

CONSOLIDATED GRAIN INDUSTRIES PTY LIMITED



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Committee Secretary
Senate Rural and Regional Affairs and Transport Committee
Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Sir

Re: Wheat Marketing Act - De-Regulation

I have read the preliminary submission prepared by AWB Limited and I am in agreement with the recommendations that have made to your Committee.

However, I do feel that two points need elaboration.

Firstly, "access" to export grain terminals needs to be defined more precisely.

Access to export terminals by itself does not protect private trade exporters from damaging treatment by the grain handling companies unless it is fair and open. For instance, it is normal practice in international trade that an exporter's vessel is loaded in sequence i.e. the vessel presenting its Notice of Readiness first is the first vessel to be loaded. In recent times at least one of the grain handling companies has frustrated another exporter by maintaining that that exporter's grain was not in a position to be loaded and therefore the grain handling company's vessel is loaded first. This is an example of access not being fair and open.

As the internal logistics of grain movement are controlled by the grain handling companies, they can use this device to severely damage other exporters by making sure that other exporters incur daily demurrage costs of, currently, around USD60,000 per day. It is my submission that access should mean **first vessel to be presented is first loaded** and that the grain handling companies be required to ensure that the private trade exporter's stocks are positioned on a timely basis to ensure the smooth loading of the exporter's vessel.

There are other means by which access to export grain terminals can be frustrated e.g. I understand that already at least one grain handling company has said that it will not accept deliveries by road to a major export terminal by the private trade thereby effectively seriously disadvantaging private trade exporters. This is yet another example where access is not fair and open.

Secondly, in a deregulated market public access to timely information about grain stocks at each upcountry and port silo is imperative. Indeed the USDA goes further than this and demands that exporters notify major international sales within 48 hours of the contracts being written. All this information is publicly available immediately in the United States. The grain handling companies have this information and can make it available instantaneously from their data bases via email to the Wheat Export Commission for publication on a daily basis. ABS Statistics are useless as they are always out of date and only of historical value.

Why is this important?

Because without timely statistics

the crop can be seriously oversold,
huge logistic problems at export terminals can result; and
coordination of export sales via the market mechanism will be frustrated.

This again plays directly into the hands of the bulk grain exporters who do have access to this information whereas the private trade does not. This affords the grain handling companies' monopoly advantages which will distort the deregulated grain market and ensures that access is not fair and open.

As I understand it the Act ensures access only at port terminals. As the private trade has no alternative but to store grain upcountry in the grain handling companies silos, again the grain handling companies can seriously frustrate exports made by the private trade by unauthorised movement of exporters stocks from silo to silo (at the exporters expense) and otherwise by positioning grain handling company stocks advantageously against private trade exporters stocks. Accordingly, the Act is seriously deficient in defining access as being only available at export terminals.

I would urge your Committee to put amendments to the Act which ensure access under the above conditions at both export and domestic terminals of the grain handling companies and that the latter be required to submit detailed stock and grade positions for all silos under their control on a daily basis to the WEA for publication.

Thank you for taking the time to read my submission.

Yours faithfully

A handwritten signature in black ink, appearing to read 'John Mason', with a long horizontal flourish extending to the right.

John Mason
Managing Director