

# Chapter 4

## Key issues

### Deregulation of the wheat export market

4.1 The committee received many submissions and comments during the committee hearing in support of, and in opposition to, the bill. While industry structural adjustments were acknowledged by all parties involved with the inquiry, submitters had a range of views on transitional implications to date, as well as the maturity of the wheat export market given recent deregulation.

4.2 Broadly speaking, wheat industry stakeholders can be categorised into three groups – participants who support the bill (primarily exporters and bulk handling companies (BHCs)), participants who are opposed to the bill (primarily grain growers), and industry observers who prefer further consideration and examination of the consequences of the bill.

4.3 The following section assesses the evidence received from these three broad stakeholder groups respectively.

#### *Support for the bill*

4.4 A number of organisations commented that the transition to a deregulated market had progressed well, and that introducing the bill would not be premature, but rather, would ensure further efficiency gains by reducing both costs and the regulatory burden.

4.5 For instance the Australian Grain Exporters Association (AGEA), an industry organisation which represents 15 wheat exporters, commented that:

The grains industry has responded positively to the new marketing environment. Australian wheat remains in strong demand globally and growers now have more flexible access to a selection of accredited buyers, offering a variety of marketing options.<sup>1</sup>

AGEA believes the amendments will provide a smooth transition to a fully deregulated market by removing, in the short term, those elements that impose costs but do not deliver benefit; and providing a period for industry to put in place the necessary protocols and processes to address those areas where there are still barriers to the efficient operation of the market.<sup>2</sup>

4.6 Similarly, Emerald Group Australia Pty Ltd (Emerald), an exporter of Australian wheat and other grains, submitted that, over the past 18 months, Australian

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1 Australian Grain Exporters Association, *Submission 3*, p. 1.

2 Australian Grain Exporters Association, *Submission 3*, p. 2.

wheat crops have been marketed in a very efficient manner – noting the record volume of Australian wheat exported and a continued increase in buyers for Australian wheat. The deregulation changes have also resulted in an increase in marketing options for growers through strong market liquidity and an increase in the number of grower advisers and brokers providing market assistance services to growers.<sup>3</sup>

4.7 Emerald further commented that, in relation to the bill:

Emerald Group supports the core principles of the Bill and feels that it is part of the natural evolution of the industry to a fully deregulated market in the same manner as other bulk Australian grains such as barley, canola and sorghum.<sup>4</sup>

4.8 GrainCorp Operations Limited (GrainCorp), a large BHC primarily operating in New South Wales and Victoria, also lent its full support to the bill, stating that the reforms are the next logical step to improving the competitiveness of Australian wheat exports. GrainCorp further highlighted a number of benefits to industry, including:

- allowing flexibility and innovation along the supply chain to meet the changing requirement of overseas consumers;
- greater certainty for exporters who wish to enter into long-term agreements with customers;
- encouraging further investment in the wheat supply chain, by allowing participants to make longer-term commitments for port elevation services; and
- reducing compliance costs and red-tape, which ultimately disadvantage grain growers.<sup>5</sup>

4.9 In particular, GrainCorp highlighted two benefits that would result from passage of the bill, namely longer term contracting arrangements and greater investment certainty. The following discussion took place during the hearing:

**Mr Hart:** The flexibility that we are looking for, again, is about long-term contracting...I guess what we are looking to do is move towards a system whereby exporters can get long-term certainty around access to ports and enter into long-term agreements.

**Senator NASH:** How long-term are you saying this access undertaking is? As you say, at the moment it is restricted. What, in your view, is the appropriate time?

**Mr Trigg:** Planning for rail can be three to five years, whereas the current shipping capacity booking is only for one year...

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3 Emerald Group Australia Pty Ltd, *Submission 4*, p. 1.

4 Emerald Group Australia Pty Ltd, *Submission 4*, p. 1.

5 GrainCorp Operations Limited, *Submission 10*, pp 5–7.

**Senator NASH:** ... apart from the longer term arrangements ... what else would you be able to do under the new arrangements that you cannot do now and are being constrained from doing?

**Mr Trigg:** We see that the current arrangements are also a significant disincentive to invest...<sup>6</sup>

4.10 The other two major BHCs in Australia, Viterra Limited (Viterra) and CBH Group, both strongly and fully support the bill. Viterra submitted that there is compelling evidence demonstrating the success of wheat marketing reform to date, and that the industry is well positioned to manage wheat exports as it does with the exports of other agricultural commodities.<sup>7</sup> Additionally, Viterra indicated that:

Viterra will not support any proposal to reconstitute WEA or expand the coverage of existing legislation to non-prescribed commodities, such as barley, pulses or canola. Retaining WEA beyond 30 September 2012 would only serve to impose an excessive and unnecessary regulatory burden on the industry, whilst the associated compliance costs would ultimately be passed back to Australian growers.<sup>8</sup>

4.11 CBH Group made a submission in line with the other BHCs and also emphasised the advantages of lower cost to industry participants and greater efficiency gains from deregulating the wheat market. CBH Group submitted that, in fact, industry has been positioning itself to take advantage of these pending efficiencies:

It is evident from the increased number of industry participants now successfully exporting bulk wheat via Australian grain ports to a growing number of international markets that there is undoubted confidence and competition in the Australian grains industry. There is also broad industry expectation that progress towards a normal market place will continue which is further illustrated through the level of corporate activity and investment in infrastructure since the deregulation process commenced in 2008.<sup>9</sup>

4.12 In addition to the support for the bill by exporter organisations and BHCs, there was also some support from growers. For example, the Pastoralists and Graziers Association of WA (Inc), a non-profit industry organisation which represents the interests of primary producers in Western Australia, fully supported the bill, including the implementation timeframes between 30 September 2012 and 1 October 2014.<sup>10</sup>

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6 Mr Nigel Hart, Group General Manager, Storage and Logistics Group, GrainCorp Operations Limited, and Mr Angus Trigg, Director, Media Relations, GrainCorp Operations Limited, *Committee Hansard*, 14 May 2012, p. 12.

7 Viterra Limited, *Submission 13*, p. 5.

8 Viterra Limited, *Submission 13*, p. 7.

9 CBH Group, *Submission 14*, p. 1.

10 Pastoralists and Graziers Association of WA (Inc), *Submission 15*, p. 1.

4.13 Grain Growers Limited (GrainGrowers), a national member-based organisation also supported further deregulation of the wheat export market and argued that further dialogue between industry and government is necessary to ensure the profitability and sustainability of the wheat industry is enhanced.<sup>11</sup>

4.14 In contrast with these views, the majority of grower groups strongly oppose the bill, and those views are canvassed in the following section.

### ***Opposition to the bill***

4.15 Opposition to the bill has also been widely expressed by individual growers and grower groups. Contrary to the views expressed by exporters and BHCs, the majority of grower groups submitted that the promised efficiency gains and costs savings from deregulation have not been achieved, and that further deregulation would be premature in a market that is still adjusting to major deregulatory changes.

