

Chapter 5

Conclusions

Overview

5.1 This inquiry examined the provisions of the Wheat Export Marketing Amendment Bill 2012 (the bill), which aims to fully deregulate the wheat export market by 1 October 2014, and its implications for industry. This report concludes the committee's detailed consideration of the wheat export industry reforms, which was first brought before the committee in 2008.¹

5.2 The committee received 18 submissions from a range of industry groups, including grain growers, exporters and bulk-handling companies (BHCs). The committee held a full day public hearing on 14 May 2012 at which representatives from a number of submitting parties, as well as representatives from government organisations and industry observers, provided evidence.

5.3 The committee acknowledges that the wheat export industry has been rapidly adjusting to changes since the government's original decision to deregulate the wheat export market in 2008. The committee commends all industry stakeholders for their resilience in the face of change, as well as the initiatives undertaken by various parties to negotiate through remaining concerns.

5.4 A range of issues were examined during this inquiry. In particular, in anticipation of the deregulatory impacts resulting from the bill, grower groups raised concerns in relation to the development of an effective industry voluntary code of conduct as well as wider industry access to wheat stocks information.

5.5 The committee thanks industry participants and observers for the relevant and highly informative submissions to this inquiry and for answering the committee's questions during the hearing.

Voluntary code of conduct

5.6 In anticipation of repeal of the Act, the committee understands that industry stakeholders are currently in discussions, through the Code Development Committee convened by Grain Trade Australia (GTA), to develop a voluntary code of conduct on port access. The committee commends all participants and observers taking part in this process on their initiative to adjust and adapt to deregulation of the wheat export market.

1 Senate Rural and Regional Affairs and Transport Legislation Committee, *Exposure drafts of the Wheat Export Marketing Bill 2008 and the Wheat Export Marketing (Repeal and Consequential Amendments) Bill 2008*, April 2008 and Senate Rural and Regional Affairs and Transport References Committee, *Operational Issues in Export Grain Networks*, April 2012.

5.7 Through assessment of the evidence received in the course of this inquiry, the committee is of the view that the process to establish a port access voluntary code of conduct has the potential to encompass other important issues such as access to wheat stocks information. The committee encourages participants to broaden the mandate of the GTA Code Development Committee to consider incorporating other important industry issues into the voluntary code of conduct.

5.8 The committee notes that the guidance provided by the Australian Competition and Consumer Commission (ACCC) on the development of industry codes of conduct is a particularly useful document, and that effective codes of conduct should have provisions that address the interests and concerns of all involved in the drafting process. It is in this light that the committee recognises more can be achieved through the current GTA Code Development Committee consultation process to address the widely expressed concerns on access to wheat stocks information.

5.9 Although the committee did not receive conclusive views from witnesses on whether the code of conduct should be mandatory, the committee notes that accountability mechanisms should be drafted into the code of conduct to ease grower concerns on the degree of commitment expected of each participating party.

5.10 The committee appreciates that the Minister will ultimately be required to approve the code of conduct before full repeal of the Act can take place, thereby providing the committee with an assurance that the protections currently afforded under the access test will remain until industry concerns are more fully settled.

Access to wheat stocks information

5.11 The committee received numerous comments, through submissions and during the hearing, on the importance of having access to information on wheat stocks in order to make informed commercial decisions. The committee agrees with evidence from market participants and observers, including the Australian Securities Exchange (ASX) and the Productivity Commission, that access to such information is crucial for the operation of an efficient market.

5.12 The committee notes that the predominant market positions occupied by many BHCs have resulted in the trading operations of certain BHCs appearing to have exclusive or preferential use of detailed wheat stocks information that is not accessible by other traders or growers. This situation has generated significant concern among grower groups that wheat producers are not able to access the best price for their wheat stocks or to commercially plan which crops to grow.

5.13 The committee commends certain BHCs for their initiative to voluntarily disclose a greater amount of information on wheat stocks to participants throughout the supply chain. The committee encourages BHCs, grower groups and exporters to continue discussions through industry forums, including through the GTA Code Development Committee, to develop agreed expectations and methods to address information flow concerns, including through the publication of de-identified aggregated data.

5.14 The committee also received evidence from grain grower groups that, rather than dissolving Wheat Exports Australia (WEA), the organisation should be given a revised monitoring or advocacy role by government. The sentiment expressed in a number of submissions by grower groups was the concern that Australia's main wheat export competitors – the United States and Canada – both have national regulatory bodies to ensure the quality of exported grain and undertake international advocacy efforts to increase trade. Without an equivalent body in Australia, grain growers submitted that the Australian wheat industry could be left at a considerable disadvantage.

5.15 The committee recognises the valuable work carried out by the WEA under challenging and changing industry conditions, especially in light of the phased deregulation of the wheat export market. The committee acknowledges that a national oversight mechanism or body for the industry could be beneficial, and that, in the first instance, this issue should be considered and agreed upon by industry participants.

5.16 The committee is of the opinion that the role of government in supporting industry discussions is crucial. While the intention of government is to deregulate the wheat export market, it is imperative that the government remain active in assisting and facilitating industry dialogue, as well as fulfilling an attentive observer role.

5.17 The committee notes that Single Vision Grains Australia (SVGA), a prior government-sponsored initiative to support increased information flow and efficiency throughout the wheat export supply chain, was unsuccessful because of lack of industry cooperation on the future of SVGA. The committee urges all industry participants to take greater ownership of any industry-led initiatives in the future, including through broad financial support from industry participants.

5.18 The committee notes that the government has committed to reinvest surplus funding from the WEA Special Account back into the wheat industry after consulting industry participants and relevant stakeholders. The committee commends the government's intention to use the excess funds in such a manner, and encourages the government to consider investing part of these surplus funds to the production of wheat market information for industry.

Recommendation 2

5.19 The committee recommends that the Senate pass the Wheat Export Marketing Amendment Bill 2012.

**Senator Glenn Sterle
Chair**

