Wheat marketing years

The wheat marketing year for Australia runs from 1 October to 30 September. In this report for example, 2009/10 refers to the marketing year beginning 1 October 2009 and ending 30 September 2010.

The international trade year for wheat is 1 July to 30 June. Many countries such as Russia and the EU-27<sup>1</sup> have the same local marketing year as the trade year while others have a local marketing year that is quite different to the international trade year.

<sup>1</sup> The EU-27 consists of 27 member countries being: Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and United Kingdom.

## Fact Box

### Headline industry and WEA statistics



Indicator	2008/09	2009/10
1. Bulk wheat exports (tonnes)	12.3 million	12.1 million
2. Value of wheat exports AUD; (bulk, bags and containers)	\$3.4 billion	\$3.2 billion
3. Accredited exporters as at 30 September	23	27
4. Countries importing Australian bulk wheat	42	36
5. Active accredited exporters	17	18
6. New accreditations	24*	7
7. Renewed accreditations	22	3
8. Surrendered accreditations	1	3

\* Refers to the 15-month period to 30 September 2009

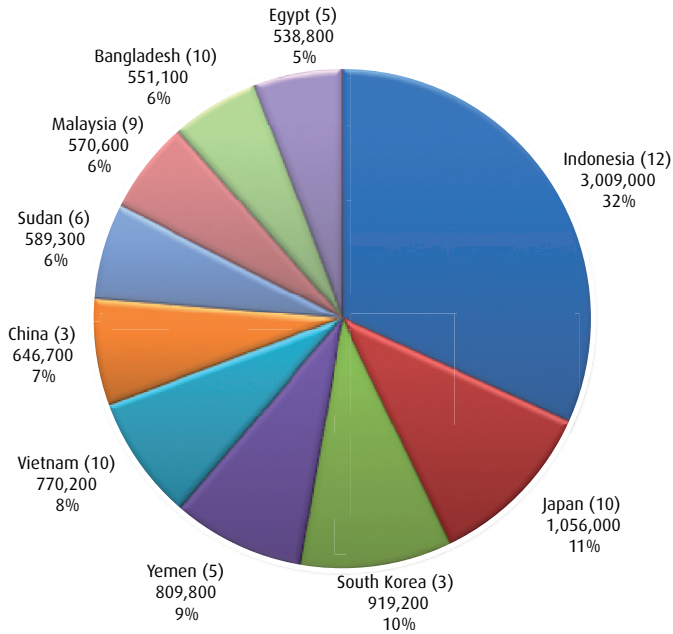
Bulk wheat exports for 2009/10 compare very favourably with other years considering that:

- Low world wheat prices at harvest encouraged growers to retain a higher proportion of the crop on farm to delay sale until a possible increase in prices.
- Substantially reduced world wheat prices in the immediate post-harvest period of 2009/10 delayed exports in the second quarter of the marketing year.
- The world wheat price increased in the third and fourth quarters of 2009/10, increasing export activity in spite of strengthening AUD/USD exchange rates.

Source: ABARES and WEA analysis

During 2009/10, 12.1 million tonnes of bulk wheat was exported, with 6.6 million tonnes (54%) shipped to five countries - Indonesia, Japan, South Korea, Yemen and Vietnam. The top 10 importing countries accounted for 79% of Australian bulk wheat exports (see Figure 1). The volumes and ranking of countries vary from year to year as a function of availability and price.

**Figure 1: Top 10 importing countries of bulk wheat (tonnes) – 2009/10**



Note 1: Figures in brackets represent the number of accredited exporters that shipped to that country

Note 2: Percentages represent the proportion of the total 9.5 million tonnes shipped to the top 10 countries

Source: ABARES

Historically, Australia's exports have been concentrated into the Asian and the Middle Eastern regions. However with the introduction of the new wheat marketing arrangements there has been an expansion of activity into North Africa and Europe.

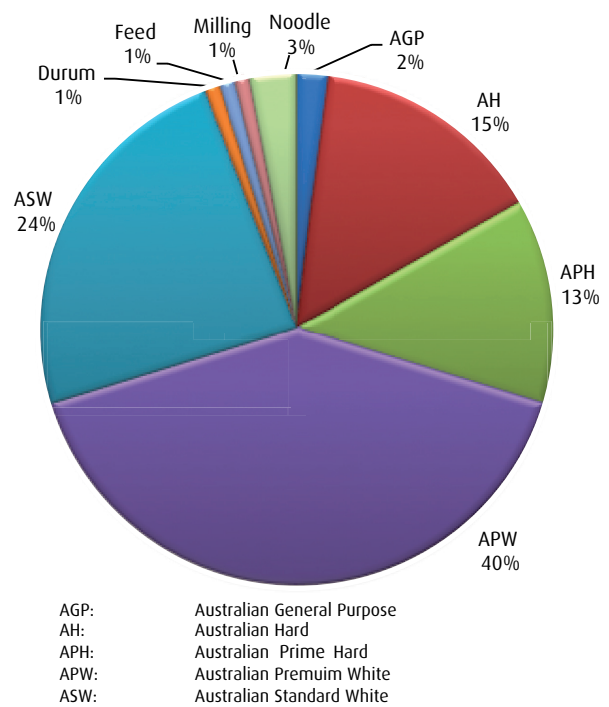
Over the last five years there have been 19 countries which have on average imported more than 100,000 tonnes of Australian bulk wheat per year - Indonesia, Japan, South Korea, Vietnam, China, Yemen, Sudan, Iran, Iraq, Thailand, Malaysia, India, New Zealand, Kuwait, United Arab Emirates, Italy, Bangladesh, Papua New Guinea and Egypt. These countries have accounted for more than 90% of Australia's bulk wheat exports over the last five years.

Australia's major export market over the past five years has been Indonesia with an average of more than 2 million tonnes per year. Japan along with South Korea and Sudan are high-unit-value markets as is Italy, which imports much of Australia's durum exports.

Australian wheat is well regarded in international markets because it produces white flour and typically has very low screenings and moisture content. Generally this produces a higher yield of flour than red-grained wheats which have a higher moisture content.

Figure 2 shows nine major wheat grades and their percentage of exports. The dominant grade exported is Australian Premium White (APW), however varieties and grades vary considerably across Australia's wheat producing States.

**Figure 2: Bulk wheat exports by grade (%) – 2009/10**



Source: WEA analysis.

## Terms and conditions of purchase from growers

Many exporters operating in Australia use the standard trade rules established by the Grain Trade Australia (GTA)<sup>2</sup> Commerce Committee. Whilst the Commerce Committee formulates and recommends changes to the rules, it is the membership of GTA that agrees to any changes.

Standardised trade rules were first established by GTA in 1998, and the latest amendment to the rules occurred in March 2009. The GTA Trade Rules govern all disputes of a mercantile, financial or commercial nature relating to grain, feed, oilseeds or other agricultural commodities arising between members and non-members of GTA<sup>3</sup>.

### **Wheat sourced directly from growers**

Of the 27 accredited exporters as at 30 September 2010, 18 were active in 2009/10 in exporting bulk wheat and 13 sourced wheat directly from growers. These buyers largely used the standard GTA terms of agreement.

### **Export wheat specifications**

The Australian wheat export industry has a well established market-driven system in place to ensure the supply of high quality wheat to international customers. Australia produces almost entirely white wheat across a number of different grades, catering to different markets.

Under existing wheat marketing arrangements, WEA plays no role in controlling the quality of Australian bulk wheat exports. However accredited exporters report to WEA, via the Annual Export Report, the specifications of bulk shipments made in a marketing year.

Commercial realities in a competitive environment mean that exporters must meet contract specifications if they wish to secure and maintain long-term relationships with overseas customers.

<sup>2</sup> GTA, formerly the National Agricultural Commodities Marketing Association (NACMA), was established in 1991 to standardise grain standards, trade rules and contracts across the industry. Visit [www.graintrade.org.au](http://www.graintrade.org.au) for more information.

<sup>3</sup> GTA Trade Rules Preamble, issue date March 2009 (source: [www.graintrade.org.au](http://www.graintrade.org.au)).



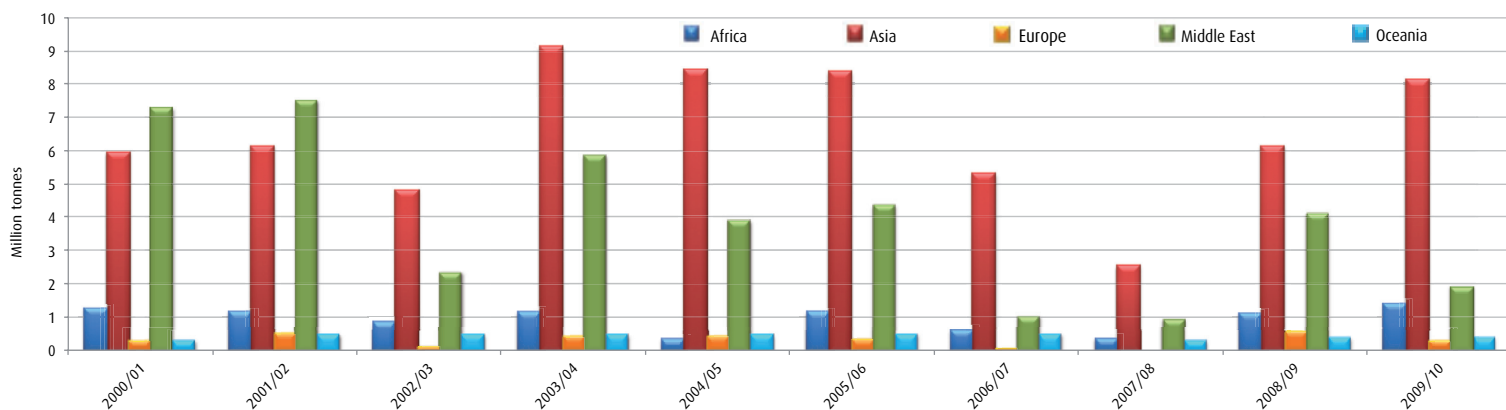
*Flooded wheat crop, Gundagai, NSW.*

Figure 3 shows a comparison of export destinations for Australian bulk wheat by region and year over the previous decade and demonstrates the continuing dominance of the Asian region. Exports to this region remained high in relative terms compared to other destinations despite Australia's reduced capacity to maintain continuity of supply to key markets during the

drought-affected seasons in 2002/03, 2006/07 and 2007/08.

Of interest is the reduction in volume exported to the Middle East region in 2009/10. This was less an issue of availability than a case of increased competition from the Former Soviet Union (FSU)<sup>4</sup> States, which have aggressively built their market share in recent years.

**Figure 3: Destinations for bulk wheat by region and marketing year**



Note: Countries in the Indian Subcontinent have been included in figures for Asia

Source: ABARES and WEA analysis

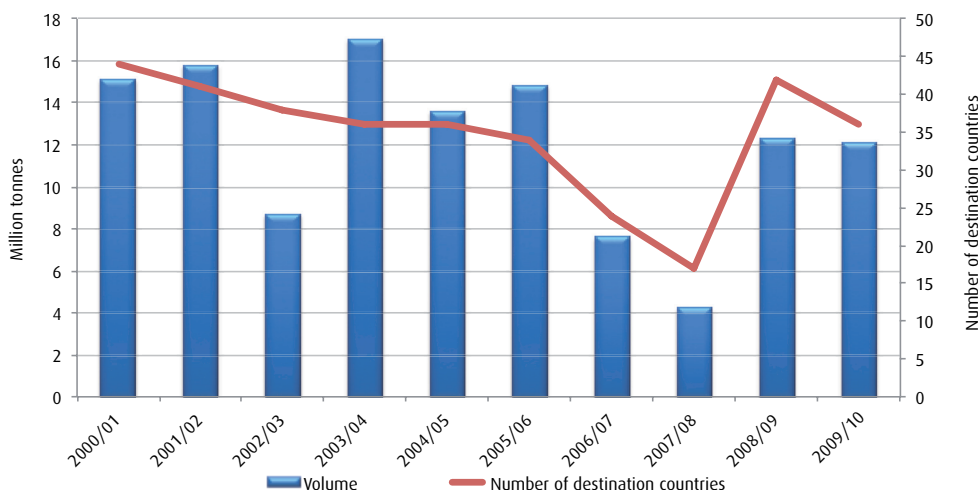
Figure 4 illustrates Australia's historical bulk wheat export volumes and number of destination countries over the last decade.

In 2009/10 Australia exported 12.1 million tonnes of bulk wheat to 36 countries, notably above the five-year average of 10.3 million tonnes to 31 countries. There has also been an increase in the number of destination countries for bulk wheat exports since the introduction of the new wheat marketing arrangements, reversing the declining trend of the last decade.

It should be noted that in both 2008/09 and 2009/10 the number of destination countries importing bulk wheat from Australia was the highest since the 2005/06 marketing year even though in 2009/10 export volume was 2.7 million tonnes lower.

There has also been significant growth in the number of importing countries for non-bulk exports over the past three seasons.

**Figure 4: Bulk wheat exports by volume and number of destination countries**



Source: ABARES and WEA analysis

<sup>4</sup> The FSU consists of 15 countries - Russia, Kazakhstan, Ukraine, Uzbekistan, Belarus, Azerbaijan, Latvia, Lithuania, Estonia, Georgia, Armenia, Tajikistan, Kyrgyzstan, Turkmenistan and Moldova.



