

Senate Rural Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Budget Estimates May 2011

Agriculture, Fisheries and Forestry

Question: 79

Division/Agency: APD/WEA – Agricultural Productivity Division/Wheat Exports
Australia

Topic: Grain Exports

Proof Hansard Page: 91-92 (24/05/11)

Senator Nash asked:

Senator NASH: Do you have any concept of the reason it did not hit the peak that you thought it might? Was it the wet season? Or are there any sort of anomalies?

Mr Woods: Probably, for a financial year, we are doing better than we thought, because the exports for last year and the financial year are different to what we thought. But, for the marketing year, they are also probably better than we thought at the moment. Given that there is a significant amount of feed wheat around, we were concerned that it would impact adversely on exports, but a number of new markets have opened for feed wheat and exports have actually gone faster than what we may have initially thought once the rain started.

Senator NASH: What are those markets for feed wheat?

Mr Woods: I think Egypt has opened up as a new market.

Senator NASH: Can you take that on notice and let me know if there are any others.

Mr Woods: Yes, there are a couple of others.

Senator NASH: Thank you, that would be quite useful. (cont.)

Answer:

WEA has conducted a survey of active exporters to determine tonnage of feed wheat exports and destination countries.

Destination Country	Estimated Feed wheat tonnage exported by active accredited exporters from 1 October 2010 to 31 March 2011
Philippines	501 532
Vietnam	461 964
Bangladesh	243 722
Thailand	210 519
China	129 500
Japan	45 860
Israel	36 533
South Korea	19 715
New Zealand	16 010
Fiji	12 719
Indonesia	12 501
Malaysia	12 484
Yemen	37
Grand Total	1 703 095

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Question: 80

Division/Agency: APD/WEA – Agricultural Productivity Division/Wheat Exports Australia

Topic: Export Figures

Proof Hansard Page: 92-93 (24/05/11)

Senator Nash asked:

Mr Woodley: At the end of September. I draw your attention to page 15 because it does show the proportionate share of the 18 or so active accredited exporters and it shows the movements between years in terms of their market share. There have been significant movements which show that the market is dynamic and highly competitive. It also shows that no one exporter dominates exporting.

Mr Woods: There were 17 or 18 then. I think that year to date there are 10 exporters who have exported over 800,000 tonnes across Australia.

Senator NASH: Are those figures that we can have now or do we have to wait?

Mr Woodley: That figure cannot be correct. We will have to check that.

Senator NASH: That is all right. I understand that this will not be done again until the end of the year, but are there any interim figures you could supply to the committee?

Mr Woods: We can provide some interim ones. We do that in newsletters every six months.

Senator NASH: That would be very useful, thank you. (cont.)

Answer:

For the period 1 October 2010 to 23 May 2011 (marketing year to date) there have been 19 active accredited bulk wheat exporters. Of these 19, seven have exported more than 800 000 tonnes of bulk wheat during the marketing year to date.

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Question: 81

Division/Agency: APD/WEA – Agricultural Productivity Division/Wheat Exports Australia

Topic: Sumitomo Exports

Proof Hansard Page: 96 (24/05/11)

Senator Nash asked:

Mr Woods: Sumitomo used to be an exporter.

Senator NASH: When was that?

Mr Woods: There were accredited back in probably August 2008 and surrendered their accreditation some six, eight or 10 months ago.

Senator NASH: How much grain did they exploit during that time?

Mr Woods: I am not sure that they were active.

Mr Woodley: I do not think they were active.

Senator NASH: So they were accredited but they were not active.

Mr Woodley: Let me say that we are using the word 'Sumitomo' a little bit loosely, because there are a number of companies within the Sumitomo group. The Australian company was the one that was accredited, but there are other companies within the Sumitomo group that have the interest in Melbourne port terminal.

Senator NASH: Could you take that on notice and clarify that for me—that there was not any active trading during that period?

Mr Woods: Sure.

Senator NASH: Most enlightening, thank you, gentlemen.

Answer:

Sumitomo Australia Pty Ltd (Sumitomo) was accredited for the period November 2008 to May 2010 to export bulk wheat from Australia. Sumitomo did not export any bulk wheat during this period. Sumitomo is active in exporting wheat in containers.

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Question: 82

Division/Agency: APD/WEA – Agricultural Productivity Division/Wheat Exports Australia

Topic: Seasonal weather effect on grain exports

Proof Hansard Page: Written

Senator Back asked:

1. Has the bad seasonal weather had an impact on the quality of grain?
2. Has there been any reaction from export markets concerning the quality exported from Australia? If so, what?
3. Is this reflected in the demand for Australian grain?
4. Is this reflected in any price fluctuations?
5. Have any new markets for Australian grain been identified?
If so, which markets and what action is being taken to secure trade? If not, why?

Answer:

1. The wet conditions during the harvest of the 2010–11 wheat crop caused downgrading of significant quantities of wheat from milling grade to feed grade. Wheat Exports Australia (WEA) will have a clearer picture of the quality profile of the 2010–11 wheat crop when it receives accredited exporter's Annual Export Reports in October 2011.
2. WEA has not had any formal comment or reaction from international customers of bulk wheat concerning its quality.
3. During the marketing year from 1 October 2010 to 30 April 2011, Australia exported approximately 10.7 million tonnes of bulk wheat. During the previous corresponding period, Australia exported approximately 7.7 million tonnes of bulk wheat. Hence exports during the current marketing year to 30 April 2011 are 39 per cent more than during the previous corresponding period. *Source: Australian Bureau of Agricultural and Resource Economics and Sciences*
4. Australian wheat prices reflect international wheat prices.
5. New markets can be considered as new customers or consignees. A consignee is the party to whom an export shipment is delivered. The number of consignees is indicative of the number of customers.

