

Rural and Regional Affairs and Transport Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2012

Agriculture, Fisheries and Forestry

Question: 113

Division/Agency: APD/WEA – Agricultural Productivity Division/Wheat Exports Australia

Topic: Wheat Exports Australia

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Senator HEFFERNAN asked:

1. What evidence is there that abolition of WEA will help maximise the value capture of Australian wheat through the export supply chain?
2. What evidence is there that the current performance of the supply chain is functioning efficiently, minimising transaction risk and delivering best possible returns to producers?
3. In the context of the Australian grains export supply chain, do you recognise asymmetry that distorts the market and benefits one sector of the supply chain over another?
4. Explain how reducing transparency in the wheat supply chain can reduce risk associated with transactions, reduce risk margins and increase overall value capture of the supply chain to improve returns to producers?
5. How many export wheat cargoes, bulk and non-bulk, did not comply with contract specifications pre and/or post shipping?
6. How many export wheat cargoes were not tested and certified by the National Residue Survey?
7. How many export wheat cargoes did not meet MRL specifications?
8. What capacity currently exists to effectively monitor compliance of export wheat cargoes? How has the integrity of Australian wheat been managed and assured historically?
9. How does the US provide assurances that export wheat cargoes comply with contract specifications?
10. How might the assurance of contract specification compliance and the integrity of the varietal classification (as a means of describing milling and baking quality) of Australian wheat improve the value capture of Australian wheat?
11. What critical analysis has been done to assess how the supply chain performance could be improved to increase the net value of Australian wheat?

Answer:

1. The Productivity Commission inquiry into Wheat Export Marketing Arrangements (the inquiry) final report was tabled on 28 October 2010 and is available at; www.pc.gov.au/projects/inquiry/wheatexport/report.
2. Through its inquiry, the Productivity Commission found that the transition to competition in the exporting of bulk wheat had progressed smoothly.

The transitional arrangements have provided growers with a high level of payment security and an increase in marketing options. The Wheat Exports Australia 2010–11 Growers Report states that ‘over the three years since the current marketing arrangements have applied none of the accredited exporters have experienced any

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financial or other difficulties which had the potential to adversely impact their relationships with other industry stakeholders, particularly growers’.

The report also states that during the 2010–11 marketing year, 18.5 million tonnes of wheat were shipped from Australia despite significant difficulties with a wet harvest in the eastern states and dry conditions in the west. The report also affirms that a reduction in exporter dominance and the emergence of other major players in the market are indicative of an increasingly competitive market. The full report is publically available at www.wea.gov.au/ReportForGrowers.php.

3. In 2010, the Productivity Commission examined the availability and transparency of relevant market information to participants in the export supply chain. The Productivity Commission considered that while access to detailed information may not be even across each industry sector, such asymmetries are common in supply chains and aren’t considered to lead to significant market inefficiencies.
4. The Productivity Commission inquiry into wheat marketing arrangements found that the deregulation of bulk wheat export marketing has revealed cross-subsidies and inefficiencies that were embedded and hidden in the previous compulsory national pool. The Productivity Commission found that as a result of the new wheat marketing arrangements, growers are now observing prices that are closer to the actual costs of transporting, storing and handling, and marketing their grain.
5. Compliance with contractual obligations is a matter for the contracted parties.
6. During the period from 2000 to 2011, with the cooperation of the bulk handling companies and bulk exporters, all loaded hatches of all bulk shipments from the 16 bulk terminals were sampled and tested by the National Residue Survey (NRS). More than 36,000 grain samples have been collected and 99.9 per cent have complied with Australian Maximum Residue Limits (MRL) standards. The NRS does not certify for residue status.

During 2004–2011, most export container consignments were sampled and tested by the NRS. More than 2900 samples have been collected and 99.0 per cent have complied with Australian standards.

7. Please refer to the answer to Question 6.
8. Australia does not have legislated quality standards for the export of wheat. The Australian wheat export industry has a well established market driven system to secure and maintain long term access to key export markets, particularly those which return a price premium.

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This system is supported by a number of government and industry initiatives. For example, the Department of Agriculture, Fisheries and Forestry Biosecurity provides export inspection and certification services to ensure trade descriptions are accurate and to reduce the risk of insects, pests and noxious weeds. The NRS monitors compliance with Australian MRL standards and works with bulk-handling companies to sample bulk shipments of wheat.

Wheat Quality Australia, a joint initiative of the Grains Research and Development Corporation and Grain Trade Australia (GTA), manages Australia's wheat variety classification and consults regularly with domestic industry and international customers. GTA is responsible for the development of receival standards applied by storage agents across the country. These are also reviewed annually in consultation with industry.

9. The United States Grain Inspection, Packers and Stockyards Administration (GIPSA) manages the Federal Grain Inspection Service (FGIS) in accordance with the United States Grain Standards Act 1916.

FGIS provides a description of the quantity and quality of grain bought and sold using the Official United States Standards for Grain and the FGIS on a user-pays basis. The full details of GIPSA's role are publically available at;
www.gipsa.usda.gov/fgismain.html

10. Please refer to the answer to Question 8

11. There have been a number of reports which have provided analysis on supply chain performance.

In 2010, the Productivity Commission completed an inquiry into wheat export marketing arrangements which examined the performance of the supply chain. The Australian Government also facilitated grain freight reviews in New South Wales and Western Australian to examine issues relating to the movement of grain to port. The responsible state governments are progressing implementation of review recommendations.

The NSW report is available at
www.nationbuildingprogram.gov.au/funding/projects/NSW_grain_freight_review.aspx.

The Western Australian report is available at
www.nationbuildingprogram.gov.au/publications/reports/pdf/WA_Grain_Freight_Review_report.pdf.

In 2011 the Grain Logistics Taskforce reported on the efficiency and capacity of Victoria's grain storage and handling system. The full report is available at;
<http://www.transport.vic.gov.au/freight/freight-projects-and-initiatives/victorian-grain-logistics-taskforce>.