

# ***NSW Farmers Association***

## **BRIEF SUMMARY OF NSW FARMERS ASSOCIATION'S POSITION REGARDING THE POWERS AND RESPONSIBILITIES OF THE WEA**

The NSW Farmers' Association strongly supports the wheat single desk, and wants the most robust, transparent and effective arrangements to ensure this happens.

### **1. WEA FUNDING**

Ensuring WEA have funding is the primary reason for change to legislation and indeed the only change that should occur to the legislation now.

Believe that Government should part fund the WEA.

### **2. ROLE OF THE WEA**

Strongly believe that WEA has an important role to oversee AWB and let growers know if AWB is maximizing returns to growers.

Concerned about the WEA Grower Reports to date – there needs to be more definitive information and concrete decisions and recommendations. We have expressed our concerns to WEA and to WEA grower directors directly.

WEA have taken too long to get on top of arrangements and be in a position to make credible and thorough evaluation of AWB's performance

The key areas we believe need to be addressed include:

- a. Service agreement – to demonstrate this delivers the most cost effective option for growers.
- b. Hurdle rates and OPI – are they tough enough to make AWB Ltd work most efficiently
- c. Supply chain costs – there is sufficient competition and specific targets to achieve real and significant reductions for growers.

- WEA definitely need to be more public about areas they are investigating, and on their major findings – both positive and negative.

- We do not expect the AWB structure and operations to always get things right but we expect WEA to find the problems, make sure the AWB address them, rather than the current perception which is that WEA is passive/too quiet in some areas.
- NSW has seen a change in WEA from August 2002 to April 2003 (at GCA/WEA consult meetings) that gives us more comfort. Initially there seemed to be a lot of “unknowns and don’t knows”, whereas in April the Board were able to outline the key areas being investigated and recognized the need for better grower communications. The NSWFA strongly made the point however, that WEA need to communicate publicly and in detail to growers so that everyone is aware of activity – rather than it being behind the scenes.

### **3. WEA RESOURCES AND ROLE**

- It is difficult to judge the resourcing levels needed, and it’s a question that WEA can best answer. However, NSWFA strongly believe WEA need to have credibility and resources that ensure all major areas are audited.
- WEA’s role is to report on performance – there is a concern that it does not have the power to direct a change in AWB’s behavior and/or processes. However if WEA were more public about any suggested changes, this would put significant pressure on AWB to respond.
- Need to carefully clarify the powers of the WEA in Section 5 (2) of the act.

### **4. STRUCTURE OF THE AWB**

- NSWFA is not interested in change for the sake of it. A lot of time and effort went into developing a structure and framing the constitution, and there seems to be no reason to throw out the lot and start again. We recognize there is a perception related to the lack of separation of AWB L and AWB I that the industry itself has changed so that some consequences of the structure were unforeseen at the time it was created. The Association has worked with GCA and AWB to recommend some changes to structure of I and L to ensure more separation of the Boards, and seeking direct employment of staff by I, published performance targets etc. These do not require legislative change, but a change to AWB’s constitution, or can be implemented by the Board of AWB Ltd.

## **5. PLANT BREEDING AND VARIETY CLASSIFICATION**

- We believe there is significant conflict between the AWB Ltd being a major participant in wheat breeding and its role classifying varieties by grade. This has been raised with the AWB Ltd, and as yet we are unaware of a satisfactory resolution.

## **6. CONFLICTS OF INTEREST**

- We believe many of the submissions presented to the Senate Committee fail the test of independence.
- The Association has done considerable scrutiny of the claimed supply chain savings that others have claimed could be achieved by greater competition. From what we have been able to glean from the Accenture and Kronos reports most of the savings relate services that would need to be performed anyway.
- We don't support the contention put forward by some of the Senate Committee that there is an unholy alliance between leaders in the grains industry.

### Issue Summary

The NSW Farmers' Association strongly supports Australia's current wheat marketing arrangements. However the Association recognises that there could be a need to examine ways to improve the effectiveness and transparency of AWB International and AWB Limited in maximising growers returns.

### Recommendation

The grains committee recommend that policy be developed around the following framework.

- (a) That the only common directors on AWB Limited and AWB International are the Chairman and Managing Director.
- (b) AWB International directly employs its own staff to manage key functions of the national pool, and
- (c) AWB International provides evidence to the Wheat Export Authority (WEA) that AWB Limited can provide better and more competitive services than "other" industry service providers could.