WEA's *2009–10 Report for Growers* (page 8 figure 6), states:

‘the number of consignees has significantly increased for both bulk and non-bulk exports since the introduction of the new wheat export marketing arrangements. For bulk exports the number of consignees has trended up from a 10-year average of 114 to 160 per year in the period since the partial

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deregulation of the wheat export market. The increase for non-bulk wheat has been more significant, from 180 consignees in 2000/01 to more than 400 in 2009/10, reflecting the growth in niche markets for Australian containerised wheat.'

Further:

'The increase in activity reflects the deregulation of the respective non-bulk and bulk export markets and the previously un-met demand for Australian wheat from a broader number of end-users. Competing exporters are now able to seek out new customers who, for varying reasons, were unable to purchase Australian wheat under the single desk system.'

The '2009–10 Report for Growers' also stated that:

'Over the last five years, there have been 19 countries which have on average imported more than 100 000 tonnes of Australian bulk wheat per year – Indonesia, Japan, South Korea, Vietnam, China, Yemen, Sudan, Iran, Iraq, Thailand, Malaysia, India, New Zealand, Kuwait, United Arab Emirates, Italy, Bangladesh, Papua New Guinea and Egypt. These countries have accounted for more than 90 per cent of Australia's bulk wheat exporters over the last five years.'

It is not part of WEA's role to secure trade.

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Question: 83

Division/Agency: APD/WEA – Agricultural Productivity Division/Wheat Exports Australia

Topic: Wheat industry expert group

Hansard Page: Written

Senator Back asked:

The Wheat Industry Expert Group (IEG) recommended a number of industry development functions for efficient and effective delivery of industry development functions under the new deregulated wheat arrangements.

1. How much of this agency's budget is made up of the wheat export charge (22c per tonne) and how much is anticipated in the forward estimates?
2. WEA regulates the export of wheat from Australia with accreditation powers that monitor and enforce responsibilities by exporters. What proportion of the agency's work does this represent given that there are about 20(?) exporters? What proportion of the budget is allocated to this work?
3. Has WEA had to take action against accredited exporters? If so, can you provide detail?
4. What makes up the remaining balance of their program? Are any of these industry development functions? Budget?
5. Does WEA undertake a communications program to advise growers of breaches by exporters or pass on information about wheat data etc? If not, why? Does it think it should?
6. Given that the productivity commission's review recommended that the WEA be scrapped do they consider that there are resources capacity to put in place a stronger structure to the deregulated industry?
7. What is the status of the industry development functions?

Answer:

1. In 2010–11, Wheat Exports Australia (WEA) budgeted \$3.055 million for Wheat Export Charge income. This is 96 per cent of the total expected revenue.

Forward budgeted wheat export charge estimates are outlined in the table below.

Financial year	Wheat export charge income	Total WEA revenue %
2011–12	\$3.175 million	95
2012–13	\$3.890 million	98
2013–14	\$3.974 million	98
2014–15	\$4.044 million	98

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2. As at 23 June 2011, there were 26 accredited bulk wheat exporters. For the period 1 October 2010 to 23 May 2011 (marketing year-to-date) there have been 19 active accredited bulk wheat exporters.

The WEA budget is \$3.997 million. Of this, \$2.172 million, representing 54 per cent, is allocated to accreditation related responsibilities.

3. WEA has not been required to suspend or cancel an accreditation. WEA conducts regular audits of accredited exporters as part of its core business and recommends corrective action if necessary.
4. WEA's primary role is to administer the Wheat Export Accreditation Scheme. The scheme allows the accreditation of bulk wheat exporters who meet the specified 'fit and proper' criteria and for WEA to exercise its monitoring and enforcement powers to ensure that a competitive bulk wheat export market exists, giving growers more choice in the marketing of their wheat.

If directed by the Minister, WEA has the power to investigate a matter related to:

- its powers and functions; or
- an alleged or suspected contravention of a condition of accreditation or of the Act.

WEA does not undertake any industry development functions or have a budget to do so.

5. WEA has a legislative obligation to produce a *Report for Growers* in relation to the operation of the wheat export accreditation scheme during the marketing year (October to September) before 31 December each year. WEA also issues press releases as appropriate and publishes ad hoc newsletters and fact sheets.

WEA visits all state grower grain groups at least annually and meets with growers and exporters when attending the annual Australian Grains Industry Conference.

6. WEA will continue to operate on a business-as-usual basis in administering the scheme until advised otherwise by the government. If the government chooses to amend Australia's wheat export marketing arrangements, then WEA stands ready to play whatever role is required of it in transitioning to and implementing such new arrangements.
7. In its final report to government, the IEG recommended that Australian Government involvement in the delivery of industry development functions should be limited to the funding provided for research and development activities and its role in trade policy advocacy. Remaining industry services were considered to be commercial in nature, and should be undertaken at the industry's initiative and discretion.

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In relation to providing information, the IEG recommended that monthly data on key market indicators such as stocks, production, exports and wheat available for purchase be published by state on a monthly basis. The combined Australian Bureau of Statistics (ABS) and Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) wheat market information project was established to implement this recommendation. The project released its first reports in February 2009 and these are continuing on a monthly basis until November 2011.

The Department of Agriculture, Fisheries and Forestry is funding an independent study to review market information needs and to develop options for long-term delivery after publication of the final ABS/ABARES report. The final report is due by 30 June 2011 and will be used to seek industry agreement on future arrangements and funding mechanisms.