

**SUBMISSION NO. 16
Wheat Export Marketing
Amendment Bill 2012**



Queensland
Government

Reference: CTS 02433/12

Department of
Agriculture, Fisheries
and Forestry

4 MAY 2012

The Honourable Alby Schultz MP
Acting Chair
Standing Committee on Agriculture, Resources, Fisheries and Forestry
PO Box 6021
Parliament House
Canberra ACT 2600

Dear Mr Schultz

Submission to Committee Inquiry - Wheat Export Marketing Amendment Bill 2012

Thank you for your letter of 29 March 2012 inviting the former department to make a submission to the Committee enquiry into the Wheat Export Marketing Amendment Bill 2012. The Department of Agriculture, Fisheries and Forestry (DAFF) Queensland now has responsibility for this matter.

Please find attached a submission from DAFF Queensland for your consideration.

If your Committee requires any further information regarding this matter, please do not hesitate to contact Mr Richard Routley, Director, Plant Industries on telephone 07 3239 3290

Yours sincerely

Jack Noye
Director-General
Department of Agriculture, Fisheries and Forestry

Att

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The Department of Agriculture Fisheries and Forestry, Queensland submission to the Standing Committee on Agriculture, Resources, Fisheries and Forestry inquiry into the Wheat Export Marketing Amendment Bill 2012

The Department of Agriculture, Fisheries and Forestry, Queensland (DAFF Queensland) supports the deregulation of domestic and international marketing arrangements as a means of reducing supply chain costs by benefiting from competition and maximising returns to the Queensland industry.

DAFF Queensland submits that it is premature to dismantle the Wheat Export Authority (WEA) and its funding mechanism, the Wheat Export Charge (WEC), as proposed in the Wheat Export Marketing Amendment Bill 2012. DAFF Queensland further submits that the WEA should be retained with some enhanced functions and that its operations should continue to be funded by the WEC, to ensure that the Australian industry remains internationally competitive.

Background

The dismantling of the single desk wheat marketing arrangements in 2008 was a major move towards a fully deregulated wheat market and provided a number of benefits for the Australian wheat industry, including more buyers in more countries, a greater range of pricing options and increased investment in supply chain infrastructure.

However there is some evidence of and concern within the industry about some potentially less positive impacts of deregulation, including:

- the need to maintain quality standards for export shipments (particularly important to the Queensland Industry which exports a high proportion of high quality wheat)
- concentration of ownership of storage and handling facilities
- equality of access to port facilities and
- lack of transparency with respect to market intelligence about domestic stocks and export market requirements

WEA was established to provide independent oversight of these issues at no cost to the taxpayer, and DAFF Queensland is of the view that this role is still required.

Recommendations

DAFF Queensland recommends that WEA be maintained and funded under current arrangements and that the role of WEA should cover the following functions.

1. Accreditation of Exporters

The accreditation of exporters function currently provided by WEA has provided a level of confidence within the industry that Australia's reputation as a supplier of quality product will be maintained. This function should continue, however a review of the accreditation procedure should be undertaken to ensure that it does not stifle competition.

2. Port terminal access

Most grain port terminals are owned and operated by storage and handling companies, many of which are also exporters. There is concern that under a fully deregulated market without an independent monitor, smaller exporters will be disadvantaged and that this could stifle innovation and the development of smaller higher priced markets. WEA currently fulfils this role by administering an access test and DAFF Queensland sees a need for this role to continue.

3. Market intelligence and reporting

The ability of the market to allow entry of new marketers and provide feedback to the supply chain about customer requirements is vital for a fully competitive market and continued innovation. Competitor countries have better processes in place, which supply independent information and disclosure of production, stocks and quality.

It is in the interests of the whole of the supply chain to have greater transparency with respect to stock availability and quality in order to maximise opportunities to meet market requirements.

As wheat is the largest grain commodity in Australia, with annual production as high as 26 million tonnes, an added advantage of the availability of rigorous information on volume and movement of wheat stock is that it provides vital information to governments and private investors for the development of strategies for improved road, rail and port infrastructure for transport of grains and other rural commodities to markets.

A large percentage of grains stock stored in bulk handling facilities is not owned by the owner of the facility but is warehoused on behalf of the grower who still maintains ownership of the product. Disclosure of the volume and quality of stock in storage at port and up country is currently undertaken to different levels by different bulk handlers and it would be in the interests of industry and Government for this to be standardised.

Currently the WEA supplies some of this information through their annual reporting processes. DAFF Queensland supports the continuation and even enhancement of this function.

4. Export Quality assurance, including varietal accreditation

Queensland has a significant role in the export of high quality wheat to premium markets. It has had the highest percentage of Australian Prime Hard and Australian Hard classified wheat exports of any state. A high level of quality assurance and varietal integrity aimed at satisfying customer expectations is required to support Queensland's reputation as a quality wheat supplier and to maintain high priced markets.

Since the advent of deregulation, there is no uniform export quality assurance program as had existed previously. There is evidence that some international customers have been less than satisfied with the quality of shipments from Australia and they have increased their reliance on other countries to supply their requirements. Other wheat exporting countries such as Canada and the USA have export quality assurance programs in place. Other Australian industries (for example, the grain-fed beef industry) have either mandatory or voluntary quality assurance or accreditation programmes in place to ensure export quality standards.

An important aspect of export quality assurance is variety accreditation. DAFF Queensland submits that this function could be carried out by WEA as part of a broader export shipment quality assurance program.

Conclusion

In conclusion, while DAFF Queensland supports the principles of export marketing deregulation in the wheat and other industries, there is evidence of market failure with respect to export procedures and quality control processes that enable genuine competition and to maintain Australia's and Queensland's reputation in the international market. This is particularly the case in the early years of a deregulated environment.

The WEA is well positioned to deliver these functions at no cost to the taxpayer, and DAFF Qld proposes that the organisation should be retained, with a possibly enhanced role, together with the WEC based funding mechanism.