4.16 Broadly speaking, the majority of submissions opposing the bill highlighted that deregulation would leave the following grower concerns unresolved:

- inequality of access to wheat stocks information, resulting in inefficiencies in market pricing and leaving growers at a disadvantage;<sup>12</sup>
- monopoly control over the export grains supply chain by three BHCs leading to anticompetitive outcomes and port access issues;<sup>13</sup>
- premature deregulation of the wheat export market, leading to inefficiencies and loss of fair value for growers;<sup>14</sup> and
- that the quality and reputation of Australian wheat would be jeopardised in international markets without a recognised statutory authority.<sup>15</sup>

4.17 Consequently, the majority of submissions on behalf of growers advocate for retaining WEA or recasting the role of WEA to provide appropriate regulatory oversight of the wheat industry. Most of these submissions also recommend retaining the Wheat Export Charge (WEC) to fund WEA.

4.18 For example, Grain Producers Australia (GPA), the peak body representing grain growers, does not support the bill. In its submission, GPA stated that its

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11 Grain Growers Limited, *Submission 8*, p. 3.

12 For example, South Australian Farmers Federation, *Submission 5*, p. 1, Grain Producers Australia, *Submission 6*, p. 15 and NSW Farmers' Association, *Submission 11*, pp 10–11.

13 For example, NSW Farmer's Association, *Submission 11*, pp 12–13, Victorian Farmers Federation Grains Group, *Submission 9*, p. 3 and Grain Producers South Australia, *Submission 17*, p. 2.

14 For example, Grain Producers Australia, *Submission 6*, pp 1–2 and Grain Producers South Australia, *Submission 17*, p. 1.

15 For example, Grain Producers Australia, *Submission 6*, pp 13–14, Victorian Farmers Federation Grains Group, *Submission 9*, p. 3 and NSW Farmers' Association, *Submission 11*, pp 7–9.

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members support retention of a 'lighter-touch' accreditation scheme, administered by a statutory body funded by the WEC.<sup>16</sup>

4.19 GPA's opposition to the bill is based on there being no evidence to suggest current marketing arrangements have delivered promised benefits of maximising returns for growers, that the export wheat supply chain is not currently mature enough to self-regulate, and that there needs to be a monitoring role of export cargoes to provide assurance to purchasers on the quality and varietal integrity of wheat exports.<sup>17</sup> As a result, GPA asserts that proceeding with deregulation would pose significant threats to the efficient and fair operation of the wheat export supply chain.<sup>18</sup>

4.20 Of principal concern to GPA, it was argued that:

In contrast to the Government's current policy position there is strong evidence to support the continuation of statutory oversight of the wheat export market with a modified charter to preserve the integrity of wheat quality systems and oversee the compliance of all export wheat pathways with a modified accreditation scheme that can ensure that the current obstruction of information is managed to provide confidence in unbiased stocks intelligence to the supply chain.<sup>19</sup>

4.21 During the committee's public hearing, Mr Peter Mailler, Chairman of GPA, further elaborated on GPA's position, highlighting that:

... the integrity of the quality of the crop is being undermined through the current system, which is eroding our value capture. We are also seeing now some contraction of the competitive force within some of these regions. That is a major issue, and we are not measuring it well ... [t]hat is why confidence in the next step—further liberalisation of the market—is not there.<sup>20</sup>

4.22 Along similar lines, the South Australian Farmers Federation (SAFF), the peak lobbying body for farmers in South Australia, articulated its members' concerns for information transparency relating to wheat stocks:

... a monopoly has continued to flourish in the grains industry supply chain for the export of grain from South Australia to the detriment of grain growers. Monopoly control of the export grains supply chain has increased the risk for the execution of grain sales for all participants in the industry.<sup>21</sup>

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16 Grain Producers Australia, *Submission 6*, p. 2.

17 Grain Producers Australia, *Submission 6*, pp 2–3.

18 Grain Producers Australia, *Submission 6*, p. 1.

19 Grain Producers Australia, *Submission 6*, p. 15.

20 Mr Peter Mailler, Chairman, Grain Producers Australia, *Committee Hansard*, 14 May 2012, p. 32.

21 South Australian Farmers Federation, *Submission 5*, p. 2.

4.23 Lending support to grower groups opposing the bill, Grain Producers SA Limited (GPSA) – a not-for-profit organisation with the objective of advocating for policy in support of the South Australian grains industry and wider economic and environmental sustainability – stated that it does not consider the grain marketing industry in Australia has matured sufficiently to justify further deregulation, and emphasised the unequitable situation between BHCs and grain producers.<sup>22</sup>

4.24 AgForce Queensland Industrial Union of Employers (AgForce) expressed a similar sentiment concerning the immaturity of the wheat export market. Mr Wayne Newton, President of AgForce, stated in his opening statement that:

We would go on to say that even the most fully developed, sophisticated markets that we see in Australia—for instance, the Australian stock exchange and the Australian banking industry—all have an oversight body that looks over the operation of these industries and, in some cases, actually takes action against misbehaviour in those industries. We are saying that the wheat export business is too immature yet to have total deregulation, and some ongoing oversight over those exports arrangements is required.<sup>23</sup>

4.25 The Victorian Farmer's Federation Grains Group (VFF), an industry body representing more than 60 per cent of Victorian grain growers, strongly criticised the bill, stating that its members:

... believe the current Bill being considered by Government not only fails to address the existing flaws and inefficiencies in the industry, but actually exacerbates them and may also have unintended consequences through state legislation. It will further erode market confidence; result in continued complaint from the grower sector; erode Australia's international export reputation; fails to address the need for public/industry good services; and exacerbates market concerns around lack of transparency, port access, and competition.

4.26 During the hearing, Mr Andrew Weidemann, President of the VFF, elaborated on growers' concerns that the bill fails to adequately address port access competition issues, commenting in his opening statement that:

The VFF are concerned that the wheat marketing bill fails to achieve improved competition ... [t]here are five key industry problems or market failure issues that we see: the ability to undertake industry good functions such as varietal classification and biosecurity all require funding; the lack of market transparency of stocks and quality information by port, zone and grade; the lack of international market confidence in Australian exports on the back of that previous statement; and consumer protection for Australia's 25,000 farm businesses ... [i]n short, the bill fails to achieve its competition objectives. The act offers an opportunity to address all these issues using

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22 Grain Producers SA Limited, *Submission 17*, p. 1.

23 Mr Wayne Newton, President, AgForce Queensland Industrial Union of Employers, *Committee Hansard*, 14 May 2012, p. 27.

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the wheat export charge to fund them and legislation to provide the vehicle.<sup>24</sup>

4.27 The NSW Farmers' Association (NSWFA) was in agreement with this position, commenting that:

... the proposed move away from a regulated port access to a 'non-prescribed voluntary industry code of conduct' will result in behaviour from those operating port terminals [which] will lead to sub-optimal competition and reduced reliability of shipping movements to customers. This in turn will reduce value which would otherwise flow to all segments of the market.<sup>25</sup>

4.28 Submissions from a consulting agency and a wheat farmer also reflected the position of the above grain grower groups. Mr Graeme Foote, Managing Director of McCaulay Dalton & Company, an agricultural business consultancy, submitted his assessment that:

... consolidation has resulted in a polarization of the industry with the Bulk Handling Companies (BHC's) at one end of the spectrum and the multinationals at the other ... [t]he proposal to abolish WEA without any reference to the role it plays and in turn how it can be revamped to provide the industry with a tangible monitoring process over quality is inviting disastrous consequences for our industry and not just in wheat. If we sit back and assume the system can police itself then we are sadly mistaken!<sup>26</sup>

4.29 Similarly, Mr Ron MacPherson, an independent wheat grower, expressed his support for the retention of WEA. Mr MacPherson noted that WEA ensured some measure of protection against overseas competition and that the wheat industry needed such protection.<sup>27</sup>

4.30 Notably, a range of submissions from grower groups explored the possibility of recasting the role of WEA to maintain a national oversight role of the wheat industry. These issues are canvassed later in this chapter of the report.

