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

Wheat Export Marketing Bill 2008

Dear Ms Radcliffe,

I am writing to you in response to the recent release by the Government of an exposure draft of the Wheat Export Marketing Bill 2008. I understand that the legislation is currently being considered by the Senate Standing Committee on Rural and Regional Affairs and Transport.

ASX understands that the Committee has taken submissions and held hearings on the Bill. ASX has been involved earlier in this process through making a submission to the Wheat Export Consultative Committee¹. We apologise for not responding earlier to the Commission's request for submissions, but having seen reference made to ASX in a recent hearing we thought it worthwhile to write to you at this late stage to set out ASX's position.

There is one particular matter that I would like to raise with you and which I believe has also been raised by other industry stakeholders in discussions with the Government and during the course of the Senate Committee's review. The matter relates to the importance of the provision of timely and accurate data on wheat forecasts and stocks as the industry moves towards deregulation.

As the provider of a futures market over a range of grain products, ASX would support any measures that the Commonwealth Government may consider as deregulation approaches to improve the quality of data that will help inform industry stakeholders and participants in the futures market. We understand that some stakeholders have suggested that the current Bill may provide an opportunity for the Government to put in place a robust reporting regime to underpin the development of a more efficient wheat market in Australia.

The ASX grain futures and options market is an integral part of the Australian grains industry, offering all participants a genuine marketing alternative. The development of the market so far has been impressive with in excess of four million tonnes of Australian grain and oilseed trading on the exchange in 2007/2008. Importantly, the market offers tools that can be used by everyone (growers, trade and end users) to hedge their respective risks.

A central feature of deregulated agricultural markets throughout the world is the existence of exchange traded futures and options markets. The primary purposes of futures exchanges are to:

- facilitate price discovery (transparency) and the transfer of risk;

¹ The ASX's February 2007 submission which provides more information on the role of futures markets in the wheat sector can be found at: http://www.asx.com.au/investor/pdf/asx_wemcc_submission.pdf

Australian Securities Exchange

Australian Stock Exchange
Sydney Futures Exchange

Australian Clearing House
SFE Clearing Corporation

ASX Settlement and Transfer Corporation
Austraclear

- minimise the prospect for counter-party and settlement default (an important issue in the grain industry); and,
- reduce transaction costs (the cost of market execution).

As the industry moves away from the single desk marketing arrangements, we believe the importance of futures markets will only grow within the Australian grain industry.

The continued growth and development of a liquid domestic futures market is, in part, dependent on the existence of a robust, independent, accurate and timely data reporting regime for crop estimates and available stocks on hand. Supplying data by port zone is important as ASX grain futures contracts are based on certain port zones. Independent and timely supply of data would ensure that all market participants have equal access to information to enable efficient pricing and assist in maintaining market integrity.

ASX believes that establishing a robust framework for information supply in Australia's grain and oilseed markets may also provide a valuable precedent for other agricultural industry sectors.

The attachment to this letter provides more insight to the development of the ASX Grain Futures and Options market.

If required, I would welcome the opportunity to discuss the content of this letter and the attachment in more detail.

Yours faithfully

A handwritten signature in black ink that reads "Dougal Hunter". The signature is written in a cursive style with a large initial 'D' and a long horizontal stroke at the end.

Dougal Hunter

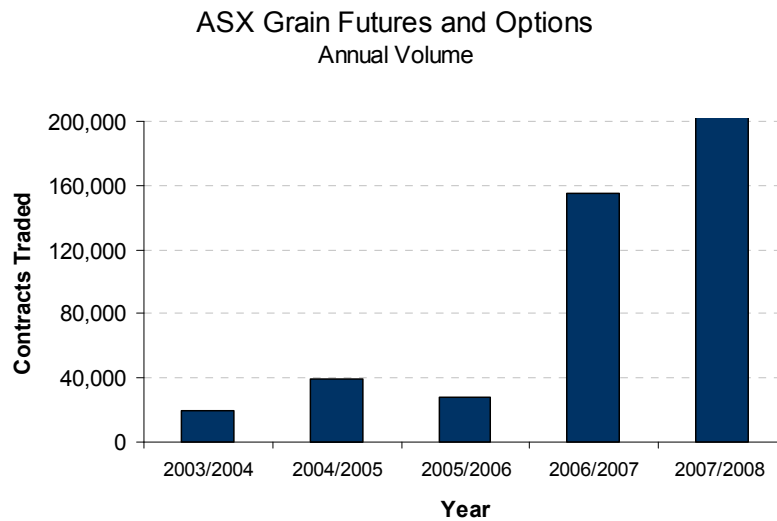
Attachment – ASX Grain Futures & Options

History

ASX first listed Grain Futures in May 2003. The contract offering covers four grain commodities; wheat (milling and feed), feed barley, sorghum and canola. The listed contracts are based primarily in the eastern States of Australia, where the domestic market is concentrated. The most actively traded contract is the Australian Milling Wheat contract (62% of total volume). Feed Barley constitutes approximately 23% and Sorghum 11%.

Volume Performance

The ASX contracts have achieved significant market growth in their first five years. In excess of nine million tonnes of Australian grain and oilseed have now traded on the exchange with more than 4 million tonnes trading in 2007/2008. The potential exists for this market to experience exponential growth.



Price Performance

The below chart highlights the disparity between ASX and North American futures markets in 2007 as the drought took hold. The difference in wheat values between the various exchanges is a major reason for the growth in regional futures exchanges globally.

