

Senate Standing Committee on Rural and Regional Affairs and Transport

ANSWERS TO QUESTIONS ON NOTICE

Budget Estimates May 2007

Agriculture, Fisheries and Forestry

Question no: WEA 01

Division/Agency: WEA

Topic: AWB(I) exercise of its veto over the Geneva desk

Hansard page: 29 (23/05/07)

Senator Heffernan asked:

Could you provide the details of those eight AWB Geneva sales vetoed by AWB(I) to the committee?

Answer:

The former Wheat Export Authority (WEA) previously provided to the Chair of the Committee the business rules that apply to AWB Geneva. The eight vetoes took place under those business rules and are listed below.

- 1). Sales of Canadian wheat into Egypt by AWB Geneva were vetoed by the National Pool because the National Pool was able to offer Australian origin wheat to the Egypt market at that point in time.
- 2). AWB(I) initially consented to a sale of other origin wheat to South Africa because the National Pool was unable to supply a similar grade at that time. However, AWB(I) later vetoed the sale when it became apparent that the National Pool was able to supply Australian origin wheat.
- 3). In July 2006, AWB Geneva wanted to sell 40,000 tonnes of Swedish/French wheat into India for prompt shipment. The National Pool wanted to exhaust all opportunities for Australian wheat first and vetoed the offer.
- 4). AWB Geneva wanted to purchase Chinese wheat to sell into various Asian countries.

Sales to specific markets were considered on a case by case basis.

AWBI was happy for AWB Geneva to conduct sales of Chinese wheat into Bangladesh, Sri Lanka, Cambodia, Taiwan and South Korea. For Taiwan and South Korea, if lower grades were purchased, it would need to enter as feed wheat only. AWBI placed a general veto on sales of Chinese wheat to all other markets in the region but was willing to consider other sales opportunities on a case by case basis.

As a consequence, sales were only made in Vietnam and Indonesia.

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Pool management undertook this action because it was concerned to prevent any potential sale of feed wheat as a substitute for milling wheat grades to markets in Asia.

- 5). In December 2006, there was a Qatar tender for 20,000 tonnes of wheat (grade/origin unknown). This was vetoed because the National Pool was offering Australian White Milling Wheat at that time.
- 6). In January 2007, AWB Geneva wanted to sell 2,000 tonnes of US Soft White Winter wheat (US SWW) to Indonesia. However, the National Pool was offering Australian Standard White wheat (ASW) at that time.
- 7). In January 2007, AWB Geneva wanted to sell 25,000 tonnes of US SWW to Indonesia. However, the National Pool was offering ASW at that time.
- 8). In February 2007, AWB Geneva wanted to sell 25,000 tonnes of US SWW for a May/June shipment to Indonesia. However, the National Pool was offering ASW at that time.

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Question no: WEA 02

Division/Agency: Wheat Export Authority

Topic: 2005-06 National Pool returns

Hansard page: 39 (23/05/07)

Senator Heffernan asked:

The price of 2005-06 wheat peaked in the domestic market at about \$320 a tonne.
What has the Pool paid so far?

Answer:

The seventh and final distribution of the 2005/06 National Pool was made during the week commencing 15 October 2007. This brought the total actual pool return for the 2005/06 National Pool to \$192.60 per tonne FOB, GST exclusive for the benchmark APW grade.

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Agriculture, Fisheries and Forestry

Question no: WEA 03

Division/Agency: Wheat Export Authority

Topic: Inflated FOB prices

Hansard page: 57 (23/05/07)

Senator O'Brien asked:

Is that why you are not going to investigate the impact of inflated FOB prices back to 1999?

Answer:

A letter from the Western Grain Growers section of the Pastoralists and Graziers Association of Western Australia was received by the WEA on 6 December 2006. This letter suggested that the WEA should immediately revisit the impact of inflated FOB prices on out-performance bonus payments made between AWBI and AWBL from 1999 now that the Cole Inquiry is completed and matters of criminality have been dealt with.

The Export Wheat Commission is not currently in a position to examine the above matter because the task force established as a recommendation of the Cole inquiry is still examining whether criminal proceedings need to be initiated.

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Question no: WEA 04

Division/Agency: Wheat Export Authority

Topic: Geneva wheat contracts

Hansard page: 59 (23/05/07)

Senator Heffernan asked:

Mr Woods, are you able to provide us with the details of every contract that the Geneva desk has written for wheat?

Answer:

The Export Wheat Commission (EWC) cannot provide the Senate with the details of every contract that has been entered into by the AWB Geneva International Trading division. This information is provided to the EWC by AWBI on a commercial-in-confidence basis. However, the EWC can state that from 1 October 2005 to 9 April 2007 there has been approximately 3.7 million tonnes of wheat traded through the International Trading division of AWB Geneva, representing 120 contracts to at least 13 markets. Of this, the majority has been Australian wheat sold by the National Pool to the AWB Geneva International Trading division for on-selling.

Provided below is a breakdown of the wheat origins of AWB Geneva International Trading division sales (Figure 1) and the destination of AWB Geneva International Trading division other origin wheat sales (Figure 2).

Figure 1: AWB Geneva International Trading division wheat sales by origin (1 October 2005 to 9 April 2007)

Origin of wheat	Tonnes	Proportion of total (%)
Australia	2,956,296	79.62%
France	346,109	9.32%
United States	176,700	4.76%
Argentina	105,000	2.83%
Russia	49,000	1.32%
Pakistan	40,736	1.10%
China	25,000	0.67%
Kazakhstan	14,000	0.38%
Total	3,712,841	100%

Figure 2: AWB Geneva International Trading division other origin wheat sales destinations by region (1 October 2005 to 9 April 2007).

Destination of Wheat	Tonnes	Proportion of Total (%)
Asia	307,436	40.6%
Americas	219,000	28.9%
Europe	216,109	28.6%
Africa	14,000	1.9%
Total	756,545	100.0%

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Question no: WEA 05

Division/Agency: Wheat Export Authority

Topic: Subsidies into the pool

Hansard page: 66-67 (23/05/07)

Senator Heffernan asked:

CHAIR-Is there a link back to the Pool regarding alleged subsidies to growers who deliver to the AWB Grain Flow receival sites?

Answer:

In some seasons, AWB GrainFlow provides incentives for growers to use the On-Farm Pickup service for delivery to AWB GrainFlow receival sites. There were no incentives provided during the 2006/07 or 2007/08 harvests.

When incentives have been used, costs have been met by AWB GrainFlow.

The Export Wheat Commission (EWC) concludes that AWB GrainFlow's On-Farm Pickup, which arranges the transportation of grain from the farm to the nearest AWB GrainFlow receival site, is not being subsidised by the National Pool.