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**PRODUCTIVITY COMMISSION**

**INQUIRY INTO WHEAT EXPORT MARKETING ARRANGEMENTS**

**DR W. CRAIK, Presiding Commissioner  
MS A. MacRAE, Commissioner**

**TRANSCRIPT OF PROCEEDINGS**

**AT BRISBANE ON MONDAY, 7 DECEMBER 2009, AT 11.03 PM**

**Continued from 4/12/09 in Perth**

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**MS MacRAE:** Good morning and welcome to this, our fourth day of hearings for the Wheat Export Marketing Arrangements Inquiry. We're very happy to see you here today. My name is Angela MacRae. I'm one of the commissioners on the study and on the telephone we also have the presiding commissioner, Wendy Craik. As I'm sure you're aware, the inquiry started with a reference from the assistant treasurer and covers the wheat export marketing arrangements, as I said.

We've already talked to a range of organisations and individuals with an interest in the issues and submissions have also been received and coming in to the inquiry following the issue of our issues paper which I expect you have already seen. We're grateful for those who have been able to make their submissions but we appreciate that the timing has been difficult, particularly for growers, so while the due date was 13 November, if you're aware of anyone who would like to put something on the public record via a submission, we are happy to continue to take submissions right up until the draft report is prepared. Obviously the earlier we get those submissions, the easier it is for us to take information on board. If you're aware of anyone who does want to make a submission, they are still welcome.

We do like to conduct the hearings in a reasonably informal manner and it does look like quite a set-up today for a small group, but I do remind participants that a full transcript is being taken and for this reason, comments from the floor can't be taken. But at the end of the day's proceedings, I will invite comments if anyone wishes to make them or a brief presentation at the end of the day. Participants are not required to take an oath but are required under the Productivity Commission Act to be truthful in their remarks. Participants are welcome to comment on issues raised in our submissions and in fact we strongly welcome that. Transcripts will be made available to participants and will be available from the commission's web site following the hearings. Copies may also be purchased using an order form available from the staff who are here today. Submissions are also available and unless otherwise indicated by people making submissions, submissions are made available publicly on our web site for others to view.

I should just mention for OH and S purposes, if we should have an alarm of any kind, we go out the doors here and to the far end of the terrace and there's a loading dock down some stairs which is the meeting point should there be an emergency of any kind.

I think that finishes the formalities, so I'd just now like to welcome you. If you wouldn't mind stating your name and the organisation you represent for the record and then perhaps make an opening statement or comments from your submission and then we'll have time for questions. Thank you.

**MR PFEFFER (AG):** Okay, thanks, Angela. Lyndon Pfeffer, AgForce Grains, president.

**MS MURRAY (AG):** Nina Murray, AgForce Grains, policy director.

**MS MacRAE:** Would you like to make an opening statement?

**MR PFEFFER (AG):** Yes, I'd like to thank you for this opportunity to present to the Productivity Commission. We did submit a submission earlier on which was more detailed and certainly while we can only speak for Queensland, some questions we weren't sure or weren't able to answer them, but we endeavour to give a Queensland perspective. I have a few key dot points that I wish to bring to your attention and we can certainly go into more detail then as required. So if I may start?

**MS MacRAE:** Sure.

**MR PFEFFER (AG):** AgForce certainly believes there's a need for an independent overseeing body such as the WEA. WEA can complete a variety of roles. There's a need to be accountable or there's a need for accountability and transparency in the industry. The industry needs control over any company or entity that may have the power to monopolise the supply chain or any other aspect of the industry in that regard. Compliance standards need to be maintained. We're looking for fair and equitable port access and these need to be maintained or improved; access to more timely and up-to-date information; the industry needs classifications and quality control; a better need for communication between marketer and grower, and while it's probably not under this jurisdiction, we certainly see the regulation of the bags and container trade for wheat in particular, but certainly there's a concern there from the whole of industry with some of the issues that have been identified.

**MS MacRAE:** Okay. Is that as much as you'd like to say to open?

**MR PFEFFER (AG):** That covers all our dot points.

**MS MacRAE:** All right. Did you want to say anything, Nina? No, okay. Would you like to start with some questions then, Wendy.

**DR CRAIK:** Thanks very much, Angela. Thanks very much, Lyndon and Nina, for both your submission and your comments. I guess my first question, Lyndon, is do you think that removal of the single desk has worked well? Do you think it's been a success in its first year?

**MR PFEFFER (AG):** In Queensland here, it's been rather variable over the last 10 years with weather conditions and so forth and to a certain degree Queensland hasn't relied on the single desk as a wheat marketing option. Certainly there are some growers who have utilised the pools in the past when we've had a big crop but I think there's more grower involvement in the domestic market here than export to

some degree.

**DR CRAIK:** Okay. In your submission and in your comments this morning, you've suggested that you believe that an organisation like WEA in accrediting marketers is important so we don't get a monopolistic marketplace. I guess the question I have is, at the moment, WEA's powers are limited to accrediting and auditing of marketers but that accrediting and auditing doesn't guarantee that a grower gets paid, even if they use an accredited marketer. So are you suggesting that WEA needs to have greater powers so they can do something about it if a monopoly eventuated, because I don't think right now that WEA have any powers that would enable them to do anything in that respect.