Figure 5 illustrates the variations in monthly exports over four selected years:

- 2009/10 (production 21.7 million tonnes, bulk exports 12.1 million tonnes)
- 2008/09 (21.4 and 12.3)
- 2007/08 (13.6 and 4.2)
- 2005/06 (25.2 and 14.8).

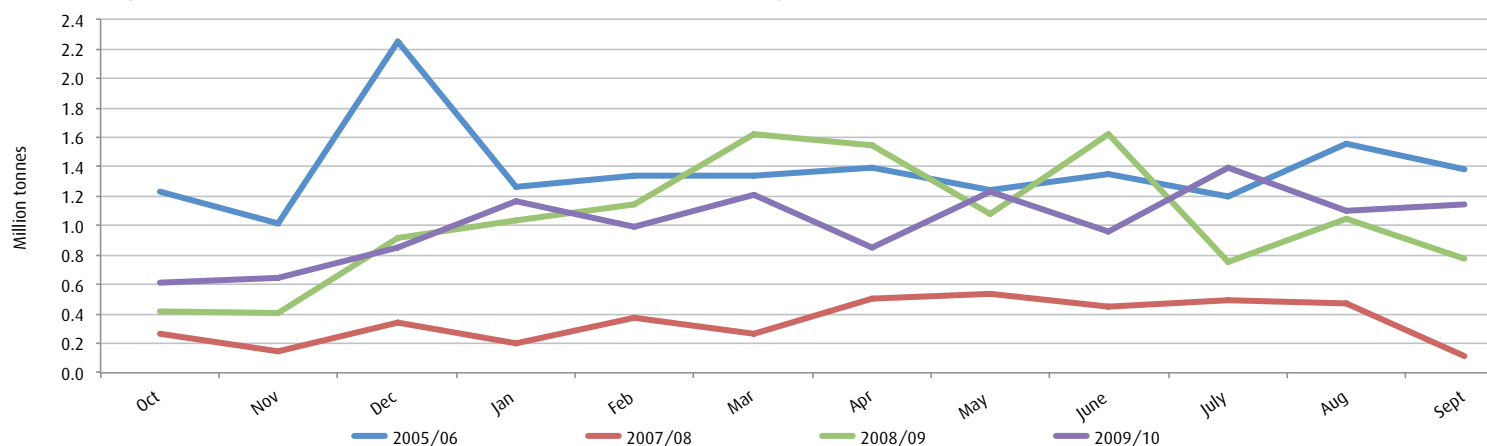
In 2008/09 there was a gradual increase in the volume of exports shipped which peaked in March and June.

This contrasted with 2005/06 where the peak export tonnage was shipped in December, with steady volumes continuing throughout the remainder of the year.

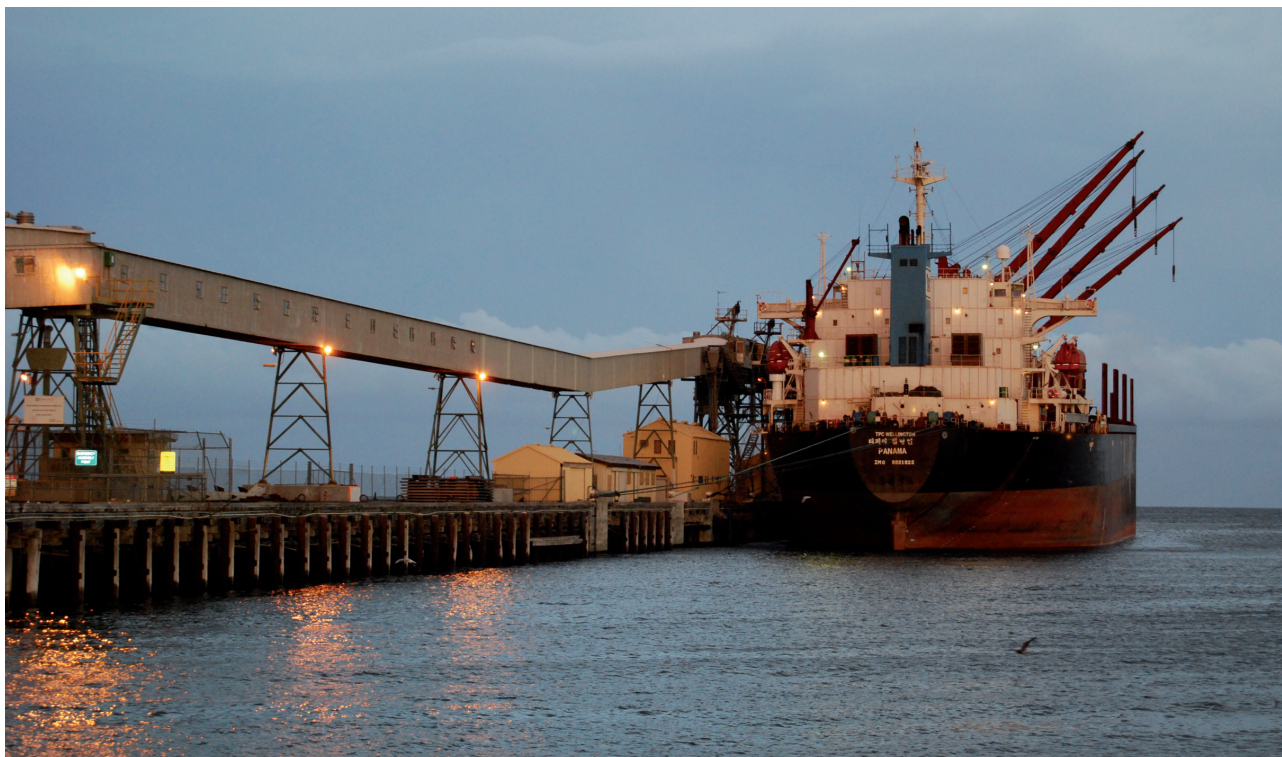
By comparison, 2007/08 monthly export volumes were relatively stable. 2009/10 followed a similar pattern to 2008/09 with export volumes increasing steadily from October through to June/July.

Exports of 14.8 million tonnes in 2005/06 compared with 12.1 million tonnes in 2009/10 indicate there continues to be spare port terminal capacity.

**Figure 5: Bulk wheat exports by month for four selected marketing years**



Source: ABARES and WEA analysis



Loading wheat for export, Wallaroo, SA.

Figure 6 provides a comparison for the last decade of the number of consignees<sup>5</sup> receiving Australian bulk and non-bulk wheat each year.

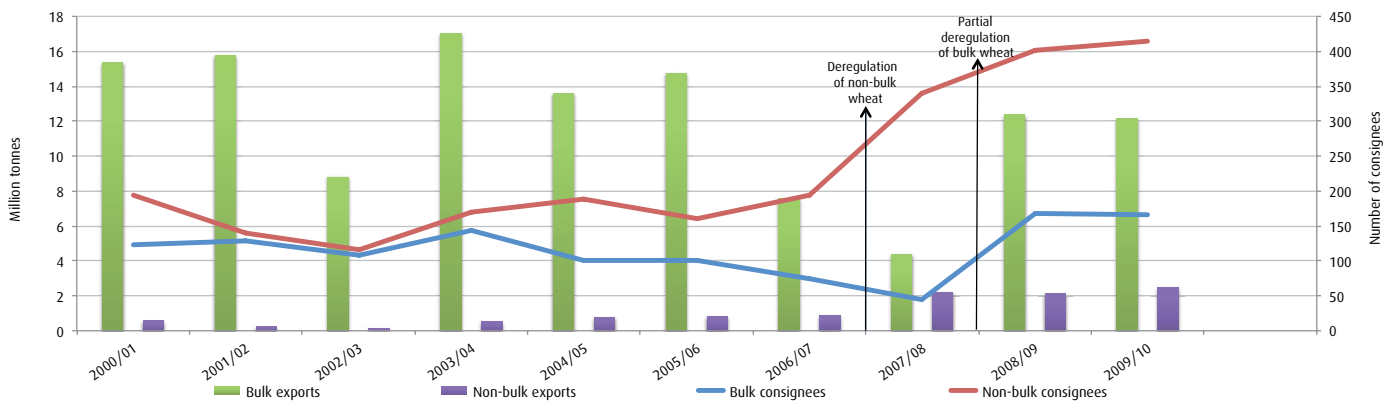
The number of consignees has significantly increased for both bulk and non-bulk exports since the introduction of the new wheat export marketing arrangements. For bulk exports the number of consignees has trended up from a 10-year average of 114 to 160 per year in the period since the partial deregulation of the wheat export market. The increase for non-bulk wheat has been more significant, from 180 consignees in 2000/01 to more than 400 in 2009/10, reflecting the growth in niche markets for Australian containerised wheat.

The increase in activity reflects the deregulation of the respective non-bulk and bulk export markets and the

previously un-met demand for Australian wheat from a broader number of end-users. Competing exporters are now able to seek out new customers who, for varying reasons, were unable to purchase Australian wheat under the single desk system.

Figure 6 provides a comparison of bulk and non-bulk exports. Non-bulk exports have grown more than 420% since 2000/01 and are consistently in excess of 2 million tonnes per annum since deregulation of non-bulk exports. In 2000/01 non-bulk exports represented just 4% of total exports, growing to 17% in 2009/10. In the 2007/08 drought year, non-bulk exports peaked at 34% of total exports, after the deregulation of the non-bulk wheat market.

**Figure 6: Consignees and tonnages exported by year for bulk and non-bulk exports**



Source: WEA analysis



Wheat harvesting at East Nabawa, WA.

<sup>5</sup> A consignee is the party to whom an export shipment is delivered. The number of consignees is indicative of the number of customers.

# Fact Box

## Australian wheat production and exports - 2009/10

- 21.7 million tonnes of wheat were produced.
- Australia exported 12.1 million tonnes of bulk wheat to 36 countries.
- Australia exported 2.5 million tonnes of non-bulk wheat to 46 countries.
- The top six bulk wheat exporters shipped 9.6 million tonnes of bulk wheat and accounted for 79% of total Australian bulk wheat exports.
- Four exporters each shipped in excess of 1.0 million tonnes of bulk wheat and accounted for 64% of total Australian bulk wheat exports.
- Western Australia dominated wheat exports, accounting for more than 54% of all Australian wheat exports.

Source: ABARES and WEA analysis



Emerging wheat crop, Collingullie, NSW.



Road receivals at Fisherman Island, QLD.

## Exports by State

Australian wheat production has shown steady long-term growth since the 1960s. This trend has accelerated since the mid 1990s as a result of an increasing move from livestock production to cropping. Western Australia is the leading State, typically producing in excess of 7 million tonnes per annum, followed by New South Wales, with a five year average of over 5 million tonnes (see Figure 7).

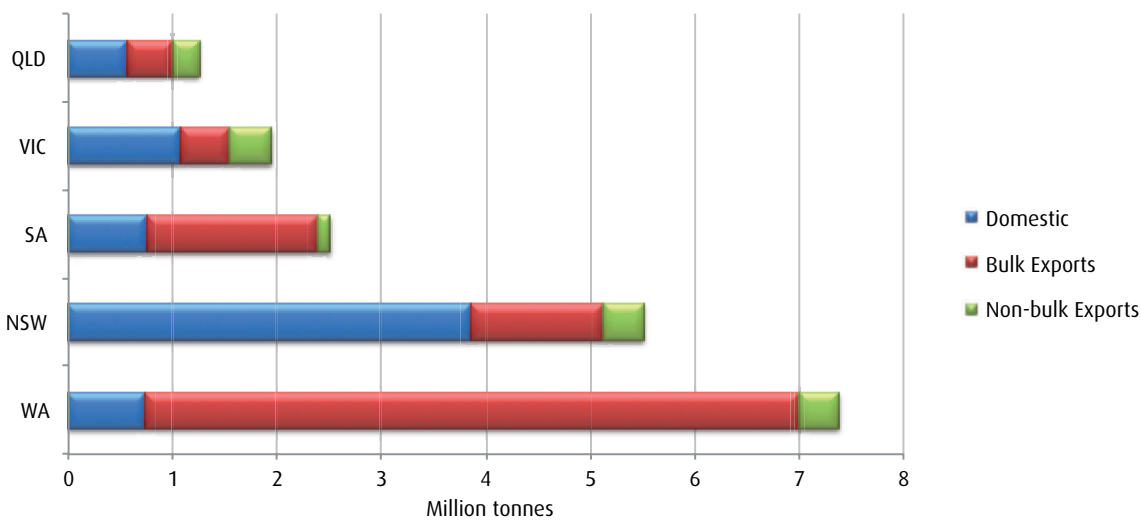
With limited domestic demand, Western Australia is export dependent. In contrast Queensland, New South Wales and Victoria experience the greatest variation in exportable surplus. This is a result of relatively high domestic demand in those States coupled with variable production levels.

In 2009/10, bulk wheat exports of 12.1 million tonnes represented less than a 1% decline nationally against the previous year although this figure was 17.5% above the five year average of 10.3 million tonnes.

Figure 8 shows that Western Australia was the largest bulk wheat exporter in 2009/10, exporting more than 6.5 million tonnes or 54% of Australia's bulk wheat exports.

The largest decline in exports occurred in New South Wales (-36%) and Queensland (-29%) with a small reduction in Western Australia (-4%). This was partially offset by large increases in Victoria (52%) and South Australia (63%).