### *Other views*

4.31 The Australian Securities Exchange Limited (ASX) did not indicate support or opposition to the bill, but instead raised issues that warranted further consideration, including access to wheat stocks information. Further examination of the issues canvassed in the ASX's submission is provided later in this chapter of the report.

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24 Mr Andrew Weidemann, Grains Group President, Victorian Farmer's Federation, *Committee Hansard*, 14 May 2012, p. 27.

25 NSW Farmers' Association, *Submission 11*, p. 12.

26 Mr Graeme Foote, McCaulay Dalton and Company, *Submission 1*, p. 1.

27 Mr Ron MacPherson, *Submission 7*, p. 1.

4.32 WEA also made a submission which did not indicate a position on the bill. Rather, in its submission, WEA commented that the transition from the previous highly regulated wheat export market to the current more competitive environment has been relatively smooth.<sup>28</sup> Additionally, WEA commented that Asian millers trusted Australian wheat, but recent deregulation had caused concern that Australia did not have official wheat export standards similar to the United States and Canada.<sup>29</sup>

4.33 During the hearing, WEA further highlighted that the Australian wheat industry faces critical infrastructure and competitive challenges, including increasing competition from overseas competitors such as the United States.<sup>30</sup>

### ***Voluntary Code of Conduct***

4.34 It is proposed that the bill will repeal the Act, in full, from 1 October 2014 provided the Minister has approved a voluntary industry code of conduct by this time. The Explanatory Memorandum states that:

... the market will move to full deregulation from 1 October 2014. All aspects of the industry will be subject to general competition law administered by the Australian Competition and Consumer Commission (ACCC) and complemented by the code. If a code is not approved [by the Minister for Agriculture], the access test will continue.<sup>31</sup>

4.35 In anticipation of repeal of the Act, the committee understands that current industry efforts to establish a voluntary code of conduct extends to addressing operation of port terminal facilities, but not the sharing of wheat stocks information. This work is being led by the Code Development Committee, comprised of 12 representatives from grower groups, exporters and BHCs, and convened by Grain Trade Australia (GTA).<sup>32</sup>

4.36 Broadly speaking, the committee received submissions from BHCs expressing their confidence in reaching an agreed voluntary code of conduct for industry participants, while grower groups expressed views to the contrary.

4.37 For instance, Emerald submitted that while there are unresolved issues, those issues could be most appropriately addressed through a voluntary code of conduct:

Port access remains an important industry issue however we believe that this is best managed through the immediate development of a voluntary

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28 Wheat Exports Australia, *Submission 12*, p. 9.

29 Wheat Exports Australia, *Submission 12*, Attachment B, p. 1.

30 Mr Peter Woods, Chief Executive Officer, Wheat Exports Australia, *Committee Hansard*, 14 May 2012, p. 2.

31 Explanatory Memorandum, Wheat Export Marketing Amendment Bill 2012, p. 2.

32 Grain Trade Australia, *Port Access Voluntary Code of Conduct*, [www.graintrade.org.au/node/499](http://www.graintrade.org.au/node/499), accessed 30 May 2012.



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code of conduct developed collaboratively across all sectors of the industry and implemented as soon as possible but at latest by 31 December 2012.<sup>33</sup>

4.38 Similarly, Viterra expressed confidence in GTA's capacity to lead and facilitate discussion on establishing a voluntary code of conduct:

The Australian grain industry is maturing after a period of significant reform and bodies, such as Grain Trade Australia ("GTA"), are helping to facilitate trade and establish new standards for the industry. Viterra welcomes the leadership role that GTA has assumed in convening the Industry's Code Development Committee, established to develop the voluntary port code of conduct. ... Viterra believes the transition to a voluntary port code of conduct is the most appropriate pathway for full deregulation of the Australian wheat export industry by 2014.<sup>34</sup>

4.39 CBH Group likewise stated that it is confident that a voluntary industry code for port access will be achieved, and that the code will provide fair and reasonable access to exporters.<sup>35</sup>

4.40 In contrast, grower groups submitted that it was unlikely that a voluntary code would address all issues of concern, and even if a code is established, there is no guarantee that BHCs would be held accountable to that code or if that code would generate increased returns.

4.41 For example, the VFF submitted that:

VFF do not consider voluntary codes of conduct will be binding in the long term. The intent of BHCs is demonstrated in existing submissions to the ACCC which already openly dispute the regulation of ports. This only undermines market confidence in BHC's intent to adhere to voluntary codes. The Bill, if adopted, will create an environment where only those select corporates or multi-nationals with deep enough pockets to take an issue of dispute through the ACCC will be able to compete. This in itself acts as a barrier to competition to all.<sup>36</sup>

4.42 The NSWFA commented in similar terms, stating that it is concerned about a change in behaviour of port terminal operators under a voluntary code of conduct, which will lead to sub-optimal competition and reduce overall value across all market segments.<sup>37</sup>

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33 Emerald Group Pty Ltd, *Submission 4*, p. 1.

34 Viterra Limited, *Submission 13*, pp 6–7.

35 CBH Group, *Submission 14*, p. 2.

36 Victorian Farmers Federation Grains Group, *Submission 9*, p. 4.

37 NSW Farmers' Association, *Submission 11*, p. 12.

4.43 During the committee hearing, it was acknowledged that there was no precedent for an industry code of conduct for the agricultural sector. The following exchange occurred between the committee and representatives from GrainCorp:

**Senator EDWARDS:** So you are not working on any kind of a model of a voluntary code of conduct that has been successful in the past, whether it has been involved in the horticulture industry or any other grower industry where you are looking to rely on a voluntary code of conduct? ... [p]oint me to a model that is successful in this country and which fulfils the charter in which it has been established.

**Mr Trigg:** The advice that we were provided with, at one of the draft code development committee meetings, from the ACCC was that there were many examples of industry codes of practice. I think there is a general insurance code of practice, for instance. There are a number of them that they [the ACCC] have referred to as part of their advice to that code development committee.

**Senator EDWARDS:** Let us talk about the [agricultural] sector, shall we, because we are not talking about the finance industry here; we are talking about commodities and production ... Still no successful voluntary code of conduct in the agriculture sector that you can think of off the top of your head?

**Mr Hart:** No, not that we are aware of.<sup>38</sup>

4.44 Evidence provided by the NSWFA supported this view:

Unfortunately our industry is not very good at voluntary code[s] of conduct and there are no shining lights of voluntary codes of conduct in our industry.<sup>39</sup>

4.45 The committee also received evidence along similar lines from the ACCC during the hearing. The ACCC commented that it has a role in providing advice to the Minister when the industry code is ready to be presented for the Minister's consideration, but noted that, to date, there weren't any codes in the agricultural sector that would be regarded as a successful precedent.<sup>40</sup>

4.46 The committee also posed the question of voluntariness in a code of conduct to the ACCC. In response to the committee's questions, the ACCC noted that it would be highly unusual for the ACCC, as an independent statutory government agency, to be part of a voluntary code as a dispute resolution body.<sup>41</sup> The ACCC also advised

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38 Mr Nigel Hart, Group General Manager, Storage and Logistics Group, GrainCorp Operations Limited, *Committee Hansard*, 14 May 2012, pp 15–16.