**MR PFEFFER (AG):** Certainly on that, through the supply chain, I think (a) there is a need for an organisation or an independent group to oversee some of that so it is transparent. If more powers were added to the WEA, I think that that could suffice. As far as some of the industry-good functions that AWB used to manage, some of those have been picked up already by the Grain Growers Association, GRDC and Grain Trade Australia and we certainly accept that those organisations or companies have picked up that gap that has developed. But certainly there are potentially - is a potential for a few gaps or cracks in the walls at the moment that do need strengthening. Certainly the transport and supply chain issues may be one area that needs addressing.

**DR CRAIK:** Are you aware of any real issues, like, you know, cases of either bulk handling companies not providing access or problems in the supply chain or - you know, any - are you aware of any, I guess, concerns that have actually occurred over the last 12 months that - you're indicating, you know, you have concerns that might develop in the future but are you aware of any actual instances of real problems anywhere in the supply chain over the last 12 months?

**MR PFEFFER (AG):** Given the degree of marketers or traders in the export scene now compared to what used to be, there's a tendency to want to get grain exported ASAP to meet the markets. We saw last February, March, April here in Queensland where wheat exports and sorghum exports were being put under pressure and GrainCorp had actually ceased direct delivery to port because of some control measures that they thought needed to be implemented and they thought they could do a better job in the supply chain overseeing that. But in Queensland here our only other competition to the bulk handling authority, which is predominantly GrainCorp is on-farm storage and the farmers can't access or can't deliver their grain direct to port. We see that as a real risk or threat.

**DR CRAIK:** So are you saying, just so I understand you correctly - are you saying there was a period during the year where GrainCorp wouldn't accept grain that was taken by the farmers to port but they had to do it - the farmers had to put it through

GrainCorp's system to get it to the port. Is that what you're saying?

**MR PFEFFER (AG):** Yes, that's correct. We intervened at the time. AgForce intervened at the time. We contacted GrainCorp and an interim measure was put in place, that up-country testing in Toowoomba at Harristown at their depot there, that they could test on-farm grain so that it could be received at the port in Brisbane.

**DR CRAIK:** So is the issue that prior to your intervention was the issue that GrainCorp didn't want to accept it because it hadn't been tested and they didn't want to wait till it got to port to test it? Was that the issue?

**MR PFEFFER (AG):** That was one of the reasons, yes. But certainly other traders had brought it to our attention. I know Riverina was one company who expressed concerns about not being able to take grain ex-farm and deliver direct to port.

**DR CRAIK:** Once they established that testing station up near Toowoomba were farmers then able to take - once it had been tested direct to port?

**MR PFEFFER (AG):** Yes, it didn't solve the problem but it certainly eased the problem to some degree. I think it was only a short-term period that GrainCorp held to that line that grain ex-farm wouldn't be received at port.

**DR CRAIK:** There's a line in your submissions - there's no page number but early in the submission it says under the question:

Are limitations of the rail, road and receival and storage systems  
impeding Australia's wheat export performance?

You said:

Growers are being penalised financially because customers can't access  
the grain in a timely or efficient manner. In Queensland it has been  
estimated that growers were losing 20 to 25 dollars a tonne because grain  
could not be accumulated or delivered to port in time.

Can you explain that to me a bit? I mean it's assume the issue you were referring to a minute ago but can you explain that to me, the \$25 a tonne?

**MR PFEFFER (AG):** Yes, certainly grain traded export used to be a positive basis but this year or the last 12 or 18 months it's been a negative basis. We worked those figures that 20 to 25 dollars a tonne is the difference between what the Newcastle port price was versus Brisbane port price.

**DR CRAIK:** Is it GrainCorp paying a different price at Newcastle from what

they've paid at Brisbane. Is that what you're saying?

**MR PFEFFER (AG):** Yes, there was a premium for grain going out of Newcastle compared to the Brisbane port which I thought should have been reversed. The port at Brisbane itself was only running at 60 or 65 per cent capacity export. Yet intake, because of transport and logistics, whether it be rail freight or road freight - the port was being congested on the intake side but only running at 60 to 65 per cent efficiency on the export.

**DR CRAIK:** Okay, right.

**MS MacRAE:** So was that differential put in to try and get the flow through a separate port because of those logistical problems?

**MR PFEFFER (AG):** Well, once again I know of another company - Elders actually pulled a ship or shifted a ship that was supposed to load at Brisbane and shifted to Gladstone to get their grain because of the backlog of ships lining up to get their grain in a timely manner.

**MS MacRAE:** So is the port the bottleneck then?

**MR PFEFFER (AG):** It's getting the grain to port.

**MS MacRAE:** I'm just trying to be clear about that, because in WA they're saying they could load the wheat they get five times over at port. The port is not the problem, it's the getting the grain to port. So you're saying it's the same problem here. It's the chain from up-country to port that's the problem, not the port itself?