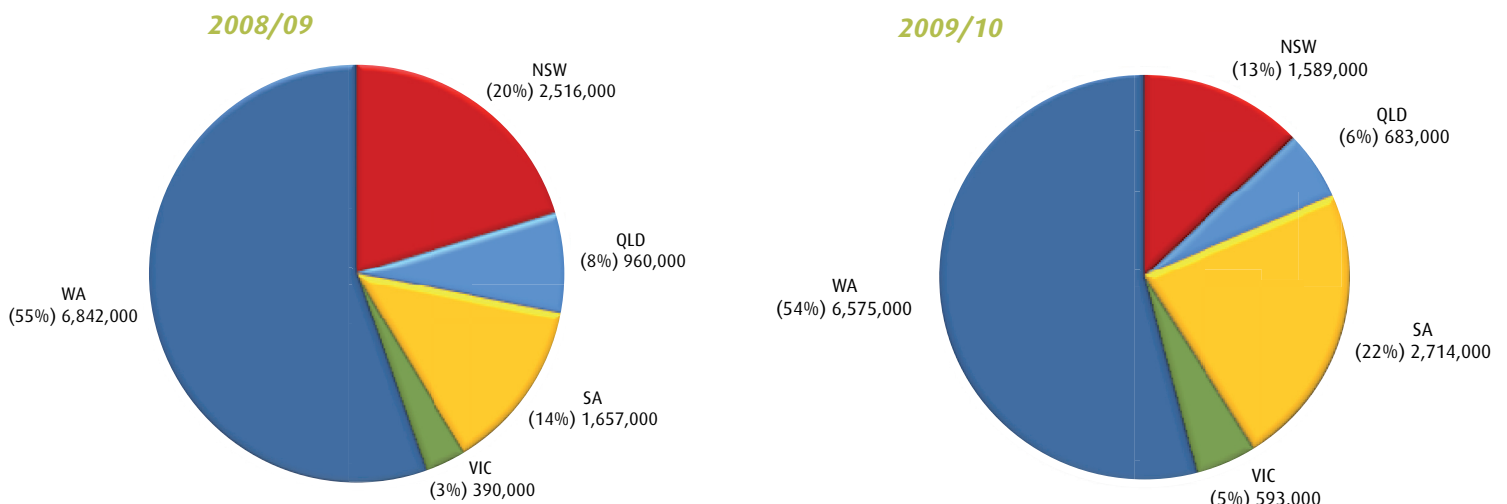
**Figure 7: Average wheat supply and disposal by State**



Note: Volumes are an average of production and disposal statistics for the period 2004/05 to 2008/09

Source: Adapted from information in the Productivity Commission Draft Report on Wheat Export Marketing Arrangements March 2010 p22

**Figure 8: Bulk exports by State (tonnes) – 2008/09 and 2009/10**

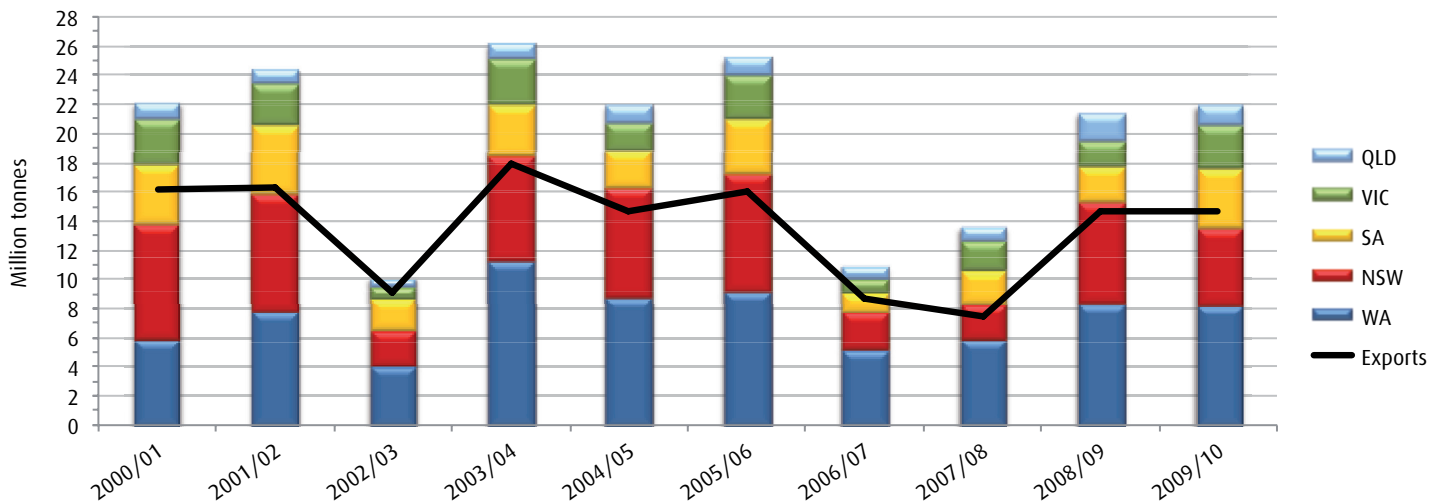


Source: ABARES and WEA analysis

Figure 9 shows that Western Australia has consistently produced the most wheat over the last 10 years. This Figure also displays the effect of drought (2002/03, 2006/07 and 2007/08) on production and exports.

National production of wheat in 2009/10 was at similar levels to 2008/09 at approximately 22 million tonnes.

**Figure 9: Comparison of State production and total national exports**

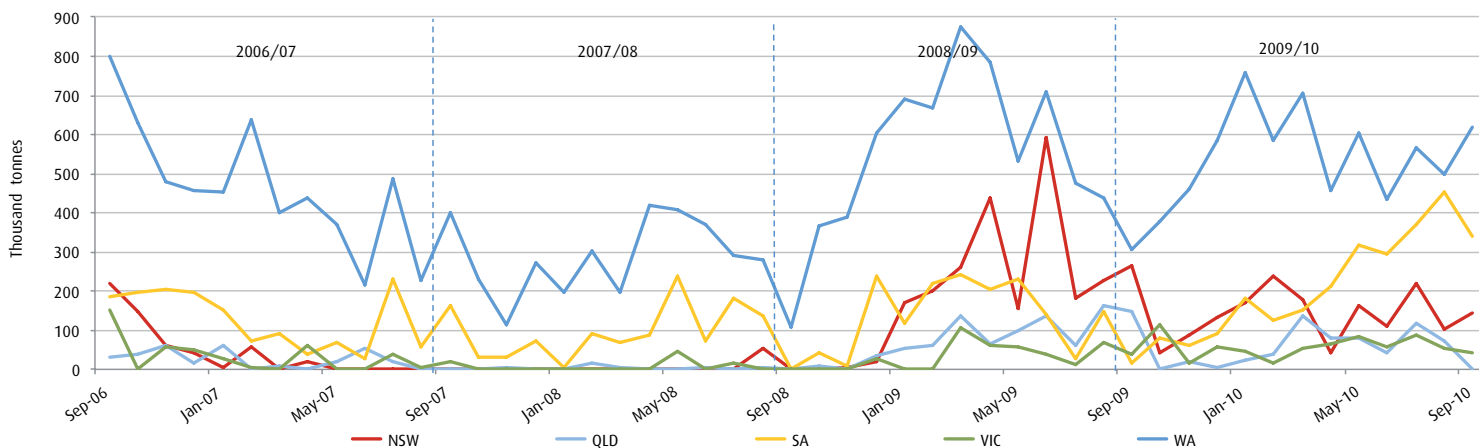


Source: ABS, ABARES and WEA analysis

Figure 10 shows exports by State on a monthly basis over the last four years. This illustrates that Queensland, NSW and Victoria have little exportable surplus in periods of drought (i.e. 2006/07 and 2007/08). It also provides some indication of the high month to month variability of Australia's wheat export task, driven by a range of factors including stock availability, logistics capacity, world price and increasingly, changes in producer marketing patterns.

Bulk exports from Victoria and South Australia showed strong growth in 2009/10 compared to 2008/09, whereas bulk exports decreased for the other States. In Victoria a large increase has been through the Port of Melbourne terminal via six exporters.

**Figure 10: Bulk wheat exports by State since September 2006**



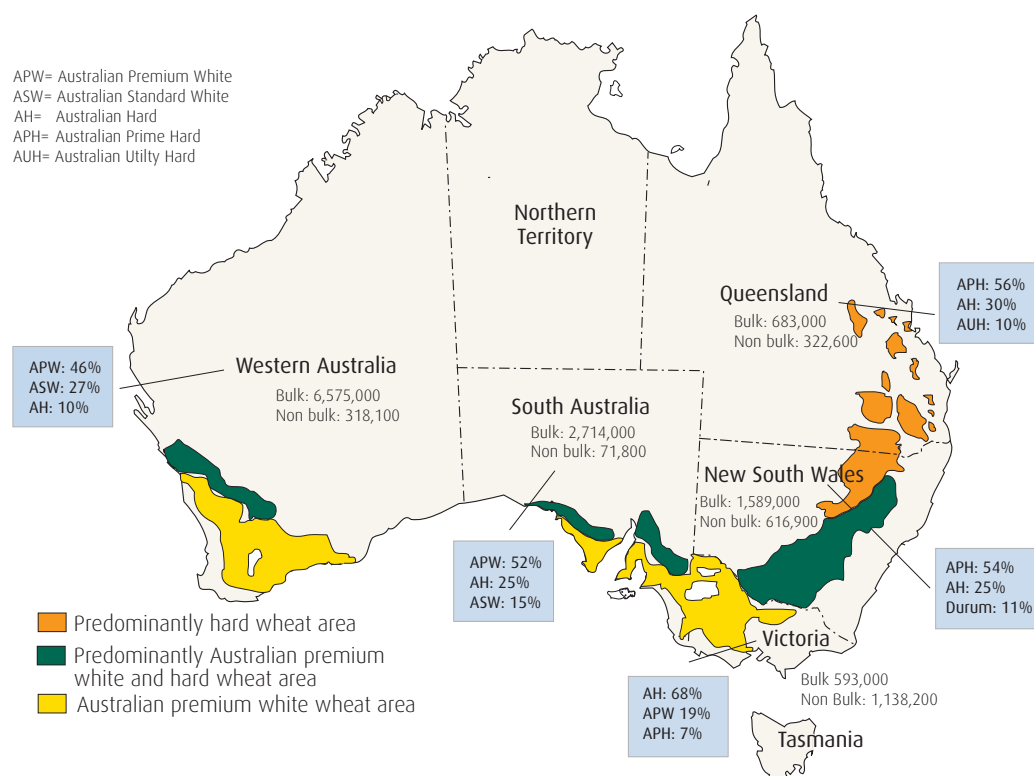
Source: ABS, ABARES and WEA analysis

## Wheat grade distribution

Although wheat is often referred to generically, wheat varieties grown throughout Australia have different end use characteristics. Wheat is primarily grown in regions with rainfall averaging between 400 mm and 1000 mm

per year. Each region, often using the same seed varieties, may produce wheat with varying characteristics due to soil and climatic factors. Figure 11 shows the three major grades for 2008/09 and 2009/10 exported from each of Australia's significant wheat producing States.

**Figure 11: Wheat grade distribution and bulk and non-bulk exports by State (tonnes)**



Note: The wheat grade distribution statistics are an average of 2008/09 and 2009/10  
Source: ABARES and WEA analysis

## Fact Box

### Shipping stem



To be an accredited exporter, the owner/operator of a port terminal service which is also an accredited wheat exporter or an associate thereof needs to pass the 'Access Test,' as detailed in the Act. There are two elements to the access test – having an access undertaking accepted by the Australian Competition and Consumer Commission (ACCC) and meeting the continuous disclosure rules (also known as the 'shipping stem').

The shipping stem rules require that the port terminal service operator updates the following information daily on its website for each entry in the shipping stem:

- Name of the ship scheduled to load grain.
- Time when the ship was nominated.
- Time when the ship was accepted onto the 'stem'.
- Quantity of grain to be loaded.
- Estimated date of loading.

The shipping stem for each of Australia's 18 active bulk grain export terminals is maintained by one of four port terminal service providers: Co-operative Bulk Handling Limited, GrainCorp Operations Limited, Viterro Operations Limited and Australian Bulk Alliance Pty Ltd.

## Exports by Australian port

Figure 12 compares bulk wheat export tonnages for all Australian ports for the 2008/09 and 2009/10 marketing years. Kwinana in WA continued to dominate bulk wheat exports in 2009/10 with more than 3 million tonnes of exports. Three other ports exported in excess of 1 million tonnes each (Geraldton, Port Lincoln and Newcastle).

Exports vary considerably year on year, depending on production in the respective port zones. For example, between 2008/09 and 2009/10 exports doubled at Port Lincoln and halved at Port Kembla and Gladstone.

WEA maintains an interactive grain port terminal map on its website to assist stakeholders obtain information on the capacity and activity at Australian grain terminals.

There are 18 active grain export terminals in Australia. However, the table and map opposite only indicate 17 ports as Inner Harbour and Outer Harbor at Port Adelaide are combined as they share a common inward supply chain.