39 Ms Fiona Simson, President, NSW Farmers' Association, *Committee Hansard*, 14 May 2012, p. 29.

40 Mr Mark Pearson, Deputy Chief Executive Officer, Regulation, Australian Competition and Consumer Commission, *Committee Hansard*, 14 May 2012, p. 51.

41 Mr Mark Pearson, Deputy Chief Executive Officer, Regulation, Australian Competition and Consumer Commission, *Committee Hansard*, 14 May 2012, p. 52.

that it is not involved in the port access code of conduct drafting process as a participant, but rather, as an observer on the Code Development Committee.<sup>42</sup>

4.47 During the committee hearing, the ACCC took a question on notice in relation to relevant guidance that the ACCC provides on drafting voluntary codes. In response, the ACCC advised that:

The ACCC's *Guidelines for developing effective voluntary industry codes of conduct* (available on the ACCC website) set out what the ACCC regards as characteristics of an effective voluntary code, including:

- a clear statement of objectives
- a code administration committee and transparent administration processes, such as the preparation of an annual report
- a complaints handling procedure (with an appeal mechanism)
- clear, unambiguous and enforceable obligations for signatories to the code
- commercially significant sanctions for non-compliance enforced by the code committee.

Effective voluntary codes also typically have wide industry coverage and include provisions for data collection.

The ACCC does not have a role in approving or endorsing voluntary codes and in many cases, may not be privy to the final version of codes that have been developed.<sup>43</sup>

4.48 Notably, when the committee extended the question of voluntariness to the ASX, the representative from the ASX stated that it would be desirable to include, in any future voluntary code of conduct, a component that recognises the provision of wheat stock information throughout the supply chain. The ASX emphasised the importance of this element to develop market certainty:

**Mr Hunter:** With regard to the voluntary code of conduct, ASX has not been involved in any discussions on the provision of more transparent stock information, the point previously made by both CBH and GrainCorp. The voluntary code of conduct is focused on port access undertakings. ASX would like to see the industry discuss this and come to an arrangement with regard to the provision of this stock information. The industry has not had that debate, and this is the forum in which this issue has been raised.

**Senator NASH:** And that is the point: with the voluntary code focusing on the port access, there is nothing dealing with the broader issues of stock information, management of the supply chain, port capacity information, which WEA brought up, varietal integrity—those issues simply are not being addressed, are they?

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42 Mr Mark Pearson, Deputy Chief Executive Officer, Regulation, Australian Competition and Consumer Commission, *Committee Hansard*, 14 May 2012, p. 50.

43 Australian Competition and Consumer Commission, answers to questions on notice, pp 1–2.

**Mr Hunter:** As I am not involved with the voluntary code of conduct, I cannot comment on what is in and out. From an ASX perspective, I can say that if we are looking to develop a market with certainty, building it on a voluntary code under which bulk handler ownership has changed in the past and will continue to change into the future is not an ideal situation.<sup>44</sup>

4.49 The ASX also mentioned that, in general, voluntary codes of conduct were 'less than ideal', noting that the industry regime under the United States Department of Agriculture and the Canadian Grain Commission are mandatory.<sup>45</sup>

### ***Committee comment***

4.50 The committee recognises that structural adjustment in the wheat industry has been significant since deregulation commenced in July 2008. The fortitude and resilience of all industry stakeholders and participants during these changes, and in preparation for further changes, is to be commended.

4.51 The committee accepts that there are some unresolved issues, such as information asymmetries, facing grain growers and exporters, but that there will be advantages gained through implementation of the bill.

4.52 The committee is of the view that, on balance, the evidence provided to this committee and the conclusions reached in the Productivity Commission's 2010 report show that a phased process of deregulation is in the broader interest of the industry and the Australian economy. In the interest of grain growers, the committee is reassured that the bill provides the safeguard that a voluntary code of conduct, agreed by industry representatives, must be approved by the Minister before the Act is repealed. This enables concerns raised by grower groups and exporters to be mitigated, if not settled, between industry participants before deregulation is completed.

4.53 While the committee accepts that there is no precedent for an agricultural industry code of conduct, the committee is of the view that there are established principles in the formation of voluntary codes of conduct – including through relevant guidance issued by the ACCC – that would assist industry to design a successful code.

4.54 The committee therefore encourages industry stakeholders to engage in robust bona fide discussions with a view to establishing an agreeable voluntary code of conduct that addresses each issue of concern raised by different parts of industry.

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44 Mr Dougal Hunter, Manager, Agricultural Derivatives, Australian Securities Exchange Limited, *Committee Hansard*, 14 May 2012, p. 22.

45 Mr Dougal Hunter, Manager, Agricultural Derivatives, Australian Securities Exchange Limited, *Committee Hansard*, 14 May 2012, p. 29.

4.55 The committee also encourages the ACCC and the Department to continue to support the development of a voluntary code of conduct which has broad backing across the wheat export supply chain.

### **Availability and access to wheat stocks information**

4.56 The committee received evidence on the importance of wheat stocks information as a mechanism to determine pricing levels throughout the wheat export supply chain. Many submissions from growers and exporters stated that there is an imbalance in the availability of information to different stakeholders in the wheat industry, resulting in dissatisfaction among grower groups, market and price discovery inefficiencies, and an inability for growers to make informed decisions on what crops to grow.

4.57 While acknowledging that systemic improvements can be made, BHCs broadly contended that a significant amount of information had already been provided to industry and the release of further information required justification.

4.58 Of great assistance to the committee's investigation, evidence provided by the ASX explored the importance of wheat stock information for the Australian wheat futures market and the vital flow of such information in order to achieve optimal outcomes.<sup>46</sup>

### ***Australian Securities Exchange views***

4.59 Besides its share market service functions, the ASX is the operator for the grain futures and options market for Australian grain and oilseed. The ASX made a submission in that capacity without indicating support or opposition to the bill. In assisting the committee's deliberations, the ASX commented that if the bill proceeds in its current form, it would be likely that a sub-optimal outcome would be reached for the Australian grain industry.<sup>47</sup>

4.60 Since the inception of the Grains Market in May 2003 to the end of April 2012, over 38 million tonnes of Australian grain and oilseed has been traded and more than 2.5 million tonnes has been delivered. While trade volumes increased since the liberalisation of the bulk wheat export market in July 2008 (see Figure 4 below), the ASX commented that trade volume is relatively modest when compared with grains futures markets in Chicago, Minneapolis and Paris.<sup>48</sup> Notably, over recent

