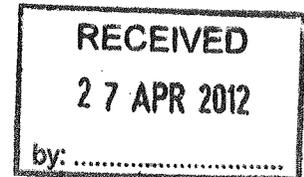




26 April 2012

**SUBMISSION NO. 6  
Wheat Export Marketing  
Amendment Bill 2012**

Mr Alby Schultz MP  
Acting Committee Chair  
Standing Committee  
Agriculture, Resources, Fisheries and Forestry  
PO Box 6021  
Parliament House  
CANBERRA ACT 2600



Dear Mr Schultz

**SUBMISSION ON THE WHEAT EXPORT MARKETING AMENDMENT BILL 2012**

**Introduction**

On 22 March 2012, the House of Representatives Selection Committee referred the *Wheat Export Marketing Amendment Bill 2012* to the Standing Committee on Agriculture, Resources, Fisheries and Forestry. The Selection Committee have invited submissions and the Department of Agriculture and Food Western Australia (DAFWA) provide the following comments.

**Background**

Western Australia produces, on average, a wheat crop of around 7 million tonnes and typically over 90% of this is exported. Western Australia is a key export State, and depending on the season accounts for around half of the nation's exports.

The Selection Committee request is timely in that it provides opportunity to re-examine future *industry-good* needs and pathways for Australian wheat exports in an increasingly deregulated environment.

DAFWA *appreciates* that quality assurance processes represent one element of Australia's future export wheat marketing arrangements that require consideration. There are, however, other key factors that could strengthen and support the Australian export wheat industry in the short-medium term and these include:

- Informing wheat customers of Australia's high standard of quality assurance
- A broader national understanding of international wheat market needs and service delivery
- Technical support and advice to customers and
- New ideas and innovation.

Further comments on the opportunities across each of these areas are provided below. Comments on how the opportunities could be facilitated, managed and funded are contained later in the submission.

### **Informing wheat customers of Australia's high standard of quality assurance**

There is a need to address concern expressed by some international wheat customers that there is not a body overseeing Australian wheat quality since the Australian Wheat Board (AWB) lost its position as the sole exporter of Australian wheat. Contrary to this view there are many organisations that are actively involved in safeguarding the reputation and integrity of Australian wheat, matching those of Australia's major competitors.

The United States of America (USA) and Canadian quality systems are similar to that of Australia in that core elements include varietal registration and functional performance, grading systems, uniformity, cleanliness and safety. These aspects are managed within Australia by a number of different entities (Wheat Quality Australia, Grain Trade Australia, Bulk Handling Companies, DAFF Biosecurity and grain traders). The major difference is that the USA and Canadian systems are currently less fragmented, possibly allowing *these* competitors to convey a message that their systems are much stronger. Consideration needs to be given to reversing this perception and the best method of improving the Australian quality assurance image.

### **A broader national understanding of international wheat market needs and service delivery**

It is important that strong ongoing national linkages are developed so that the Australian wheat industry participants can collectively discuss and understand how to best service Australia's wheat markets. As part of this process it is important to:

- Have national leadership on the creation and development of a pre-competitive national and international wheat market information sharing platform.
- Through this platform develop an improved national understanding of what core markets actually want to access and are prepared to pay for in terms of wheat supply. This would include aspects of market information (crop quality and production reports), wheat quality and functionality and the required standard of quality assurance systems (e.g. quality assurance or full traceability).
- Assist the Wheat Classification Council and other key bodies within the Australian supply chain in making relevant and timely decisions.
- Improve the "physical presence" of Australia in markets to regularly communicate relevant messages, provide assurances and to simultaneously obtain information on market needs, market related issues and other impacting factors. Supplying this information back to the national industry body should enable continuous improvement of the Australian wheat industry and international customer relationships.

### **Technical support and advice to customers**

The level of international support and customer interface at a technical level needs to be considered. Australian wheat customers are indicating that this important interaction has declined considerably since deregulation and that a higher level of service is provided by Australia's wheat competitors. Grain traders often do not have the capacity and/or knowledge to provide this service.

Technical staff within government agencies *appear to* have decreased *capacity to assist, being* limited by time *availability* and funding for travel. Provision and coordination of this technical support function should be improved.

#### **New ideas and innovation**

Opportunity exists at a national level to assess how Australia can better serve international wheat markets in an environment now increasingly conducive to free trade, and importantly look at new ways of doing business. *An example is* the food security concern of some importers which is leading to them *investigating* opportunities for offshore wheat production. Importers are now increasingly stockpiling food grains.

Australian wheat participants may need to consider the creation of multiple supply systems (around the current co-mingled bulk handling system) and other innovative mechanisms to improve service to its customers.

The current mechanics around port access and systems to access shipping slots is being regularly reported as negatively impacting on customer perception and/or the level of service being provided. Improvements to logistics at a national level may need to be considered.

#### **Who should be involved?**

As part of the Grains Industry National Research, Development and Extension Strategy, the Department of Agriculture, Fisheries & Forestry (DAFF) may be best positioned to co-ordinate and facilitate development of these *industry-good* functions. Alternatively, provided they are seen by industry and the market as independent, other national entities could also take leadership in the provision of these functions.

DAFWA and the Grains Research and Development Corporation (GRDC) have already taken initiative in this area through the establishment of the new Australian Export Grains Innovation Centre (AEGIC). AEGIC will be a vibrant hub of science, technology and innovation focused on increasing the competitiveness of the Australian grains industry through improved productivity and product value in export markets. Its core national programs have emphasis on wheat and are synergistic with the opportunities described above. The core programs of AEGIC are:

- Strategic Market Intelligence & Development
- Grain Economic Analysis
- Industry Resource Centre
- Grain Quality Genetics
- Grain Processing & Product Functionality
- Quality Testing Services
- Grain Storage & Product Integrity and
- Breeding Technology & Education Resource Centre.

AEGIC, as a *company* limited by guarantee, will attract investment and collaboration from across Australia and the world to access the latest grains science, technology, innovation and business expertise. Located in Perth, Western Australia, the purpose-built centre will offer significant opportunities throughout the grains industry supply chain, providing closer links to markets and end users.

AEGIC members (DAFWA and GRDC) have already commenced discussion with industry partners on how many of these services can be provided nationally. AEGIC plans to work with DAFF, Grains Growers Limited, Wheat Quality Australia, National Farmers Federation, Grain Producers Australia, Grain Trade Australia and GRDC as well as state-based industry groups such as the Grain Industry Association of Western Australia to determine future needs in this area. As part of this process, the need for additional services and the research and development work required will be identified. As an example, it is possible that the grain quality laboratories within AEGIC may be able to be used for independent arbitration of wheat quality.

### **Conclusion**

The continued development of the Australian wheat supply chain in a deregulated environment is vital to Australia. Quality assurance processes are one of a number of industry good functions that could be improved to ensure Australian wheat remains valued in a highly competitive world market.

Opportunity exists for *governments* to drive an environment that continues to foster free and competitive wheat trade supported by a basic framework that enables:

- A better understanding amongst wheat customers of Australia's high standard of quality assurance
- A broader national understanding of international wheat market needs and service delivery
- Technical support and advice to customers and
- New ideas and innovation.

The support functions require leadership and facilitation through a body prepared to work in the national interest; this could be provided through DAFF, AEGIC or a combination of these and other industry participants.

*The Department of Agriculture and Food Western Australia would be pleased to provide additional comment or clarification to the Committee through*

Yours sincerely

Rob Delane  
DIRECTOR GENERAL