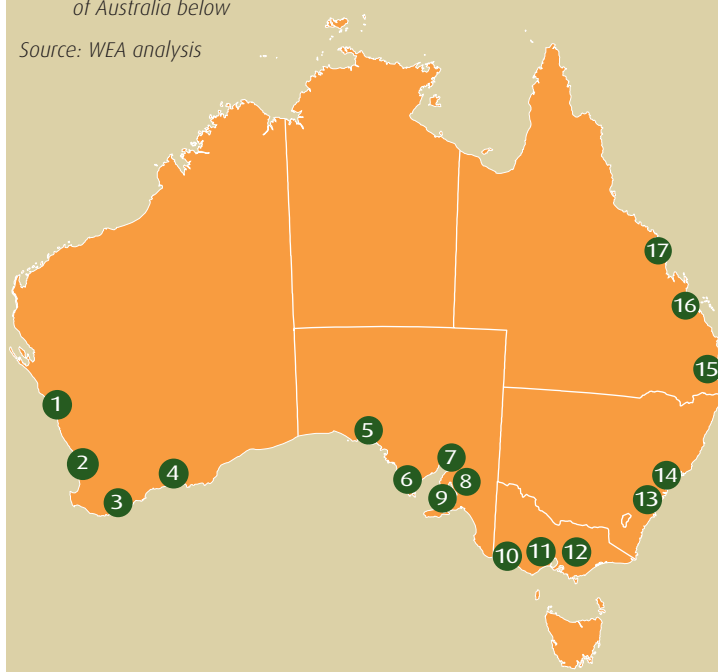
The map is available at: [www.wea.gov.au/WheatExports/portterminalmap.htm](http://www.wea.gov.au/WheatExports/portterminalmap.htm).

Figure 12: Breakdown of bulk wheat export volume by loading port

Loading Port	Bulk tonnage exported 2008/09	Bulk tonnage exported 2009/10	Variance %
<b>WA</b>			
(1) Geraldton	1,730,000	1,680,000	-3%
(2) Kwinana	3,271,000	3,400,000	4%
(3) Albany	1,035,000	920,000	-11%
(4) Esperance	774,000	575,000	-26%
<b>WA TOTAL</b>	<b>6,810,000</b>	<b>6,575,000</b>	<b>-3%</b>
<b>SA</b>			
(5) Thevenard	77,000	167,000	117%
(6) Port Lincoln	570,000	1,240,000	118%
(7) Wallaroo	221,000	255,000	15%
(8) Port Adelaide (including Outer Harbor)	642,000	882,000	37%
(9) Port Giles	147,000	170,000	16%
<b>SA TOTAL</b>	<b>1,657,000</b>	<b>2,714,000</b>	<b>64%</b>
<b>VIC</b>			
(10) Portland	0	0	-
(11) Geelong	172,000	300,000	74%
(12) Melbourne	218,000	293,000	32%
<b>VIC TOTAL</b>	<b>390,000</b>	<b>593,000</b>	<b>52%</b>
<b>NSW</b>			
(13) Port Kembla	1,120,000	570,000	-49%
(14) Newcastle (Carrington)	1,396,000	1,019,000	-27%
<b>NSW TOTAL</b>	<b>2,516,000</b>	<b>1,589,000</b>	<b>-37%</b>
<b>QLD</b>			
(15) Brisbane (Fisherman Island)	728,000	560,000	-23%
(16) Gladstone	189,000	75,000	-60%
(17) Mackay	43,000	48,000	12%
<b>QLD TOTAL</b>	<b>960,000</b>	<b>683,000</b>	<b>-29%</b>
<b>AUSTRALIAN TOTAL</b>	<b>12,333,000</b>	<b>12,154,000</b>	<b>-1%</b>

Note: Numbers in brackets refer to the port terminal on the map of Australia below

Source: WEA analysis



# Accredited exporter case study

## Plum Grove Pty Ltd

Founded in 2003, Plum Grove Pty Ltd is an independent specialist wheat pool manager and marketer based in Fremantle, Western Australia. Over recent years the company has grown substantially and now accumulates a significant share of the Western Australian wheat crop.

During 2009, Plum Grove identified an opportunity to export wheat in bulk under an innovative accumulation structure that brought the Australian grower and international end user closer together.

By partnering with Seaboard Corporation and Salim Group, Plum Grove secured a vested interest from both companies in using wheat from Australia over alternative origins where possible.

The Salim Group is one of Indonesia's largest conglomerates with various food based processing assets in a number of countries. Seaboard Corporation, an entity listed on the New York Stock Exchange, has 14 flour mills worldwide and transports and markets around

4 million tonnes of grains and proteins every year. Significantly, it has eight flour mills on the East Coast of Africa, which had been traditionally starved of Australian wheat. This represents an exciting opportunity for Australian growers and proves that, far from there being only saturated markets remaining, there still exists a large section of consumptive demand at a freight advantage for Australian wheat that is not being satisfied by current arrangements.

In 2010, as part of Plum Grove's continued expansion, it partnered with Australia's newest grain grower co-operative, Australian Grain Growers Co-operative (AGG Co-op) to offer AGG Co-op members wheat and barley harvest pools in South Australia. This was seen as a logical and important step in building a sustainable national accumulation footprint for Plum Grove.

With its existing business secured, its new partnership with AGG Co-op and the additional support of Seaboard Corporation and Salim Group, Plum Grove sought to increase the tonnage limit under its accreditation from 100,000 tonnes to 600,000 tonnes. On 24 September 2010, having reviewed Plum Grove's revised export proposal and financing arrangements, WEA agreed to this proposal.



*Loading a road train from farm storage, North Eneabba, WA.*



## Exporter volumes and market share

Figure 13 shows a comparison of the percentage of total bulk wheat volumes exported by active exporters in the two marketing years since the establishment of the Scheme on 1 July 2008.

Of note is the absence of a single dominant exporter, with the largest exporter having less than 25% market share in both years since partial deregulation. There has been a rapid transition from a single exporter to multiple exporters. Such a rapid increase in numbers of competitors has been an outstanding feature of the partial deregulation of the bulk wheat export industry and has been much more swift than for most other deregulation processes.

The recent changes to wheat export marketing arrangements have also seen many mid-size and smaller exporters vying for market share.

The top six exporters accounted for approximately 79% of total bulk wheat exports in each year. The remaining 21% of bulk exports were shared by 11 exporters in 2008/09 and by 12 exporters in 2009/10.

It is also relevant to note that some of the smaller exporters concentrate on specific varieties of wheat or on certain niche markets and therefore whilst their volumes may be relatively small, their share of a specific market or wheat class could be significant.

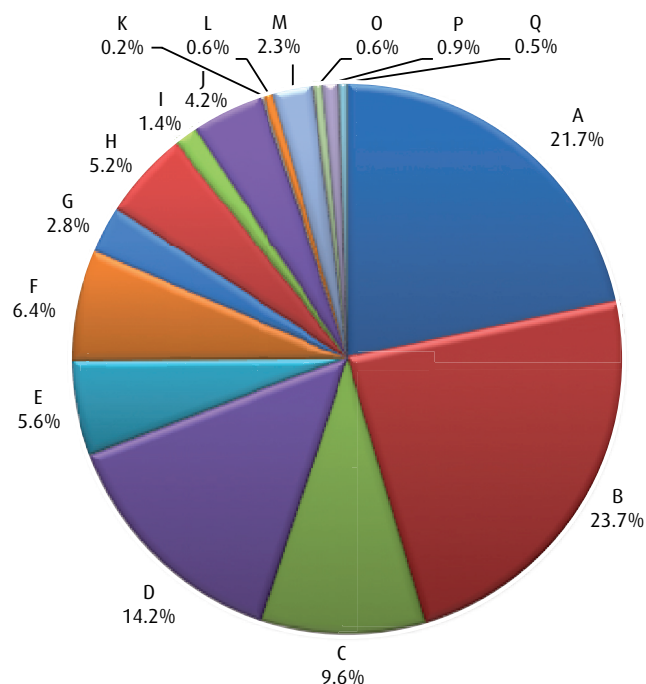
Whilst there were only minor changes in market share over the two years for some exporters, there were significant movements in volumes. For example:

- B exported 0.24 million tonnes less in 2009/10 (-8%)
- D exported 0.76 million tonnes less in 2009/10 (-43%)
- E increased from 0.69 million tonnes in 2008/09 to 0.96 million tonnes in 2009/10 (39%)
- J dropped from 0.54 to 0.3 million tonnes (-44%)
- N went from zero in 2008/09 to 0.1 million tonnes in 2009/10

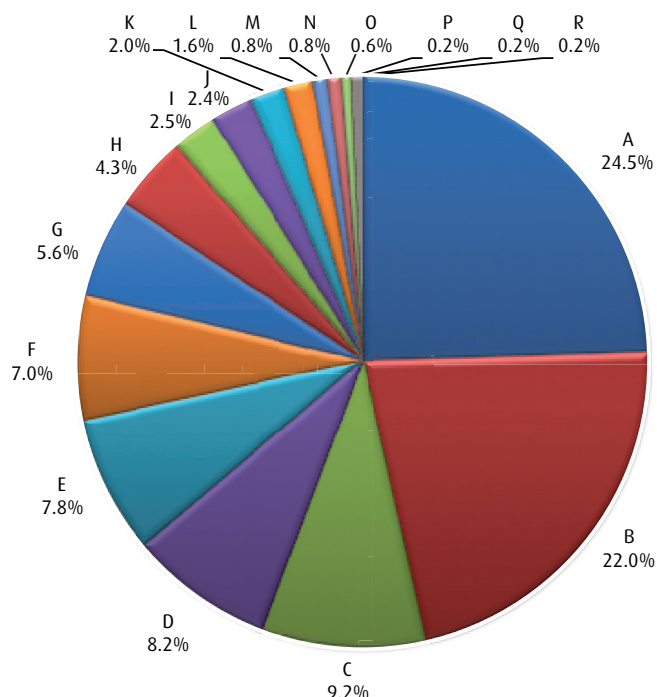
Such movements are a good indicator of a dynamic and highly competitive market.

**Figure 13: Bulk wheat export shares by active exporter - 2008/09 vs 2009/10**

### 2008/09



### 2009/10



Note 1: In 2008/09 17 accredited exporters exported 12.4 million tonnes of bulk wheat.

Note 2: In 2009/10 18 accredited exporters exported 12.1 million tonnes of bulk wheat.

Note 3: The letters representing each exporter are the same in each pie chart and in Figure 14.

Note 4: The figures are of volumes loaded onto ships.

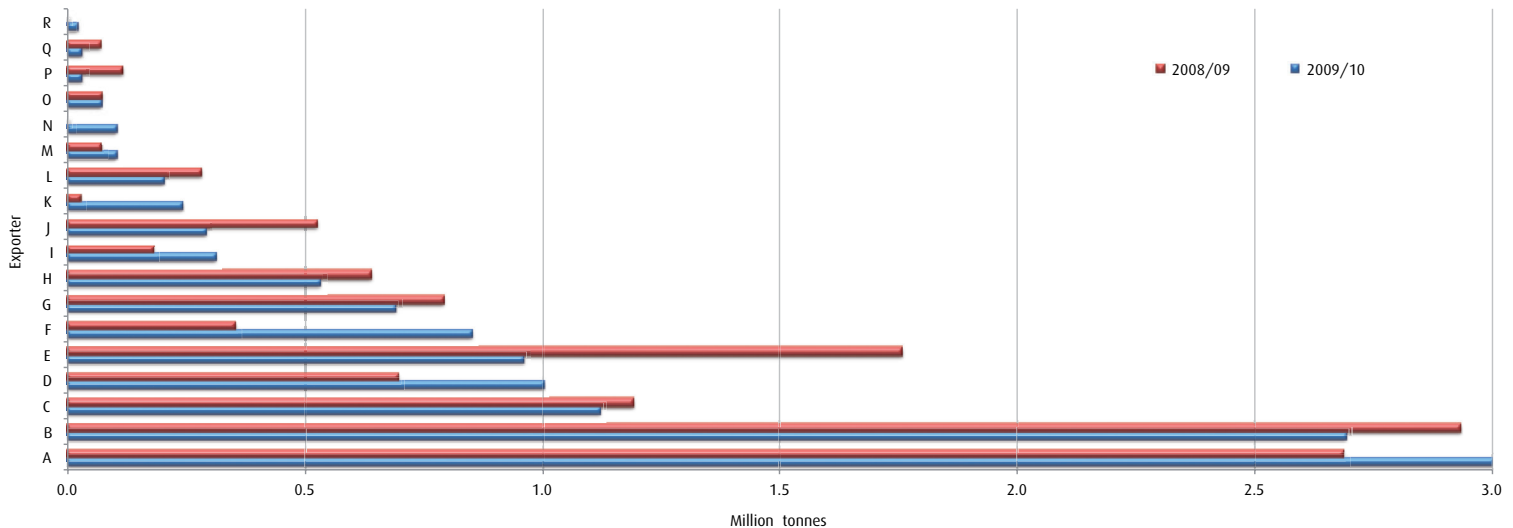
Source: WEA analysis.

Figure 14 shows a comparison of export volumes by active exporters in 2008/09 and 2009/10. In 2009/10 five exporters each exported in excess of 900,000 tonnes compared to four in 2008/09. In both years the same two largest exporters shipped in excess of 2.5 million tonnes each.

In 2008/09 six exporters exported between 200,000 tonnes and 900,000 tonnes. The number increased to eight in 2009/10.

It is relevant to note that many sales have been free-on-board (FOB) and that the ownership of the wheat changed as soon as it was loaded onto the ship. Hence, some exporters have actually purchased and effectively shipped much higher volumes than recorded in these graphs, whilst others have shipped lower volumes due to FOB sales.