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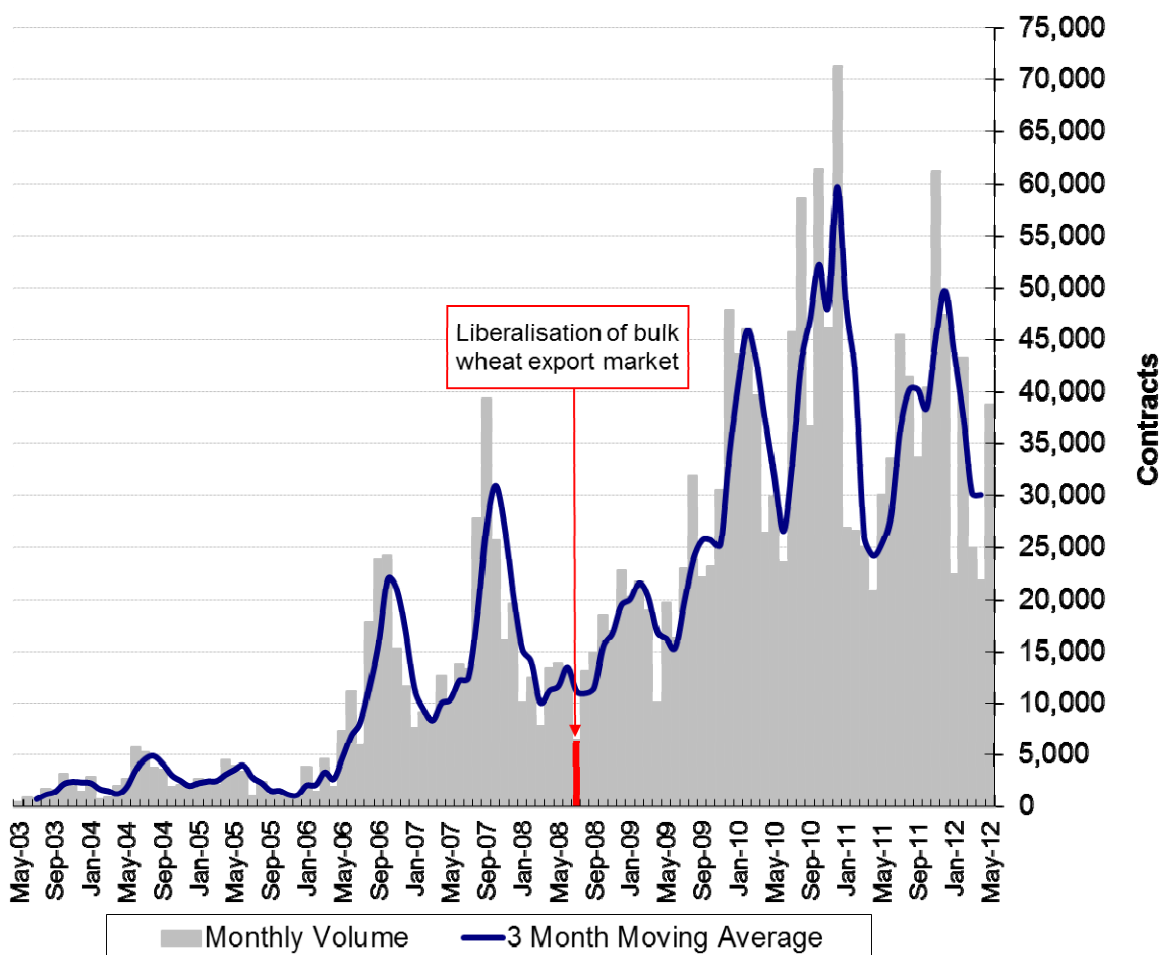
46 Australian Securities Exchange Limited, *Submission 16* and Mr Dougal Hunter, Manager, Agricultural Derivatives, Australian Securities Exchange Limited, *Committee Hansard*, 14 May 2012.

47 Australian Securities Exchange Limited, *Submission 16*, p. 1.

48 Australian Securities Exchange Limited, *Submission 16*, p. 8.

years, New South Wales and Western Australian wheat contracts comprised over 85 per cent of total volume traded on the grains futures market.<sup>49</sup>

**Figure 4—ASX Grains Futures and Options: Monthly Traded Volume<sup>50</sup>**



4.61 In its submission, the ASX highlighted the importance of availability of accurate and timely information on grain stocks and grain production for an efficient market – information that may not be voluntarily disclosed by BHCs.<sup>51</sup> Furthermore, the ASX contended that if there is an asymmetric distribution of information, caused by the existence of regional monopolies, industry stakeholders and participants in the entire supply chain could be negatively affected.<sup>52</sup>

49 Australian Securities Exchange Limited, *Submission 16*, p. 9.

50 Australian Securities Exchange Limited, *Submission 16*, p. 9.

51 Australian Securities Exchange Limited, *Submission 16*, p. 13 and Mr Dougal Hunter, Manager, Agricultural Derivatives, Australian Securities Exchange Limited, *Committee Hansard*, 14 May 2012, p. 20.

52 Australian Securities Exchange Limited, *Submission 16*, p. 2.

4.62 While exploring this issue during the committee hearing, the following exchange highlighted the ASX's concerns:

**Senator NASH:** In your view, if we go down this road [of deregulation], what is the suboptimal outcome, which you referred to, going to be?

**Mr Hunter:** You can compare the Australian market with the North American market, which is the most liquid wheat futures market in the world. ... [the ASX] is in a position to tap into the global network of trading interests, be they in Singapore, Geneva, London, Paris, New York, Chicago or wherever else. The issue Australia has to face is that we only have three major bulk-handling networks, and when you include AWB, GrainFlow and ABA, that makes five as far as the ASX is concerned. We do not have any transparent stock provision which is suitable for the futures market. ...

**Senator HEFFERNAN:** I would have thought that the advantage that you would have as a trader in knowing everything that is in one market and having a secret about what is in your market and then taking a position would have the capacity to be interpreted as insider trading.

**Mr Hunter:** ... [w]e would like to see transparent stock information to nip that one in the bud, to get the right perception out to the market. And when I say the market, it is the entire chain: growers, traders, bulk handlers and, just as importantly, our consumers.<sup>53</sup>

4.63 The ASX argued that to resolve information transparency issues and encourage continued growth and development of a liquid Australian grains futures market, a robust and independent reporting regime for grains data is necessary:

... the Australian grain industry needs to be:

- improved both in terms of data quality and data quantity;
- managed and facilitated by an independent government authority that is adequately equipped and supported by way of legislative amendments; and
- appropriately funded through existing levy arrangements and infrastructure.<sup>54</sup>

4.64 Finally, the ASX commented that while it is unclear how current shortcomings on stock transparency will be addressed after dissolution of WEA, deregulating the Australian wheat export market can nevertheless be a successful experience if the industry framework facilitates improved information reporting.<sup>55</sup>

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53 Mr Dougal Hunter, Manager, Agricultural Derivatives, Australian Securities Exchange Limited, *Committee Hansard*, 14 May 2012, p. 22.

54 Australian Securities Exchange Limited, *Submission 16*, p. 11. See also Mr Dougal Hunter, Manager, Agricultural Derivatives, Australian Securities Exchange Limited, *Committee Hansard*, 14 May 2012, p. 20.

