



Flour Millers' Council of Australia (FMCA)

Submission to:

Wheat Export Marketing Bill 2008

**Wheat Export Marketing
(Repeal and Consequential Amendments)
Bill 2008**

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Wheat Export Marketing Bill 2008

The Flour Millers Council of Australia (FMCA) representing businesses engaged in milling of wheat into flour for domestic and export purposes has interest in the draft bills, Wheat Export Marketing Bill 2008 and Wheat Export Marketing (Repeal & Consequential Amendments) Bill 2008.

In the past member companies, especially those with milling activities in other countries have sought to export bulk Australian wheat for delivery to overseas affiliate companies. The provisions of the new legislation would make this possible, within the criteria of accreditation for the purpose.

We therefore submit that access to port terminals on non-discriminatory terms must be provided to potential exporters. An important component of commercial operation is timely access to be able to load ships as they are available. This will require publication of information relating to loading schedules and terminal access so that all participants have fair treatment and transparency can be demonstrated. Suitable protocols for information availability backed by a genuine process for dispute resolution in case of assumed disadvantage or unfair access rights are minimum requirements.

In a deregulated market with more players and a greater degree of complexity and logistical and operational interaction a high level of accurate information is a necessary criteria.

Grain marketers and, indeed, all players in the supply chain need to be able access data on wheat stocks in storage throughout the supply chain so as to manage both supply and risk. Formal collection and availability of suitable information will be a necessary requirement.

This information is also relevant to the issue of domestic food security. This issue has not had such relevance under the 'Single Desk' regime, however becomes a necessary consideration under the proposed Wheat Export Marketing Bill 2008.

The FMCA believes that as a result of the dissolve of the 'Single Desk' responsibility exercised by AWB Ltd there is potential market failure.

This gap arises due to the extra costs and logistical problems associated with importing grain if insufficient grain is retained within a country or region so as to satisfy local requirements. Further, Australian Millers as grain processors have a practical inability to import wheat into Australia for flour milling (except for a few mills which may be located directly adjacent to port).

Where through normal market actions or market manipulation the volume of specific grain is exported to a degree that grain stocks fall below what is normally required for local consumption, or is perceived to be, then the availability and price of all remaining grain becomes distorted to a large degree. The degree of availability and resultant distortion can be minimized by full discovery of the quantity of grain held by all players in the supply chain,

however there are times that there will be a requirement to ensure that available stocks of grain are managed to ensure that Australia maintains full supply.

The flour milling industry, unlike say the feed industry does not have options of raw material substitution and cannot heat treat (due to gluten denature etc) in order to meet the strict quarantine and biosecurity import measures for wheat and subsequent movement of that wheat through the countryside.

In the past the AWB has retained wheat (seasonal carryover) within Australia that would otherwise have been exported so that continuity of supply has been assured for domestic milling purposes, (and therefore retention of the food supply dependent on flour availability).

This has often been necessary for a period until harvest outcomes have established supply availability. A particular instance in Victoria some 20 years past required that grain assembled in the Geelong terminal for export had to be returned to the domestic market to extend the total availability of grain for the domestic milling industry. A more recent example occurred with AWB retaining a large volume of grain in the Eastern States & South Australia from 2006 into 2007.

As the delegated Single Desk entity AWB Ltd undertook an implied responsibility in liaison with the domestic industry for continuity of domestic food supply.

The new Wheat Export Marketing Legislation applies strictly to governance of the export activity. The range of competing export organisations will have focus on meeting marketing objectives and placing grain into export markets as and when required. It is reasonable to assume that there will not be any strategic consideration of reserve in case of emergency requirement for domestic purpose.

Whilst it is clearly the responsibility of domestic millers to secure wheat supplies in competition to other buyers within a season, if a subsequent crop failure occurs and no security provision is in place then suitable wheat may not even be available to enable continuity of domestic supply.

Lack of local supply of grain has occurred in Ukraine and other countries that have recently emerged from Central Control to allow uncontrolled marketing of export grain. Consequent to fully deregulated grain marketing, these countries have been forced to import grain to restore supply to the local market, and then institute controls to maintain local supply and food security.

Additionally it is emphasised that the Australian quarantine restrictions create a special concern to food security in Australia that are is not necessarily applicable to a number of other countries. Even so many countries do invoke food security measures to protect the domestic food supply.

It is recommended that some form of strategic security provision is affected such that sufficient reserve quantities of milling grades of wheat are retained in Australia so as to manage supply risk such as that associated with drought and market manipulation.

Under the Single Desk arrangement the Flour Millers Council of Australia and AWB Ltd have in the past been able to manage supply risk situations with intensive consultation and collaboration in periods of concern, in many cases relating to specific grades of wheat or geographic supply regions.

Without special consideration to this issue we believe the altered wheat marketing environment exposes a serious gap that must be addressed.

A gap exists because this issue does not necessarily fit with industry good activities or with the Wheat Export Legislation provisions as proposed.

It is clear that the requirement for a high level monitor of unprocessed grain stocks by volume, grade and tonnage is a necessary component in identifying the potential supply risk for the domestic market, and in identifying best outcomes in times of supply duress.

FMCA accepts that it has a responsibility to pursue this issue politically.