**Figure 14: Exporter volumes 2008/09 vs 2009/10**



Note: The letters representing exporters are the same as those in Figure 13  
Source: WEA analysis.

## Fact Box

### Additional wheat marketing choices

Since the discontinuation of Australia's wheat export single desk, there has been significant growth in the number of innovative marketing options. As a result, Australian wheat growers have more choices with marketers offering a range of pools, cash contracts, financing and payment alternatives.

#### Pools

Pool options include:

- joint ventures with grower groups
- pre-harvest pools
- pools catering to specific geographic regions
- harvest pools
- managed pools using active trading strategies
- hectare based pools
- protected target price pools
- early exit options
- choice of pool terms – e.g. between 12 and 24 months.

#### Cash contracts

- Faster payment terms. For example at least two Australian grain marketing companies have improved payment terms to growers.

- Company #1 - seven business days from the date of nomination (previously 15 business days from the end of the week that the grain was nominated).

- Company #2 - nine days from the end of the week of delivery (previously 30 days from the end of the week of delivery).

- Tailored individual marketing programs offering regular cash flow.

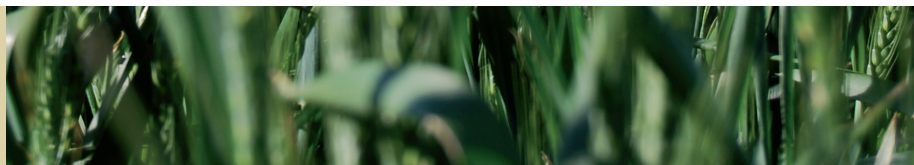
#### Financing and payment alternatives

##### Pools

- standard harvest loan
- flexible drawdown (line of credit)
- advance payment
- deferred payment.

##### Cash

- Payment of an advance, subject to a commitment by the seller to price the commodity with the grain merchant at a later date.





Loading a train at Mingenew, WA, the largest inland grain terminal in Australia.

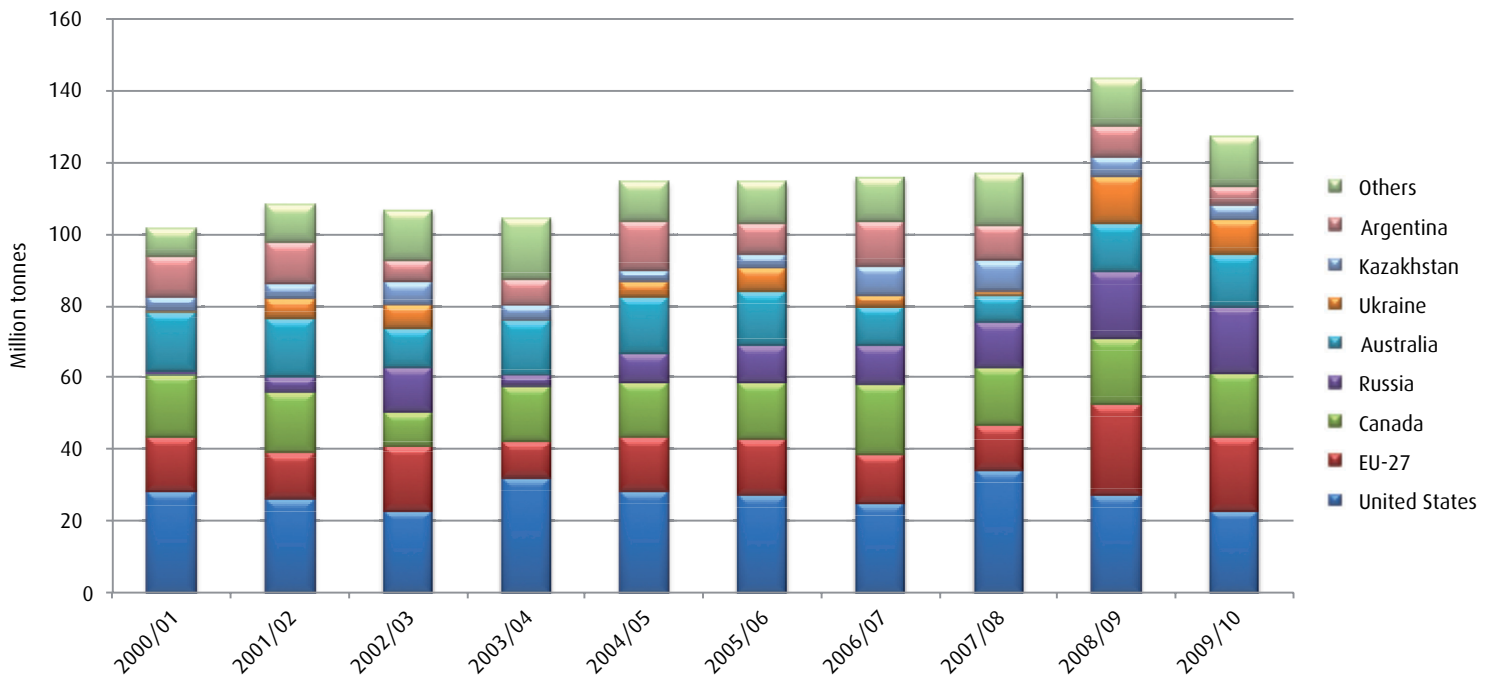
## Global wheat exports

Approximately 20% of global wheat production is traded internationally, averaging 115 million tonnes per year during the last decade (see Figure 15). Global wheat trade increased 41% over the period 2000/01 to 2008/09, peaking at 143 million tonnes before declining 8% to 127 million tonnes in 2009/10.

Historically, Australia has held a position in the top five major wheat exporting countries. However, in recent years this position has been challenged with the development of regular exports from the FSU States, particularly Russia, Ukraine and Kazakhstan.

During 2009/10, Australia remained the fifth largest wheat exporting nation, exporting 12.1 million tonnes of bulk and 2.5 million tonnes of non-bulk wheat. Australia's position in relation to the other major wheat exporting nations and the changes that have occurred in the ranking of those nations over the last decade can be seen in Figure 15.

**Figure 15: Major world wheat exporting countries by volume 2000/01 to 2009/10**

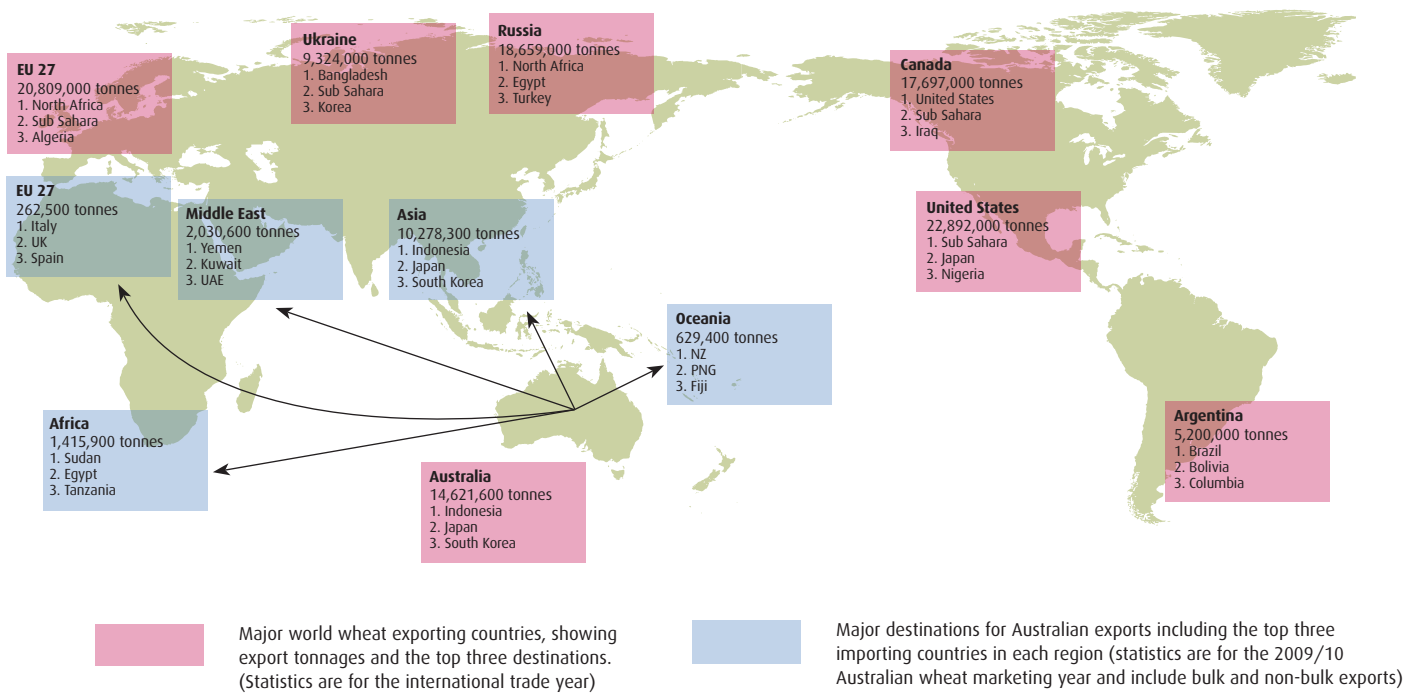


Source: USDA PSD online (statistics are for the international trade year), IGC and WEA analysis

The impact of drought conditions on production in addition to a modest increase in domestic demand for wheat has caused significant variability in Australia's export volumes over the last decade. Coinciding with

this, there has been substantial variability in export tonnages from emerging regions such as the FSU which is as much a function of local political factors as seasonal conditions.

**Figure 16: Major world wheat exporting countries and destinations – 2009/10**



Source: IGC and WEA analysis

Figure 16 illustrates the significant volumes of Australian wheat exports to the Asian region (10.3 million tonnes) which accounted for more than 70% of Australia’s wheat exports in 2009/10 with Indonesia, Japan and South Korea being the major importing countries.

Export tonnage to the Asian region grew 28% in 2009/10 from the previous year which is an increase of 3.8 million tonnes over the 10 year average of 6.5 million tonnes. The significant exports to the Asian region reflect the freight advantage Australian exporters enjoy over other exporting nations supplying this region.

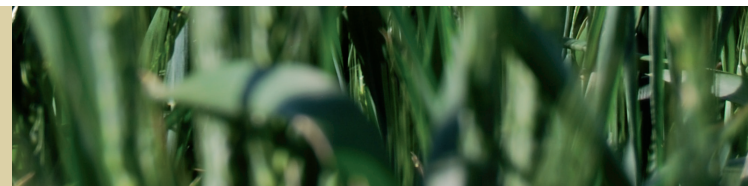
Australian wheat exports to the Middle East declined by 1.8 million tonnes over the last year, down from 3.8 million tonnes in 2008/09 and well below the 10 year average of 3.9 million tonnes. This volume accounted for 14% of Australia’s wheat exports in 2009/10, significantly less than the 27% of Australia’s export crop in 2008/09.

Wheat exports to the African continent remained relatively constant at 1.4 million tonnes per year.

## Fact Box

### Changes to wheat export destinations - 2009/10

- Australian bulk wheat exports to China tripled to 633,000 tonnes, or 45% of China’s estimated wheat imports.
- Bulk exports to India reached 44,000 tonnes in 2009/10 (up from zero in 2008/09).
- Oman and Sri Lanka more than doubled their imports of Australian wheat.
  - Oman increased from 42,000 tonnes in 2008/09 to 85,000 tonnes in 2009/10.
  - Sri Lanka increased from 47,000 tonnes in 2008/09 to 122,300 tonnes in 2009/10.



- Bahrain and Saudi Arabia tripled their imports of Australian wheat.
  - Bahrain increased from 22,000 tonnes in 2008/09 to 61,100 tonnes in 2009/10.
  - Saudi Arabia increased from 55,000 tonnes in 2008/09 to 167,500 tonnes in 2009/10.

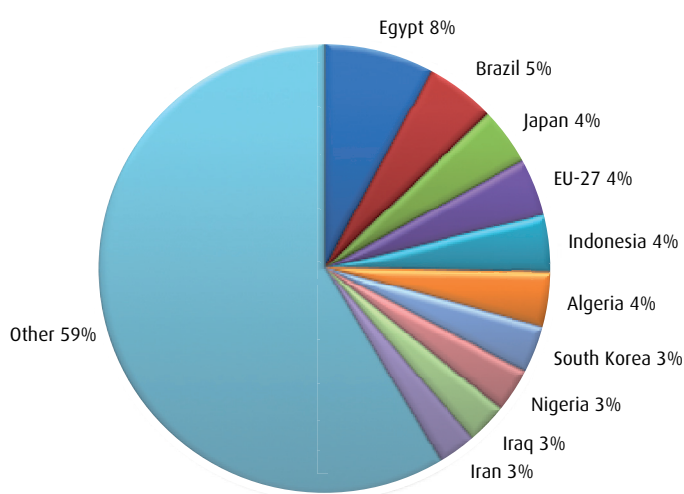
Source: ABARES, USDA and WEA analysis

## Major importing countries <sup>6</sup>

The world wheat trade by importing countries is highly fragmented. For example, on an annual basis:

- 6 countries import more than 5 million tonnes;
- 13 countries import between 3 and 6 million tonnes;
- 18 countries import in the range of between 1 and 2 million tonnes and
- 33 countries import between 0.3 and 1 million tonnes.