55 Australian Securities Exchange Limited, *Submission 16*, p. 15.

### **Growers' views**

4.65 Grain grower groups strongly advocated for greater availability and transparency of information on wheat stocks. The broad sentiment reflected in a number of submissions highlighted a concern that wheat stocks information does not adequately flow through the wheat export supply chain, reducing the financial return obtainable by grain producers.<sup>56</sup>

4.66 For example, GPA submitted that:

The system is crippled by a lack of information and accurate description of the crop as it is harvested and delivered into the central storage systems. The bulk handlings companies (BHCs) effectively operate regional monopolies and restrict and control the intelligence around up country stocks quantity and quality. This lack of transparency severely impacts the ability of producers and traders to make informed decisions in delivery and compete in the aggregation of cargoes.<sup>57</sup>

4.67 In particular, GPA submitted that the type of information required by wheat farmers, in real-time, include: the provision of stocks information, details on individual stack descriptions, disclosure of inventory levels and statistics on grain crop deliveries into central handling systems.<sup>58</sup>

4.68 Supporting GPA's call for greater disclosure by BHCs, the NSWFA the SAFF respectively commented that:

NSW Farmers does not believe that any administrative costs on behalf of those required to provide the information will be excessive. This is on the basis that it is well known that bulk handling companies already have this information readily on hand for stocks within their storage and logistics systems.<sup>59</sup>

Currently there is an inequality of access to wheat stocks information, which disadvantaged growers and results in significant marketing advantages for the exporter of the associated bulk wheat handling company. Clearly no market can function properly with incomplete or one-sided information – and failure to provide that information is currently leading to market failure. What is required is information on commodity, grade, quality and tonnage of grain ... [t]his needs to be provided in real time free of charge to the market.<sup>60</sup>

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56 For example South Australian Farmers Federation, *Submission 5*, pp. 1–2, Grain Producers Australia, *Submission 6*, p. 13, Grain Growers Limited, *Submission 8*, p. 4, Victorian Farmers Federation Grains Group, *Submission 9*, pp. 2–3, NSW Farmers' Association, *Submission 11*, pp. 11–12 and Grain Producers SA, *Submission 17*, p. 1.

57 Grain Producers Australia, *Submission 6*, p. 13.

58 Grain Producers Australia, *Submission 6*, p. 11.

59 NSW Farmers' Association, *Submission 11*, p. 12.

60 South Australian Farmers Federation, *Submission 5*, pp 1–2.



4.69 In addition to increased information availability, GPA further asserted the need to retain statutory oversight:

It is fair to say that all markets have some form of regulation. Arguably the most efficient market in Australia, the ASX, is heavily regulated. GPA considers carefully constructed statutory oversight of the wheat market to augment trade, foster effective competition and provide clear market signals for an efficient supply chain is appropriate at this time.<sup>61</sup>

4.70 GrainGrowers also supported the push for greater information availability and transparency, adding that recent overseas research has found that effective dissemination of market information reduces the fluctuation and variability of prices and quantities of within markets.<sup>62</sup>

#### *Recasting the role of Wheat Exports Australia*

4.71 The committee also considered a range of evidence from growers calling for a recasting of the role of WEA to ensure there is some measure of regulatory oversight on the provision of wheat stocks information. The sentiment expressed in some of these submissions and supporting comments suggested that the ACCC would not have the immediate expertise or skills to provide effective oversight of the wheat market once WEA was wound up.<sup>63</sup>

4.72 Rather, a number of submissions proposed that the role of WEA be modified. For example, the committee received the following comments in a range of submissions:

- The deregulated wheat export market is really only 3 years old, and there is a real need for oversight of the export market. There are many other industries that most would consider to be very mature, for example the ASX and the banking industry, which have regulatory bodies.<sup>64</sup>
- ... at the moment, it is far too soon to be winding up WEA. In fact, at this stage, WEA charter needs to be expanded:
  - to play a role in protecting industry from market dominance of bulk grain handlers in each State, and
  - to oversee the transparent release of wheat stocks information.<sup>65</sup>

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61 Grain Producers Australia, *Submission 6*, p. 3.

62 Grain Growers Limited, *Submission 8*, p. 4.

63 For example, Grain Producers Australia, *Submission 6*, pp 9–10, Mr Andrew Weidemann, Grains Group President, Victorian Farmers Federation, *Committee Hansard*, 14 May 2012, p. 28 and Mr Mark Pearson, Deputy Chief Executive Officer, Regulation, Australian Competition and Consumer Commission, *Committee Hansard*, 14 May 2012, p. 49.

64 AgForce Queensland Industrial Union of Employers, *Submission 2*, p. 1.

65 South Australian Farmers Federation, *Submission 5*, p. 1.

- ...Wheat Exports Australia presents a viable and stable vehicle to facilitate a range of industry good functions with an established funding stream. ... [t]he Wheat Export Charge should be retained and applied to Wheat Exports Australia to facilitate a range of industry good functions with an established funding stream.<sup>66</sup>

4.73 A number of submissions also referred to the United States Federal Grain Inspection Service and the Canadian Grain Commission as examples of national grain regulatory bodies that should be emulated in Australia, and without which the Australian wheat industry would be at a competitive disadvantage internationally. For example, a submission from a consulting company stated that:

Australia's major competitors have co-operation amongst trade and government to ensure that quality standards are maintained ensuring consistency of grade is a paramount requirement. The U.S via the Federal Grain Inspection Service (FGIS) and U.S Wheat Associates have embraced the "world" standard that was so rigorously practiced by AWB – AWB may be gone but its adherence to quality and world's best practice will not long be forgotten.<sup>67</sup>

4.74 Other submitters agreed with this view, stating that the role of WEA does not need to be as expansive as the United States or Canadian bodies, but that it should include activities such as random audits of grain to ensure that contract specifications are met.<sup>68</sup>

4.75 In terms of funding the continuation of WEA, a grower group suggested that:

WEA would be funded through the existing Wheat Export Charge, renamed Grain Export Charge to cover all grains. The charge should be raised to 30 cents per tonne paid by the exporters, which is inevitably passed back to growers. This would ensure there is no cost to Government to run such a body. Also 30 cents per tonne is a small price to pay, as the charge is less than 1% of the pipeline margin of \$35 per tonne generated by the South Australian BHC in the calendar year 2011.<sup>69</sup>

4.76 WEA's position on this issue was examined during the hearing, and the following exchange took place:

**Senator SIEWERT:** Regarding the integrity of grain exports, and the Canadian example you quote, a number of other submissions quote that, and the US example. Can you expand on that and how you foresee that process happening? Do you see a hole here in terms of that in Australia?

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66 Grain Producers Australia, *Submission 6*, p. 8.

