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The Secretary
Senate Rural and Regional Affairs & Transport Committee
Room SG62
Parliament House
CANBERRA ACT 2560
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Dear Secretary

WHEAT MARKETING AMENDMENT BILL 2002

This Submission is in response to the announcement from the Senate calling for submissions to the Review of the Wheat Marketing Amendment Bill 2002.

The Flour Millers Council of Australia (FMCA) is an industry association representing the interests of flour milling companies in Australia. Australian flour millers produce 2m tonnes of flour per annum (2.077m tonnes 2001/02 – Source: ABS). There are currently 31 flour mills in Australia spread across all States and situated in both metropolitan and country areas. Wheat is our obligatory raw material and unlike other wheat users, we do not have the luxury of being able to substitute other grain.

Milling companies are customers of AWB Limited purchasing a proportion of their wheat requirements from that organisation. They are also competitors with AWB in the purchasing of wheat from growers. Australian millers also have milling investments in New Zealand, a market serviced by the AWB.

For the above reasons, and on the basis that in general the AWB pool price is the price setter for domestic wheat prices, flour millers have a vital interest in the single desk operation and therefore the Wheat Export Authority (WEA) role in monitoring of this.

FMCA do not see a need for a change to the concept of a single desk responsibility covering the export of wheat from Australia. In general, FMCA supports the Wheat Marketing Amendment Bill 2002. However, we do see the need to address some issues. Outlined below are our proposed improvements.

Performance Monitoring

The performance of AWB(l) in management of the single desk function has broad national implications and we believe that improved feedback against performance indicators in a more quantifiable way, where appropriate, would enhance the perceived value of the monitoring role that WEA is charged with. We see this as more important than a strengthening of the powers of WEA which may only impede best commercial practices.

In its second Growers Report 2002 WEA acknowledged improvement in AWB(l) over the prior reporting period and identified the following aspects of AWB(l) performance as the focus over this current monitoring period:

- the services agreement which exists for the provision of services by AWB Ltd to AWB(l) that are required to operate the National Pool;
- an assessment of the impact on the operation of the National Pool and benefits to growers that arise from the informational advantage enjoyed by AWB Ltd ;
- the extent to which AWB(l) is maximising net Pool returns, including through price discrimination;
- an assessment of the use of least cost supply chain outcomes by AWB(l);
- communication with growers & the resulting perception by growers of AWB(l);
- the Wheat Industry Benchmark.

FMCA strongly supports scrutiny of each of these areas of performance.

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Export Consent System

We note that a revised export consent system was implemented on 1 October 2001, after consultation with industry and with the objective of complementing AWB(I) management of the National Pool, while facilitating the development of niche and other markets.

The outcome of this revised system needs to be demonstrated and the degree of satisfaction from the broader industry sought for consideration in the ongoing conduct of this function.

It is our view that New Zealand should be exempted from the requirement to apply to WEA for the export of bulk wheat. The provisions of the Closer Economic Relations Agreement should be considered in the promotion of direct trans-Tasman trade between commercial entities, particularly where they are the same entity. For this reason, we also submit that exports of wheat to New Zealand should be exempt from WEA levy.

In the past, efficiencies in the supply chain to Australian-owned mills in New Zealand have been denied. New Zealand is a small market for Australian wheat, compared to total export. Denial of this efficiency in supply may in fact result in lost tonnage for Australian wheat to other exporting countries.

Operational Structure of AWB Ltd and AWB(I)

We note that the operational structure of AWB Ltd and AWB(I) and the perceived informational advantages leading to commercial advantage in contestable markets, has been investigated by ACCC and cleared under the Trade Practices Act 1974.

Despite this, we support a review of the organisational arrangement between AWB Ltd and AWB(I) in regard to the commercial agreement entered into for provision of services to the wheat pool, in particular the conflict of interest of a majority of common directors on the boards of both entities.

Our view is that AWB Ltd, AWB(I) and WEA should be independent entities, responsible for elements related to single desk function as required by legislation.

Summary

FMCA supports the maintenance of a single desk responsibility for wheat marketing in Australia.

We support an independent statutory authority such as WEA with responsibilities as currently legislated:

- to control the export of wheat from Australia,
- to monitor AWB(I) performance on wheat exports and examine and report on the benefit to growers of that performance;
- to conduct a review and report to the Minister for Agriculture, Fisheries & Forestry on AWB (I) use of its wheat export rights under the legislation before the end of 2004.

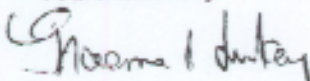
We support the need for sustainable funding of WEA.

FMCA supports the proposed funding option of user pays, ie a charge on exports of wheat, combined with an additional charge for consent applications by exporters other than AWB(I), following the precedent of funding of the single desk prior to privatisation of AWB Ltd.

Wheat sold into the domestic market is therefore excluded. We also submit that under provisions of the Closer Economic Relations Agreement that exports of wheat to New Zealand be treated as domestic market sales.

We are prepared to further elaborate on and explain our position if required.

Yours sincerely



Graeme Lukey
Executive Director