**Figure 17: Major wheat importing countries and their share of world trade – 2009/10**



Note: Other constitutes 109 countries

Source: USDA PSD online (statistics are for the international trade year)

As can be seen from Figure 17, the major wheat importing countries are Egypt, Brazil, Japan, the EU-27, Indonesia and Algeria, each accounting for at least 4% of world trade.

Developing countries account for approximately 78% of annual wheat imports. It is expected that these countries will continue to increase wheat imports given the combination of increasing population, and urbanisation, higher incomes and changing dietary patterns.

Cultural and dietary norms in developing countries require different wheat products to those produced in developed countries. This requires wheat of different specification and quality to produce these products.

Three key shifts occurring in the world wheat trade environment that may have a significant impact on Australia are:

1. China's ability to balance its demand for wheat

As a leading world wheat producer, China has the potential to significantly impact world trade depending on its production and grain stocks. Over recent years, China has imported from a low of 50,000 tonnes in 2007/08 to a high of 6.7 million tonnes in 2004/05. In the period from the 1960s to the late 1990s, China imported between 5 and 10 million tonnes of wheat annually.

2. Changing trade patterns in the Middle East

From 1999/00 imports by Middle Eastern countries have declined from about 18 million tonnes to around 10 million tonnes per annum as a result of a rise in domestic production and stagnant domestic consumption. This contraction in the Middle East market has a significant impact on Australia's wheat exports.

Historically around 40% of Australia's wheat exports were destined for the Middle East. In the five years from 2004/05 to 2009/10 this fell to 2.0 million tonnes or about 14% of Australia's wheat exports.

The Iraq war and the past limitations on Australian exports to Iraq have been major factors for this change. Australia has also faced increasing competition in this market from both traditional competitors such as the US and Canada and newer competitors, such as India.

<sup>6</sup> Adapted from 'What the World Wants from Australian Wheat: Update 2010', prepared for the Grain Growers Association Ltd by BRI Australia.

In 2009/10 Saudi Arabia almost ceased domestic wheat production and has recommenced importing wheat offering further potential for Australian exports.

3. The significant shift away from wheat to corn and soybeans in the US and Canada

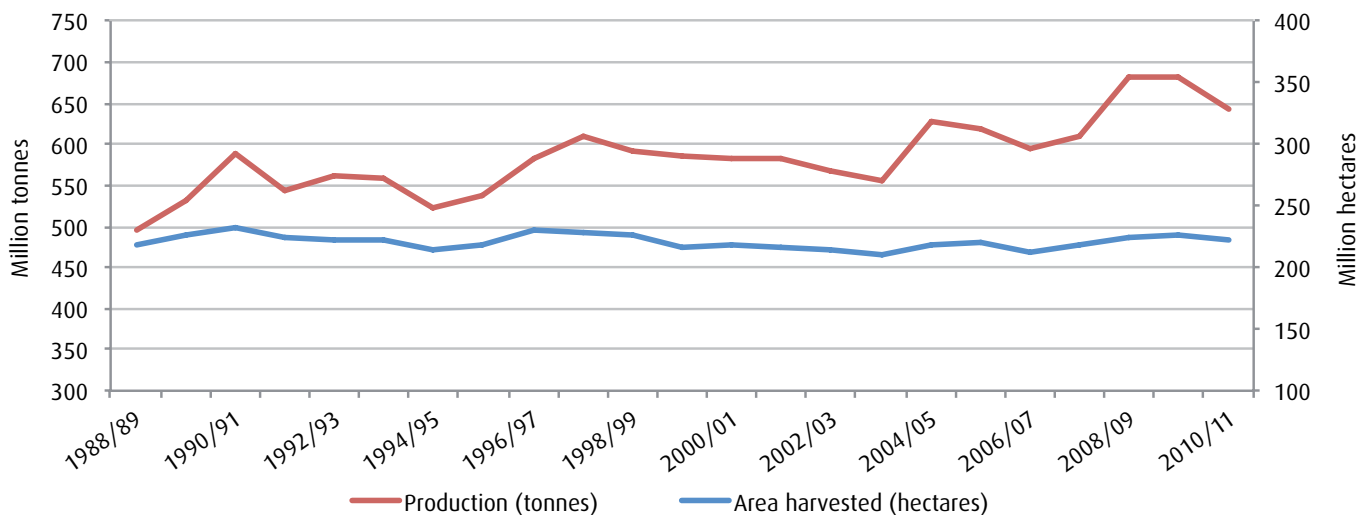
This shift has resulted in a notable long-term decline in both US and Canadian shares of world wheat production and international trade. This shift provides opportunities for Australian wheat exporters.

For much of the Asian region, where significant growth is forecast, any increase in demand for wheat will need to be met by imports. Traditionally, many Asian countries do not produce wheat for either cultural or climatic reasons.

Other significant consuming countries, such as China and some of the states of the FSU, are opportunistic importers and exporters, resulting in significant swings in imports and exports depending on domestic production.



## World wheat area harvested and production



The above chart shows world wheat production has varied over the last 22 years, peaking in 2008/09 at 683.3 million tonnes and is estimated to fall to 642.9 million tonnes in 2010/11. At the same time the world wheat area harvested has remained comparatively stable over the same period.

If current trends in world wheat production and area harvested continue and a major producer or exporter endures adverse weather in 2011, the implications are that world wheat prices could reach record highs.

*Source: AgResource Company – Global Grain conference presentation, November 2010 and USDA Foreign Agricultural Service PSD online*

## World wheat price trends

World wheat prices vary according to world supply and demand, influenced chiefly by the levels of wheat production and stocks held in producing countries.

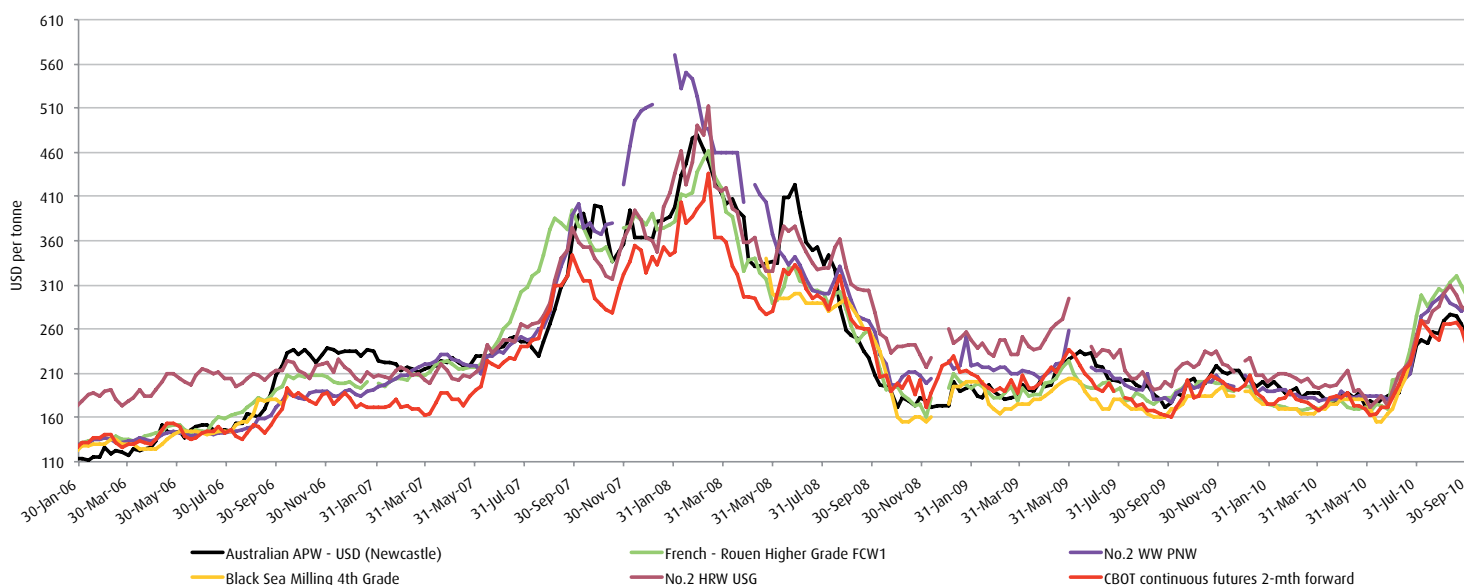
Over the long term, world wheat prices have varied significantly, with periods of price peaks and troughs. Prices have however increased recently as the world stocks-to-use ratio has decreased. Significant price spikes occurred in 2007/08 and more recently in the third quarter of 2010 as a factor of the reduced ratios.

Australia's wheat industry typically exports in excess of 60% of production. With such a dependency on exports, Australian wheat prices reflect international price movements provided there is sufficient wheat supply to

meet Australia's domestic demand. This is the case for all wheat exporting nations and reflects the high degree of integration of the world wheat market and the sensitivity of international trade to the variations between production and consumption.

Figure 18 demonstrates the close correlation between a series of world wheat prices. The classes of wheat identified in the chart traditionally compete with Australian wheat in the international market. The chart demonstrates the similarity in prices across all these classes, including the sharp rise in prices from June to August 2010. Historically, Australian prices have maintained their relativity to these competing classes of wheat and this has continued following the partial deregulation of the Australian wheat export industry.

**Figure 18: World wheat prices - 2006 to 2010**



Note: Black Sea Milling 4th grade is wheat from the Ukraine  
 French - Rouen Higher grade French Common Wheat Standard 1  
 No.2 HRW USG - is No.2 Hard Red Wheat from the United States Gulf  
 No. 2 WW PNW - is No.2 Winter Wheat from the Pacific North-West of the United States  
 Chicago Board of Trade (CBOT) continuous is Soft Red Winter wheat traded on the US Chicago futures exchange

Source: WEA analysis

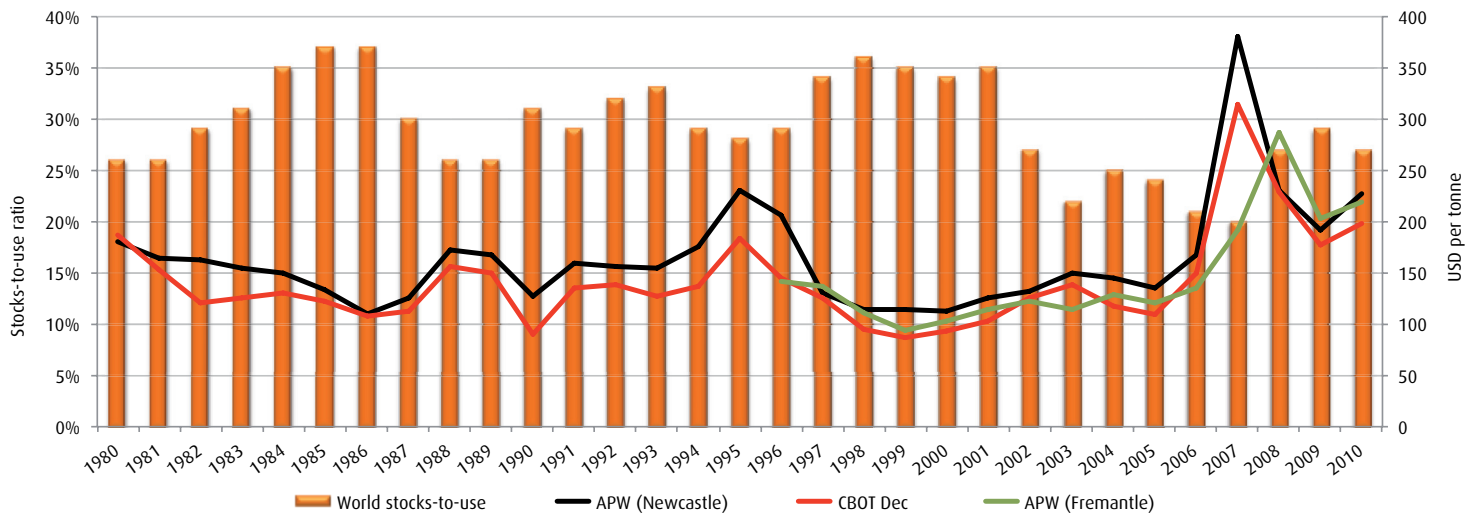
## World wheat stocks-to-use ratio

A leading indicator of market sensitivity to the balance between supply and demand (and therefore price) is the world stocks-to-use ratio. This shows stock levels as a percentage of annual consumption (see Figure 19).

The global wheat market has become accustomed to lower stocks-to-use ratios over the past decade with the

reduction in export subsidies and intervention stocks. When the stocks-to-use ratio is low, prices will usually be high (as occurred in 2007) and when stocks are high, prices will usually be low. A broad cyclical pattern is apparent in this ratio and therefore also in the price of wheat.

Figure 19: World wheat stocks-to-use ratio compared to CBOT and Australian prices



Source: USDA and WEA analysis

Figure 19 also shows that a driver for the recent rise in world wheat prices was the decline in the world stocks-to-use ratio from 29% in 2009 to 27% in 2010. This occurred as a result of a predicted decline in world wheat production in 2010/11 of 4.6% from 672.2 million tonnes in May 2010 to 641.4 million tonnes in October 2010.