67 Mr Graeme Foote, McCauley Dalton and Company, *Submission 1*, p. 2.

68 AgForce Queensland Industrial Union of Employers, *Submission 2*, p. 2.

69 Grain Producers SA Limited, *Submission 17*, p. 2.

**Mr Woods:** One of the things that WEA made public last December in our report for growers was that one of the board members and I were in South-East Asia visiting mills and, very clearly, they were concerned that Australian wheat was not performing and they believed that it was because of lack of varietal integrity, probably because of blending. There is not a problem with blending; that is fine; it has always been done. But it is when blending occurs across varietal grades that there is an issue. So there needs to be perhaps something along those lines to fix that problem. Again, it is not up to WEA. All we have done is identify the situation as one of a few things that the industry need to be discussing. A lot of people were asking for views which we cannot give, but in our submission we made it very, very clear that in Canada and the US they do have ways of looking at this.<sup>70</sup>

4.77 While not forming a firm view on this issue, the Productivity Commission acknowledged that, if an industry-led body were to replace WEA, the effectiveness of that body in assisting Australian wheat compete internationally would depend on the credibility of that industry-led body as well as the unified support of the entire industry behind that body.<sup>71</sup>

### *Exporters' views*

4.78 Broadly, exporters agreed with the need for greater availability of wheat stocks information. In its submission to the committee, AGEA commented that, while deregulation has delivered positive outcomes for competition in the industry, further efficiency gains could be achieved through removing barriers to industry performance:

Transparency and access to information is important to ensuring that markets operate efficiently. Access to information regarding the available (i.e. unsold) volume of grain type by port zone and information on grain quality by type by storage location will facilitate more efficient assembly of cargos to meet customer requirements and aggregate information relating to grower-owned stocks will significantly enhance competition for growers' unsold grain. Currently this information is only accessible to integrated companies with port terminal operations, thus restricting access by other exporters.<sup>72</sup>

4.79 AGEA further commented that a more informed and competitive market could be achieved through disclosure of stock quality and quantity held by commercial storage providers across Australia.<sup>73</sup>

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70 Mr Peter Woods, Chief Executive Officer, Wheat Exports Australia, *Committee Hansard*, 14 May 2012, p. 3.

71 Ms Angela MacRae, Commissioner, Productivity Commission, *Committee Hansard*, 14 May 2012, p. 42.

72 Australian Grain Exporters Association, *Submission 3*, p. 3.

73 Australian Grain Exporters Association, *Submission 3*, p. 4.

### **BHCs' views**

4.80 While BHCs acknowledged the importance of information flow throughout the supply chain and recognised that there is room for improvement, the three major BHCs all expressed the view that a significant amount of information is already provided publicly to industry, and that further disclosures would require justification.<sup>74</sup>

4.81 For instance, GrainCorp stated that:

... a substantial amount of information is already made available to the grain market by GrainCorp and other organisations.

While remaining open to discussion of workable and equitable solutions that have a clear market benefit, GrainCorp is concerned that no clear case has been made for the provision of additional stocks information. Further, the primary beneficiaries of such a move would be the large multinational grain traders, who already enjoy a substantial information advantage from their international operations.

GrainCorp acknowledges it does generate certain information in the course of operating its business; however this information is proprietary, in the same manner as that generated by any other business. ... GrainCorp does not have the ability to leverage any substantive market position in grain trading or downstream processing from the information it generates.<sup>75</sup>

4.82 GrainCorp further specified that the information it currently provides includes:

- weekly grain receivals during harvest and monthly wheat country stocks (to the Australian Bureau of Statistics);
- posted cash prices at GrainCorp silos;
- daily shipping stem volumes by port and grain type and weekly disclosure of stocks at port;
- total grain metrics (from investor publications);
- quality reports to owners of grain at a particular site of the average grain quality at that site, by grade, pest control and other data for assist customers with their grain execution; and
- annual crop report on the eastern Australian harvest that provides information on grain properties, end use performance and major varieties included in grades.<sup>76</sup>

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74 GrainCorp Operations Limited, Submission 10, pp 22–25; Viterro Limited, *Submission 13*, pp 8–9; CBH Group, *Submission 14*, pp 9–10.

75 GrainCorp Operations Limited, *Submission 10*, p. 4.

76 GrainCorp Operations Limited, *Submission 10*, p. 23.

4.83 GrainCorp also submitted that it has provided tools for growers to 'opt in' their warehousing information into the public domain, which allows growers to disclose their grain stock to the market, through CLEAR, should they wish to do so.<sup>77</sup>

4.84 Similarly, CBH Group stated that it already releases a significant amount of information on deliveries to its grain storage and handling network, and is concerned that releasing more detailed information could, among other things, result in growers receiving lower prices and affect CBH Group's ability to gather information required for managing harvest receival planning.<sup>78</sup>

4.85 Information that is currently provided by CBH Group includes:

- Monthly wheat stocks held in the CBH system broken down into feed and milling grades. This is currently given to the Australian Bureau of Statistics on the first business day after the end of the month and is published by the ABS approximately 3 weeks later.
- Weekly harvest reports showing total grain receivals by port zone.
- A daily list of all bulk cargo departures from CBH ports by either bulk wheat or non-bulk wheat, tonnage and exporter via the Shipping Stem on the CBH Group website.
- Updates throughout the growing season and harvest on CBH Operations forecasts for total grain production in Western Australia.<sup>79</sup>

4.86 When the committee examined CBH Group's assertion that release of further information could be detrimental to growers, the following exchange occurred:

**Senator BACK:** ... in your submission you pick up on the wheat stockpile information, which is obviously contentious. You make some points about the fact that it might not be growers' benefit to have this information released. In your submission you say:

- It could create incentives to store grain outside of the ... system ...
- It contains information that is relevant to CBH's core business of storage and handling and which may be detrimental to CBH if it were released. CBH is subject to potential competition from other storage providers ...

And that it does not 'erode Australia's competitive advantage by releasing information'. Could you explain to the committee specifically why open access to information is bad? We have had an Australian Stock Exchange submission, and a lot of other submissions, saying that the more information the better. ...

**Mr Crane:** Our basic contention is: better for whom? I can understand the call by many for the release of wheat stock information. It would be

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77 GrainCorp Operations Limited, *Submission 10*, p. 23. [CLEAR is an independent grain exchange owned by the New Zealand Stock Exchange].

78 CBH Group, *Submission 14*, p. 9.

79 CBH Group, *Submission 14*, p. 9.

incredibly useful for overseas buyers and those bidding for grain from growers to understand how long or short growers are. We do not believe that it is in our growers' interest that their stock positions, and sold and unsold portions, are consolidated by virtue of that and that there is a single system...produced to the world.<sup>80</sup>

4.87 Finally, Emerald supports the wider BHC position that efforts are being made to disclose more information to growers and other stakeholders. In its submission, Emerald stated:

We are committed to developing our own policies to provide monthly commodity and quality information in regards to stocks held within our storage system to industry participants, be it either growers, traders or consumers to enhance market information. We believe that other storage companies are also considering similar improvements to market price transparency and that these can be achieved by industry collaboration over coming months.<sup>81</sup>

### ***Other views on information dissemination***

4.88 In its submission, WEA canvassed similar concerns to grower groups, stating generally that '[i]ndustry requires detailed and timely information to facilitate accurate pricing and competitive tendering for international contracts.'<sup>82</sup>

4.89 During the hearing, WEA provided further clarification on the need for information availability from a grower's perspective:

**Senator BACK:** ...When we say that industry will benefit from more timely, more updated, more current, better information, who in industry is actually the beneficiary of this, in the main?...

**Mr Woods:** ... From a grower perspective, whether the market is rising or falling, whether there is little grain because of a drought or a lot because of a wonderful season, aren't you better off knowing that you are holding the only stocks of that grain in Australia or that you are sitting on stocks where there is 20,000 or 30,000 tonnes of it? You are then making an informed decision whether you want to sell or hold. From an exporter's point of view, if they do not have access to information, stocks, what is there, where it is and the quality availability, how do they put in tenders for international contracts?<sup>83</sup>

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80 Mr Andrew Crane, Chief Executive Officer, CBH Group, *Committee Hansard*, 14 May 2012, p. 14.

