

WHEAT EXPORT MARKETING AMMENDMENT BILL 2012

SUBMISSION



To

**HOUSE OF REPRESENTATIVES AGRICULTURE, RESOURCES,
FISHERIES AND FORESTRY COMMITTEE**

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Submission

The Western Australian Farmers Federation (Inc) (WAFarmers) represents over 4,000 members, the majority of whom grow wheat as a component business.

As having the largest, by far, membership base of any rural lobby group in Western Australia, WAFarmers is confident that they are truly representative of this State's wheat producers, and as such welcomes the opportunity to address the House of Representatives Agriculture, Resources, Fisheries and Forestry Committee.

WAFarmers welcomes the review into the Wheat Export Marketing Amendment Bill 2012 as it shares the concerns about the impact that deregulation could have on quality assurance, particularly in relation to Australia's biggest competitor countries Canada and the USA, both of which have quality assurance processors with exports.

Quality Assurance

There is a definite need in Australia for a reliable and reputable body to monitor export cargoes, both bulk and non-bulk, to provide assurances around the quality and varietal integrity of wheat exports. Such a body could potentially work alongside the Australian Quarantine and Inspection Service (AQIS) and have a legislated capacity to enforce infringements on marketers who fail to uphold quality parameters and pose a threat to Australia's reputation to overseas customers.

This body could also form relationships with overseas customers, dealing with any complaints they may have and nurturing relationships with them in the same way that the US Wheat Associates does.

As per its website, "U.S. Wheat Associates (USW) develops export markets by demonstrating the reliability, choice, and value of U.S. wheat in over 100 countries. Our organization is funded by U.S. wheat producer checkoff dollars managed by 19 state wheat commissions and through cost-share funding provided by USDA's Foreign Agricultural Service."

Whilst there is no preferred option for how this should occur in Australia, if there is a commitment to maintain the current strong international standards as a preferred grain supplier in the deregulated environment, the need for this role is paramount and needs to be reviewed at this time by your Committee.

Wheat Exports Australia

In previous submissions to the Productivity Commission regarding wheat export marketing arrangements, WAFarmers questioned the value of Wheat Export Australia's (WEA) role under its current charter in terms of providing value to growers that is equivalent to the Wheat Export Charge of \$0.22/tonne of exported wheat.

While this organisation acknowledged WEA's important role in the accreditation of wheat exporters it commented that other than deeming a marketer as 'fit and proper' to export wheat, due to the lack of information available to the public via the accreditation process (that is any details of the commercial operations) the information supplied via WEA accrediting exporters did not assist growers with their export marketing decisions.

It has been WAFarmers longstanding belief that the operations of the WEA should be examined closely for relevance, practicality and impact on international customers seeking certainty of sales from preferred suppliers on a long-term basis.

It is with these comments in mind, that WAFarmers would not refute the intention to abolish the Wheat Export Charge on 30 September 2012 and wind up Wheat Exports Australia *in its current form* on 31 December 2012.

Accreditation of Exporters

With regards to accreditation of exporters in a deregulated wheat marketing environment, accreditation is important to allow growers the confidence that potential marketers have been subject to a criteria test and deemed acceptable.

Criteria such as the financial resources available to the company, the company's risk management arrangements, business records and any offences related to dishonest conduct and whether a company has contravened a condition of the company's accreditation are important.

It is important to note that any accreditation system should not place unnecessary cost and compliance on the business as these costs will inevitably be passed on to growers and that renewals of accreditation should be less stringent and less costly than initial accreditations.

WAFarmers would be open to a more streamlined approach to accreditation but believes that some form of accreditation to deem a potential wheat exporter as 'fit and proper' is vital to ensuring the growers confidence in marketing decisions as well as best ensuring payment and therefore the on-going viability of individual farming enterprises.

WAFarmers is of the opinion that a system such as employed by the Essential Services Commission of South Australia may be compatible with the needs of Western Australian growers. Under this system, wheat exporters would pay a fee and attest legally to a number of requirements. If the company does not legally comply, then accreditation to export is lost. This would reduce operational costs of the WEA, reduce cost of compliance for all exporters and ensure more efficient wheat exporting arrangements.

It is important that any system which is developed should not overlap the Bulk Handling Act 1967 (WA) and could be defined in a Bulk Handling Code of Conduct. In addition, it is this organisations belief that the Corporations Act and

Trade Practices Act provide more protection than does the Wheat Export Marketing Act and should be used.

Information Provision and Market Transparency

The transition of the single desk into a deregulated market place occurred with the Government's assurance that there would be a provision of market information to enable growers to be better equipped to make marketing decisions and that there would be market transparency.

From the growers perspective, the absence of adequate market information means that marketing decisions are made in a vacuum. The release of timely and accurate supply and demand information would provide clearer market signals for growers and therefore make an important contribution to their marketing decisions accordingly.

The information currently provided by ABS and ABARE does not provide meaningful information (that is information by which they can make important marketing decisions) because it is not readily accessible and available to wheat producers in a meaningful way.

Similarly, although CBH provides weekly Harvest Reports showing total grain receivals by port zone along with daily updates to the shipping stems of the four port facilities, on its own, this data provides little or no value.

As grain producers spend much of their time out in the field, they need a 'one-stop-shop' whereby meaningful data is collated and useful to them.

Such a 'one-stop-shop' would not necessarily mean any large increase in cost burdens to growers as computer technology means that data can be automatically transferred from one portal / location to another so a tabled and graphed presentation of figures should not be costly.

If there was to be a regular written independent summary made of the data this would no doubt cost more and then questions would be raised as to who should pay for this information and who really benefits.

It is for this reason that WAFarmers is of the view that information should be available on a single website that is accessible to all members of the co-operative, as well as other participants in the trade in order that informed marketing decisions can be made by all parties wishing to maximise the benefits that may flow from the deregulation of grain marketing.

In the Western Australian grains industry there is currently a debate about the provision of real time information as well as the amount and type of market information that should be available.

CBH have advised that they are opposed to real time information due to the fact that it would damage the competitiveness of Western Australian grain and is not provided by other service providers.

They have also advised that there needs to be industry confidence that the release of information will not result in the throwing out of a shared industry benefit at the expense of perceived individual gains and that there would also be issues with regards to confidentiality matters with customers and growers.

This debate seems to have reached an impasse in Western Australia however it would appear fair to suggest that the Western Australian grains industry should not be compelled to release information in its own right if there is no such requirement in the Eastern States. It is therefore our view that information should be released at a national level to ensure competitive advantage is not lost and that Western Australia should not suffer because of the lack of information provision in the eastern states.

Comments with regards to Access Undertakings

WAFarmers understands that the rationale for the Access Test in the Wheat Export Marketing Act is to ensure that owners of port terminals who wish to market bulk wheat for export do not attempt to use their ownership of port terminals to derive an unfair advantage to their marketing operations.

This organisation would maintain that sufficient arrangements have been put in place by Co-operative Bulk Handling and as such the access test should be abolished on 30 September 2014, contingent on a non-prescribed voluntary code of conduct being in place.