Significant declines in production estimates in the FSU and Canada have contributed to the reduced world production

estimates. The major FSU producers, (Russia, Kazakhstan and Ukraine) have had production estimates reduced by 25% since May 2010 because of drought. Russia further tightened available stocks with a ban on wheat exports in 2010, possibly until November 2011. Canadian production estimates during the same period have been reduced by 9% due to unseasonably wet conditions reducing yields.

## Factors that may influence long-term wheat prices (According to Daniel Basse)

- World grain stocks declined 39 million tonnes in 2009/10. As such, there is no room for additional supply dislocation due to adverse weather events. This can only be solved by a supply response.
- World population continues to rise, having doubled in the last 45 years.
- Harvested agricultural area per capita continues to show steady decline, having decreased 66% over last 45 years.
- World beef, poultry and pork production has increased approximately 5.6 million tonnes annually since 1970, placing continued demand on feed grain sources.
- Growth in food consumption is expected from poverty reduction, particularly in India and China.
- The food vs fuel debate continues to add uncertainty to world markets.

Source: Adapted from Global Grain Markets 2011; presentation by Daniel Basse, President AgResources Company.



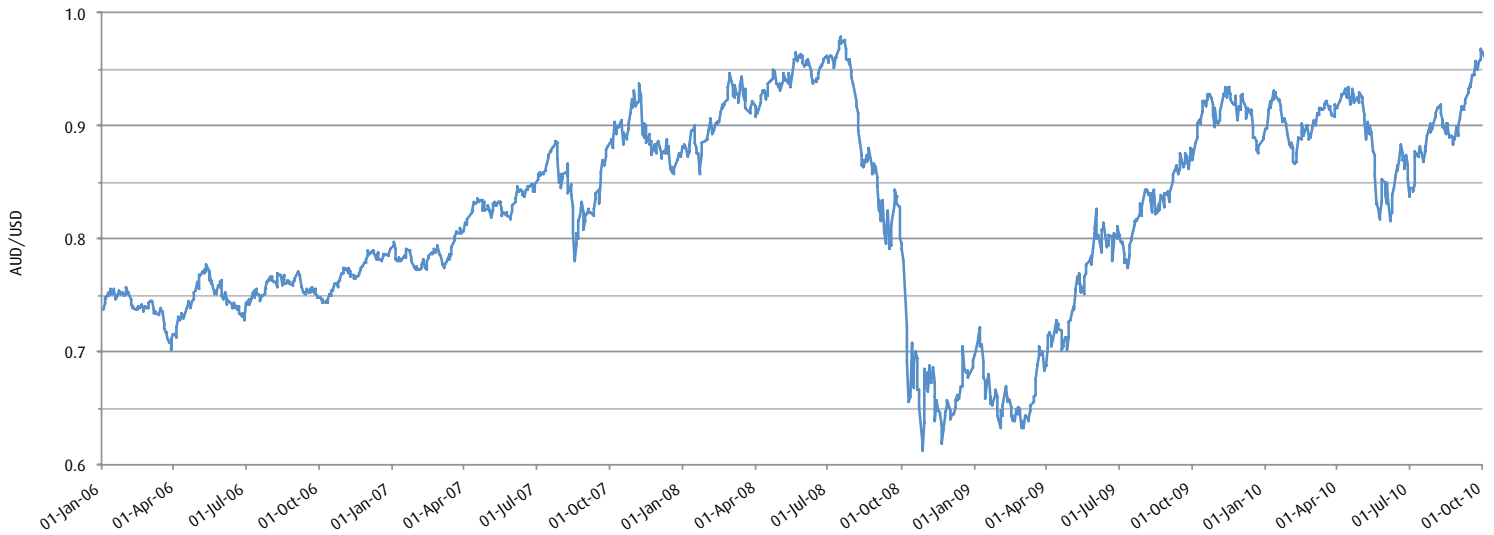


## AUD to USD exchange rate

The rise in the Australian wheat price has occurred despite a rise of 9.8% in the value of the Australian dollar (AUD) versus the United States dollar (USD) from 0.8801 at the

end of September 2009 to 0.9667 at the end of September 2010 (Figure 20). Had the AUD not risen in value against the USD, Australian wheat prices would have been even higher.

Figure 20: AUD to USD exchange rate 2006-2010



Source: Reserve Bank of Australia.

## Fact Box

### Access undertakings



The Australian Competition and Consumer Commission (ACCC) is the Australian Government's agency which promotes competition and fair trade in the market place.

A Port Terminal Service Access Undertaking is a document which establishes the terms and conditions under which a service provider is willing to offer or negotiate access to its services. In the case of Australia's wheat export marketing arrangements, the service provider is the grain port terminal operator providing access for accredited wheat exporters.

Three companies currently have access undertakings accepted by the ACCC: Co-operative Bulk Handling Limited, GrainCorp Operations Limited and Viterra

Operations Limited. Each of these access undertakings covers the period 1 October 2009 to 30 September 2011.

Co-operative Bulk Handling Limited and Viterra Operations Limited are 'associated entities' of the accredited exporters, CBH Grain Pty Ltd and Viterra Ltd respectively. For those two companies to maintain accreditation, their associated entities, the actual providers of the port terminal service, must have an access undertaking accepted by the ACCC. GrainCorp Operations Limited as both the accredited exporter and the port terminal service provider must continue to have an access undertaking to remain accredited.

# Operation of the Wheat Export Accreditation Scheme

Entities wishing to export wheat in bulk from Australia must be accredited by WEA under the Wheat Export Accreditation Scheme. Those wanting to export wheat in bags or containers are not required to be accredited, as this sector of the industry was fully deregulated on 1 July 2008.

WEA is required to exercise judgement as to whether an applicant is 'fit and proper' to be accredited, taking into account its export proposal and its performance and behaviour over the preceding five years.

To gain accreditation, exporters must fulfil the eligibility criteria outlined in the Act to WEA's satisfaction. The criteria include the applicant's financial resources, business record, risk management arrangements and the applicant's record relating to trust and candour. WEA also looks at the demonstrated behaviour of the company and its executives, including their compliance with Australian and foreign laws.

## The criteria that WEA takes into account in assessing a company under the Scheme include:

- The applicant must be a company or co-operative and be a trading corporation.
- WEA must be satisfied that the applicant is 'fit and proper' by considering the following criteria:
  - financial resources
  - risk management arrangements
  - business record
  - trust and candour
  - experience and ability of executive officers
  - compliance with applicable Australian and foreign laws
  - compliance with designated sanitary and phytosanitary measures
  - compliance with applicable United Nations sanctions provisions.
- The applicant must not be under external administration.
- The applicant or relevant associated entity must pass the port terminal access test where applicable.

All applicants are treated equally under the assessment process.

WEA may grant accreditation for up to three years, taking into consideration the export proposal and level of export experience of each applicant.

Once it has decided in favour of accreditation, WEA issues the exporter with an Instrument of Accreditation detailing its conditions of accreditation. An exporter must comply with these conditions for the duration of the accreditation period.

Certain conditions are automatically applied to all exporters under the Scheme and WEA is also able to impose further conditions on individual exporters on a case-by-case basis. WEA has the flexibility necessary to impose conditions as it considers appropriate to the activities of a particular exporter. However, WEA must first consult with the applicant. It is important to note that WEA must not impose conditions limiting tonnage or market destinations unless proposed by the applicant.

During the period of accreditation an exporter may apply for a variation of certain conditions of accreditation or may surrender its accreditation. Any affected person, including the exporter itself, may also apply for WEA to reconsider a decision made under the Scheme.

WEA maintains a register on its website that lists the name and Australian Company Number (ACN) of each accredited exporter, as well as each exporter's conditions of accreditation.

Under the Act, accreditation is not transferable and significant penalties exist for exporting wheat in bulk without accreditation, for breaching conditions of accreditation and for providing false or misleading information to WEA.

## Can I export my own wheat in bulk as an individual?

- Individuals cannot export wheat in bulk under the current wheat marketing arrangements.
- Under the terms of the *Customs (Prohibited Exports) Regulations 1958*, the export of wheat in bulk is prohibited without accreditation from WEA.
- In order to receive accreditation an exporter must satisfy certain eligibility criteria specified in the Act and the Scheme.
- The following two criteria must be strictly fulfilled in order to be eligible for accreditation:
  1. The exporter must be a company
    - a. registered as a company under Part 2A.2 of the *Corporations Act 2001*; or
    - b. a co-operative; and
  2. The company must be a trading corporation to which paragraph 51(xx) of the Constitution applies.

## The accreditation renewal process

The Scheme allows for exporter accreditation to continue uninterrupted by way of a renewal process. A renewal application must be submitted between three and six months before the expiry date of the exporter's current accreditation.

WEA applies the same criteria for renewal as it does with applications for accreditation.

## Monitoring exporters

An important role of WEA is to regularly review the performance, circumstances and activities of accredited exporters to ensure they are complying with the conditions of their accreditation and to satisfy itself that they remain 'fit and proper'. Accredited exporters are required to provide annual compliance and export reports and other relevant information to assist with this process.

WEA has the power to obtain information and documents from accredited exporters to enable it to fulfil its functions effectively. WEA can also request information and documents from third parties if it believes the information is relevant to its functions and powers.

A total of nine notices of requirement for information were issued to accredited exporters by WEA in 2009/10 (31 in 2008/09). No notices were issued to persons that were not accredited exporters.

### **How does WEA monitor accredited wheat exporters?**

- WEA can arrange to have an independent external audit conducted at any time during the exporter's period of accreditation.
- WEA can request information from accredited exporters or third parties that may have information relevant to the functions of WEA.
- WEA imposes a condition of accreditation that requires an accredited exporter to report Notifiable Matters, being events or changes in circumstances relevant to its ongoing 'fit and proper' status, or where a new Executive Officer is appointed.
- WEA monitors export data from the Australian Customs and Border Protection Service (Customs) on a weekly basis to ensure that only accredited exporters export bulk wheat from Australia and that tonnage and market restrictions are adhered to where relevant.

### **Notifiable Matters**

As a condition of accreditation, an accredited exporter is required to notify WEA if an event occurs or the exporter's circumstances change, such that it could have a material impact on its accreditation - this is known as a Notifiable Matter.

If the event or circumstance is a ground on which WEA could cancel or surrender an accreditation, or is likely to result in the conclusion that the exporter is no longer 'fit and proper', it must be reported. Importantly it is the responsibility of accredited exporters, rather than WEA, to track and report Notifiable Matters.

## Fact Box

### **Wheat pools**

Six accredited exporters (Viterra Ltd, AWB Harvest Finance Ltd, Emerald Group Australia Pty Ltd, CBH Grain Pty Ltd, GrainCorp Operations Ltd and Plum Grove Pty Ltd) offered wheat pools in 2009/10. The operation and management practices of each pool varied, as did the structure of incentives and payment terms to growers.

Issues that growers should be aware of before committing wheat to a pool include:

- Estimated Pool Returns (EPRs) are just that, an estimate. Final pool returns may differ significantly from the initial EPR.

- How any early commitment premiums are extracted from the market and the impact this may have on final payments.
- The costs associated with the management of the pool. Are these costs transparent to the pool participant?
- Most EPRs are quoted FOB. Are these costs transparent to the pool participant?

Currently there is no ASIC oversight of pooling products in the grains industry.

In August 2010 WEA published a fact sheet entitled 'Wheat Pools: The Questions You Need to Ask'. It encourages growers to do their own research or seek external advice prior to committing wheat to a pool.



The report must be submitted to WEA as soon as possible and no later than 14 days after the occurrence of the event or the circumstance came into existence. WEA has issued guidelines to assist accredited exporters to comply with this important condition of accreditation.

During the year, WEA received 57 Notifiable Matter reports on approved forms from 15 accredited exporters (20 Notifiable Matter reports from seven exporters in 2008/09). WEA's assessment of the Notifiable Matter reports indicated that there was no further action required under the Scheme, such as suspension, cancellation or the imposition of further conditions.

### **Auditing accredited exporters**

The audit program administered by WEA plays an important role in improving the operations of accredited exporters, by refining governance, financial and risk management arrangements, and in achieving greater transparency of the shipping stems published by port terminal service providers.

An audit can be conducted in relation to the following matters:

1. the exporter's compliance with one or more conditions of its accreditation under the Scheme
2. the accuracy of information given to WEA by the exporter (whether orally, in writing or by any other means)
3. the accuracy of one or more statements made in the application that were considered in the assessment of the application for accreditation or renewal.

If the audit relates to the exporter's compliance with conditions of accreditation, WEA may request the auditor to provide:

1. an assessment of the exporter's existing capacity to comply with one or more conditions of accreditation under the Scheme
2. an assessment of what the exporter will need to do, or continue to do, to comply with one or more conditions of accreditation under the Scheme.

WEA arranged for 12 audits to be conducted during 2009/10, involving seven accredited exporters, as detailed in Figure 21 (26 audits involving 16 exporters were conducted in 2008/09).

A written report for each audit was prepared for WEA by the external auditor. The audit reports also included management comments from the exporter, which addressed the auditor's key findings or recommendations for improvement. WEA then considered what further action, if any, should be taken under the Scheme with respect to the wheat exporter. Action could include monitoring the implementation of improvements outlined in the audit report or requesting further information from the exporter.

Audits resulted in improved performance of exporters ensuring they maintain their "fit and proper" status.