81 Emerald Group Australia Pty Ltd, *Submission 4*, pp 1–2.

82 Wheat Exports Australia, *Submission 12*, p. 5.

83 Mr Peter Woods, Chief Executive Officer, Wheat Exports Australia, *Committee Hansard*, 14 May 2012, pp 6–7.

4.90 The committee acknowledges that increasing the availability of information would benefit the industry as a whole.

### ***Government views***

4.91 Representatives of the three government agencies that appeared at the committee hearing (the Department of Agriculture, Fisheries and Forestry, the Productivity Commission and the ACCC) confirmed that the government is conscious of industry concerns on the limited availability of wheat stock information.

4.92 The Productivity Commission was of the opinion that the most appropriate avenue through which to facilitate dissemination of wheat stocks information is to have industry agreement on the type of information required and the timeliness of that information. In supporting a balanced user-pays approach rather than a regime of compulsory disclosure, the committee received the following comments from Ms Angela MacRae, Commissioner of the Productivity Commission:

We have heard a lot of discussion today on market information. We agree that information is critical to an efficient market for wheat. Historical information is useful for long-term policy purposes, but we also heard a lot about the need for more detailed, frequent, and up-to-date information. We saw merit in continuing to provide stocks information monthly, by state, but we felt that it was necessary for the industry to come together to decide whether it did really want that information and, if it did, it could through a compulsory payment mechanism, such as an industry levy, have that information provided. We are aware, and we heard earlier, that many want even more detailed information on stocks, such as by grade or by port zone. We do not propose that this information be compulsorily made available, but recognise the value of this information for the efficient operation of domestic and export wheat markets.<sup>84</sup>

4.93 Ms MacRae also reiterated some concerns expressed by BHCs, that if information is available domestically, then Australia's international competitors such as operators in the United States or Canada would also have access to that information.<sup>85</sup>

4.94 In discussions on a voluntary code of conduct during the hearing, the ACCC advised the committee that any industry code of conduct should encompass the concerns of each major part of the sector along the entire supply chain. While it is theoretically possible for a code of conduct to be developed without reference to wheat stocks information, the ACCC suggested that a more effective code of conduct

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84 Ms Angela MacRae, Commissioner, Productivity Commission, *Committee Hansard*, 14 May 2012, p. 41.

85 Ms Angela MacRae, Commissioner, Productivity Commission, *Committee Hansard*, 14 May 2012, p. 43.

should incorporate provisions that address industry concerns on the flow of wheat stocks information to all industry stakeholders.<sup>86</sup>

4.95 During the hearing, the Department stated the government's preference for an industry-led solution to information flow issues, including that industry should fund its own information distribution methods:

... I must be clear that Wheat Exports Australia does not perform any of these industry good functions and the government does not believe that Wheat Exports Australia is the appropriate body to deliver those industry services. The Productivity Commission in its evidence saw value in the provision of market information but concluded that if the industry wants this information it should pay for it—and the government has indicated on a number of occasions, including in the second reading speech on the bill, that the government is willing to assist the industry in coming to a solution in these industry services. ...<sup>87</sup>

4.96 The committee also noted the following comments made by the Department of Agriculture, Fisheries and Forestry (the Department) in response to a question taken on notice:

The government is aware of the concerns of some industry sectors that a lack of access to market information may be negatively affecting competitiveness. As described in the second reading speech associated with the Wheat Export Marketing Amendment Bill 2012, the government is committed to assisting industry identify potential solutions to this issue.

[The Department] is engaged with industry on this matter and has commissioned independent advice on market information needs across the supply chain to help industry identify potential solutions. The department is also aware of the announcement made by Emerald on 10 May 2012 to make available [stock] average quality details by commodity and location for each of ABA country storage site on a monthly basis.<sup>88</sup>

### ***Committee comment***

4.97 The committee recognises the concerns raised by the ASX, exporters and grain grower groups in relation to the provision of wheat stock information. There is justification for further examination on how these concerns can be resolved, including through incorporating information disclosure provisions in a voluntary industry code of conduct.

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86 Mr Mark Pearson, Deputy Chief Executive Officer, Australian Competition and Consumer Commission, *Committee Hansard*, 14 May 2012, p. 51.

87 Mr Allen Grant, First Assistant Secretary, Agricultural Productivity Division, Department of Agriculture, Fisheries and Forestry, *Committee Hansard*, p. 56.

88 Department of Agriculture, Fisheries and Forestry, answers to question on notice, p. 4.



4.98 In particular, the committee acknowledges that asymmetry of wheat stock information will disadvantage grain growers and threaten the efficiency of Australian grains futures markets. Availability of information is crucial for managing expectations as well as allowing traders, purchasers, sellers and other stakeholders to engage in commercial activity with confidence.

4.99 The committee also notes the views of grain groups and industry observers on the importance of the role of WEA or a similar national oversight body, especially if Australian wheat is to compete effectively with international competitors.

4.100 The committee notes the concerns raised by BHCs in relation to information disclosure and the potential use of that information by overseas competitors. Nevertheless, the committee appreciates the initiative taken by BHCs thus far in sharing wheat stocks information with wider industry stakeholders. This represents a good first step in greater information transparency and continual development of the Australian wheat market (through further information disclosure) is to be encouraged.

4.101 The committee notes that between 1 July 2005 and 30 June 2007, a prior endeavour to coordinate and improve efficiencies along the supply chain was attempted through Single Vision Grains Australia (SVGA). The strategic purpose of SVGA was to lead and unite the Australian grains industry on challenges including infrastructure, biotechnology and communications as identified in the 2004 Australian Grains Industry Strategy.<sup>89</sup> The Grains Research and Development Corporation (GRDC), a statutory organisation under the Department's portfolio, provided \$2 million in seed funding for SVGA over an initial two-year period, with the expectation that the SVGA would be industry-funded from 1 July 2007. The transition however was not successful and SVGA ceased operation on 30 June 2007. The committee notes that, if further industry assistance is provided in response to the industry concerns on access to wheat stock information, the expectation would be that industry would be strongly united in supporting any future endeavour.

4.102 While the committee understands that these concerns have currency and are significant, the committee notes that these issues are outside the scope of the bill and would be better addressed through industry negotiations on the voluntary code of conduct. The committee encourages all industry participants and government stakeholders to continue engaging in robust discussions on how to best resolve information access and information flow barriers, with a view to developing a broader code of conduct to address these issues.

4.103 Finally, the committee notes that 'the government is willing to help industry find a solution' to a perceived lack of access to market information on stocks and flows of grains which is impacting competitiveness. In this regard, the committee notes that the government has committed to reinvest surplus funding from the WEA

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89 Productivity Commission, *Wheat Export Marketing Arrangements*, Productivity Commission Inquiry Report No. 51, July 2010, p. 371.

Special Account 'in the wheat industry after consultation with relevant stakeholders.'<sup>90</sup> The committee is of the opinion that committing part of these surplus funds to the production of wheat market information into the future would be a positive outcome for the industry.

### **Recommendation 1**

**4.104 The committee recommends that the government consider options to assist industry develop measures enabling the provision of more comprehensive wheat stock information to stakeholders and participants throughout the wheat export supply chain.**

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90 The Hon. Mr Sid Sidebottom MP, Parliamentary Secretary for Agriculture, Fisheries and Forestry, Second Reading Speech, *House of Representatives Hansard*, 21 March 2012, p. 3697.