**Figure 21: External audits conducted by WEA in 2009/10**

Type of audit	Number of audits	Areas of findings/improvement
Financial	1	No major improvement in finance or liquidity was required.
Systems, procedures and processes	5	Conduct management reviews to enhance systems and controls in the payment of End Point Royalties, the Wheat Export Charge and payments to growers. Encourage improved participation in National Residue Survey.
Risk management	5	Encourage improvement in risk management systems to AS/NZ ISO 31000:2009 Principles and Guidelines.
Continuous disclosure of shipping stem	1	Areas for improvement included tighter administration of excess vessel bookings and more timely cancellation of bookings that are not going to be used.
Total audits conducted	12*	

\*The 12 audits were conducted on seven exporters

Source: WEA analysis.

### How does WEA ensure compliance with the Scheme?

- WEA has the power to cancel or suspend an accreditation where it has sufficient evidence that an exporter has not complied with a condition of its accreditation.
- WEA can impose further conditions on an exporter's accreditation at any time during the period of accreditation.
- WEA requires exporters to submit both an annual export report and an annual compliance report at the conclusion of each marketing year. See Figures 22 and 23 for further information.
- WEA can apply for a civil penalty order for some breaches of the Act or Scheme.
- WEA visited or met with each exporter during 2009/10 to discuss their export proposals and assist them to understand their obligations under the Scheme.

**Figure 22: Exporter compliance with mandatory conditions of accreditation during 2009/10**

Mandatory conditions (required under the Act and/or Scheme)	Number of exporters that were required to comply with the condition	Number of fully compliant exporters	Compliance outcome %	Explanatory notes
Compliance with Australian and foreign laws, applicable to the accredited exporter's trade in wheat	30	30	100%	No convictions recorded in 2009/10.
Compliance with the United Nations sanction provisions	30	30	100%	No contraventions reported to WEA in 2009/10.
Compliance with notice to supply information and/or copies of documents	5	5	100%	Cooperation from accredited exporters in complying with this condition of accreditation was excellent.
Compliance with notice to appoint an external auditor	7	7	100%	During 2009/10 WEA directed 7 of the 30 accredited exporters to conduct an external audit.
Supplying an Annual Export Report	30	27	90%	Three exporters failed to submit the report within prescribed timeframe or agreed extension granted by WEA.
Supplying an Annual Compliance Report	30	27	90%	Three exporters failed to submit the report within prescribed timeframe or agreed extension granted by WEA.
Submission of Notifiable Matter Form	19	18	95%	One exporter failed to report a Notifiable Matter in relation to a proposed change in corporate structure.
Notification of New Executive Officers	16	13	81%	Three exporters did not formally notify WEA of new Executive Officers within 14 days of appointment as required under the Act.

Note: All exporters which did not comply with mandatory conditions were informed of their obligations under the Act.

**Figure 23: Exporter compliance with conditions imposed by WEA during 2009/10**

<b>Additional conditions (imposed by WEA under s 8(4) or 15(3) of the Scheme)</b>	<b>Number of exporters that were required to comply with the condition</b>	<b>Number of fully compliant exporters</b>	<b>Compliance outcome %</b>	<b>Explanatory notes</b>
Payment of the Wheat Export Charge (WEC) of AUD0.22 per tonne	18	17	94%	During 2009/10 of the 30 accredited exporters only 18 were active and required to pay the WEC on bulk wheat exports. One exporter was required to make a late payment of the WEC following discovery during the audit of a substantial underpayment throughout the year.
Continuous disclosure of 'shipping stem' for each port terminal operated	3 *	1	33%	Non-compliance in relation to the administration of the shipping stem.
An ACCC approved 'access undertaking' for each port terminal operated	3 *	3	100%	Requirement of the access test on or after 1 October 2009.
The sourcing of export wheat produced on the properties of the accredited wheat exporter	1	1	100%	This condition applied to Greentree Farming Exports Pty Ltd throughout the 2009/10 marketing year.
Compliance with a tonnage limit	8	8	100%	Eight accredited exporters had tonnage limits.
Compliance with a market restriction (buyer)	2	2	100%	This condition was applicable to Goodman Fielder Consumer Foods Pty Limited and Touton Australia Pty Limited, each limited to the export of bulk wheat to its own group of companies.
Compliance with the requirement to disclose information to enable WEA to track the impact of a merger of an accredited exporter	1	1	100%	Information was supplied as required by Viterro Ltd.
Compliance with the condition to give WEA, by 30 July each year, information about the export proposal and funding for that proposal over the next three marketing years	21	21	100%	This condition applied only to multi-year accredited exporters.
Provide audited or certified financial statements at least once each calendar year	19	19	100%	This condition applied only to multi-year accredited exporters.
Compliance with a condition not to export wheat in bulk that has been acquired from growers directly	1	1	100%	This condition was applied to Touton Australia Pty Limited.

\* During 2009/10 this condition applied to the following three exporters: Viterro Ltd, GrainCorp Operations Ltd and CBH Grain Pty Ltd. The shipping stem for Melbourne Port Terminal is provided on a voluntary basis by Australian Bulk Alliance Pty Ltd.

Source: WEA analysis

## Accredited exporters

At the start of 2009/10 there were 23 accredited exporters. During the year, WEA accredited seven new exporters. Three exporters renewed their accreditation and three surrendered their accreditation leaving 27 exporters accredited as at 30 September 2010 (one exporter did not apply to renew its accreditation, from 1 October 2010).

In its first year of operation, WEA chose to limit the initial period of accreditation of all accredited exporters to a period ending 30 September 2009. This decision enabled WEA to reassess each accredited exporter against the Act's eligibility criteria at the time of renewal and verify that there were no events or circumstances requiring the suspension or cancellation of the accreditation. Also, the expiry period aligned with the date when providers of export terminal services were required to obtain an Access

Undertaking to remain eligible (or for their associated company to remain eligible) for accreditation.

Although WEA can accredit applicants for a period of up to three years, WEA takes into consideration the different export proposals and levels of experience of applicants when determining the accreditation period.

It is important to note that accreditation does not indemnify accredited exporters and provides no guarantee that an exporter will remain financially viable throughout its accreditation period.

Nevertheless, it is pleasing to record that over the two years since the current marketing arrangements have applied, no accredited exporter has experienced financial or other difficulties adversely impacting its relationship with other industry stakeholders, particularly growers.

**Figure 24: Changes in the number of accredited exporters during 2009/10**

Accredited exporters as at 30 September 2009	Accredited exporters as at 30 September 2010	New accreditations during 2009/10	Accreditations surrendered during 2009/10
23	27	CHS DU (Australia) Pty Ltd	Lempriere Grain Pty Ltd
		Gardner Smith Pty Limited	OzEpulse Pty Ltd
		Global Grain Australia Pty Limited	Sumitomo Australia Pty Ltd
		Landmark Operations Limited	
		Mitsui & Co (Australia) Ltd	
		Plum Grove Pty Ltd	
		Touton Australia Pty Limited	



*Crop nearing harvest, Horsham, VIC.*

Figure 25: Accredited exporters as at 30 September 2010

	Accredited wheat exporter	Current period of accreditation
1	<b>AWB (Australia) Limited</b> - ACN 081 890 502	1/10/2009 to 30/9/2012
2	<b>AWB Harvest Finance Limited</b> - ACN 102 469 303	1/10/2009 to 30/9/2012
3	<b>Bunge Agribusiness Australia Pty Ltd</b> - ACN 097 843 582	1/10/2009 to 30/9/2012
4	<b>Cargill Australia Limited</b> - ACN 004 684 173	1/10/2009 to 30/9/2012
5	<b>CBH Grain Pty Ltd</b> - ACN 089 394 883	1/10/2009 to 30/9/2011
6	<b>CHS DU (Australia) Pty Ltd</b> - ACN 137 965 121	1/10/2010 to 30/9/2013
7	<b>Concordia Agritrading (Australia) Pty Limited</b> - ACN 003 979 002	1/10/2009 to 30/9/2012
8	<b>Elders Toepfer Grain Pty Ltd</b> - ACN 126 806 979	1/10/2009 to 30/9/2012
9	<b>Emerald Group Australia Pty Ltd</b> - ACN 109 203 054	1/10/2009 to 30/9/2012
10	<b>Gardner Smith Pty Limited</b> - ACN 107 971 095	3/8/2010 to 30/9/2012
11	<b>Glencore Grain Pty Limited</b> - ACN 106 378 885	1/10/2009 to 30/9/2012
12	<b>Global Grain Australia Pty Limited</b> - ACN 088 505 622	9/3/2010 to 30/9/2011
13	<b>Goodman Fielder Consumer Foods Pty Limited</b> - ACN 000 024 546	1/10/2009 to 30/9/2012
14	<b>GrainCorp Operations Limited</b> - ACN 003 875 401	1/10/2009 to 30/9/2011
15	<b>Greentree Farming Exports Pty Ltd</b> - ACN 135 227 593	7/7/2009 to 30/9/2010
16	<b>J.K. International Pty Ltd</b> - ACN 010 127 750	1/10/2009 to 30/9/2012
17	<b>Landmark Operations Limited</b> - ACN 008 743 217	10/11/2009 to 30/9/2011
18	<b>Louis Dreyfus Commodities Australia Pty Ltd</b> - ACN 004 088 000	1/10/2009 to 30/9/2012
19	<b>Marubeni Australia Ltd</b> - ACN 000 329 699	1/10/2009 to 30/9/2012
20	<b>Mitsui &amp; Co. (Australia) Ltd</b> - ACN 004 349 795	21/12/2009 to 30/9/2011
21	<b>Noble Resources Australia Pty Ltd</b> - ACN 001 069 423	1/10/2009 to 30/9/2012
22	<b>PentAG Nidera Pty Limited</b> - ACN 113 005 753	1/10/2009 to 30/9/2012
23	<b>Plum Grove Pty Ltd</b> - ACN 104 516 305	1/10/2010 to 30/9/2013
24	<b>Queensland Cotton Corporation Pty Ltd</b> - ACN 010 944 591	1/10/2009 to 30/9/2012
25	<b>Riverina (Australia) Pty Limited</b> - ACN 010 755 254	1/10/2009 to 30/9/2012
26	<b>Touton Australia Pty Limited</b> - ACN 138 613 617	1/10/2010 to 30/9/2013
27	<b>Viterra Ltd</b> - ACN 084 962 130	1/10/2009 to 30/9/2011



# Productivity Commission Inquiry

The Productivity Commission (PC) was requested by the Assistant Treasurer, pursuant to s89 of the Act, to undertake a public inquiry into Australia's wheat export marketing arrangements. The inquiry looked at the operation of the Act and the effectiveness of the Scheme in meeting the objectives of that Act.

A draft report was released on 22 March 2010 and the final report was provided to the Government on 1 July 2010. The Minister for Agriculture, Fisheries and Forestry and the Assistant Treasurer tabled the final report in Parliament on 28 October 2010.

The main findings and recommendations as detailed in the final report are:

- "The transition to competition in the exporting of bulk wheat has progressed relatively smoothly, particularly given difficult international trading conditions — a pronounced commodity price cycle, the global financial crisis, and exchange rate appreciation".
- "The regulatory arrangements for marketing bulk wheat exports have been beneficial during the transitional phase since deregulation. They have given growers confidence in adjusting to deregulation and facilitated the rapid entry of 28 accredited traders, with 12 million tonnes exported to 41 countries in the first year after deregulation".
- "A range of marketing options have become available since deregulation. However, some growers prefer the previous single desk arrangements".
- "The benefits of accreditation of traders will rapidly diminish in the post-transitional phase, leaving only the costs. The accreditation scheme, Wheat Exports Australia and the Wheat Export Charge should be abolished on 30 September 2011".
- "The port terminal access test has provided greater certainty for traders and made access easier, more timely and less costly than it could have been by

relying on potential declaration under Part IIIA of the Trade Practices Act".

- "However, there are still some transitional issues associated with port access and contestability in the logistics supply chain. The access test accordingly should remain a condition for port operators to export bulk wheat until 30 September 2014".
- "The benefits of the access test will diminish and could become costly in the long term without the checks and balances of Part IIIA of the Trade Practices Act. From 1 October 2014, regulated access should rely on Part IIIA, with continuation of mandatory disclosure, supplemented by a voluntary code of conduct by all port terminal services operators".
- "There is evidence that increasing on-farm storage, and competition between road and rail, are leading to improvements in supply chain efficiency. However, it is important that the regulatory arrangements enhance efficiency in the transport and storage market by facilitating contestability.
  - The Commission supports the decision by the ACCC to review the exclusive dealing notification in relation to Grain Express in Western Australia".
- "The level and allocation of investment in road and rail infrastructure by governments should be based on rigorous cost-benefit analysis, with a focus on developing economically and socially efficient logistics chains".
- "Monthly information by state on stocks, exports and domestic uses facilitates an efficient wheat market. Industry should consider funding its continuation".
- "The provision of most other 'industry good' functions is best left to the industry".

WEA will continue to operate on a business-as-usual basis in administering the Scheme, until advised otherwise by the Government. If the Government chooses to amend Australia's wheat export marketing arrangements, then WEA stands ready to play whatever role is required of it in transitioning to and implementing such new arrangements.



### **Further information**

Please visit WEA's website at [www.wea.gov.au](http://www.wea.gov.au) for the latest information on wheat export activity as well as media releases, fact sheets and other information on WEA.

### **Join our email list**

You can join our free email information service via our website.

### **Feedback**

WEA is interested to hear from its stakeholders including growers, exporters and service providers to the wheat industry on this Report and other WEA activities.

### **Contact WEA**

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