**MR PFEFFER (AG):** Yes, that's right.

**MS MacRAE:** It's not really - you're not arguing that there's sort of access limitations to the port. It's just that the physical capabilities are limited by that supply chain getting the grain in?

**MR PFEFFER (AG):** I guess when AWB managed a single desk and the wheat export marketing arrangements they could negotiate the freight and identify which grain needed to be taken to port at any given time, whereas with the multiple marketers now the port can't allocate - building up a quantity or a specification of wheat if somebody else is shifting or exporting a different specification of grain.

**DR CRAIK:** Is the difference between Brisbane and Newcastle the fact that Newcastle a lot of the wheat can go in by rail, is that it, and in Brisbane it's trucks?

**MR PFEFFER (AG):** I'm not sure of the circumstances in New South Wales. I

know GrainCorp have bought some trains down there and I think AWB used to run trains as well. Now that there's a take or pay arrangement in Queensland that GrainCorp have signed up to I'm not sure whether AWB have yet or not but certainly I haven't seen how this is going to work but I understand that it could help solve the situation to some degree but we still need to see the detail.

**DR CRAIK:** That's for this coming year you're talking about?

**MR PFEFFER (AG):** That's correct.

**DR CRAIK:** Okay.

**MS MacRAE:** So do you think - in Western Australia, for example, they've implemented or are implementing for this season an option system for the shipping stem in their port there. Could something like that help in this situation or is that - do you not see that as a solution? I mean in some ways I guess that's the way for the market to kind of reveal itself in terms of where people wants slots and what for.

**MR PFEFFER (AG):** Certainly in southern Queensland it's competition with the minerals sectors that has caused some of the problems. As I said earlier Queensland has predominantly been a domestic market and only the excess gets exported. Only in the good years, which haven't been too many of in recent times, unfortunately, where we are looking at export - and the last two years both for summer crops, and in particular sorghum and wheat, we've had double the production of previous years and that has added to the congestion.

**MS MacRAE:** Right, okay. Just to return to the very first question, I guess, in terms of how the single desk arrangements are done, are you able to say whether it's harder or easier for - given the circumstances whether you even want to access the export market. Do you think in making a choice between domestic and export is it easier for a grower to enter into an export contract now than it used to be with the single desk or harder, do you think?

**MR PFEFFER (AG):** I think most Queensland growers have sold their grain to a trader or marketer and then that marketer has made the decision whether they export it or put it on the domestic market.

**MS MacRAE:** Okay.

**DR CRAIK:** Lyndon, do you think that the level of regulation that currently exists in the bulk wheat industry should also exist in the bag and container side of the wheat industry and other grains? Do you think it should apply across the board? The other grains seem to operate without WEA accreditation, without undertakings on port access and all the other things that were part of the removal of the single desk



and bulk wheat. Do you think the same level of regulation should apply to all of the grain sector?

**MR PFEFFER (AG):** Given that wheat is the major grain that's exported, there has already been a couple of instances identified that I'm aware of where grain has been put into bags and containers that hasn't reached specifications going into South-East Asia and I think the initial trade-off with industry was that they would be prepared to deregulate the bags and container market for the sake of keeping the single desk arrangements but that didn't continue and I think that the arrangements for the bags and container market are too loose.

**DR CRAIK:** Okay.

**MS MacRAE:** Just in relation to what's happened with bags and containers, we've had a lot of anecdotal evidence and there seems to have been one in particular very high profile instance of a problem with a container. But in terms of the regulation that you might put in place for that, do you think that the market is likely to sort that out to some extent by basically, "We're not going to deal with you again, you've given us a dud batch," or is it a more systemic, sort of widespread problem? I guess finding one dud container is not a surprise to anybody in the market the size of the Australian situation. But is it a system problem that you think really needs addressing? The other concern is that in terms of the costs of regulating there are issues ultimately about costs and it ends up being effectively borne by the grower in other ways. There are costs and benefits, I guess, of regulation and how much you see that container trade as being a big enough problem that you want to necessarily put regulation in place to address it.

**MR PFEFFER (AG):** Certainly since the bags and containers have been deregulated there has been a significant volume exported that way and I would see that any risk needs to be mitigated in maintaining our quality and classifications that Australia sets itself.

**MS MacRAE:** In relation to those classifications, you'd made some comments in your submission - if I was reading it correctly - that you felt that the way the classifications are being made - I don't know if you were saying it was different to how it had previously been done, but potentially that growers weren't getting the value for their grain because the classifications - because you were implying they were set too wide.

**MR PFEFFER (AG):** Under the previous regime we've had the Golden Rewards which took the cliff faces out of the different classifications and that no longer exists and we have seen some significant differences in price for different grades.

**MS MacRAE:** I suppose you'd want to see a difference in price for different

grades, wouldn't you? Isn't that the ideal, that if you've got a good grade you'll get a better return than if you haven't? So you're not averaging so much over a stack, I guess, so there will be winners and losers out of that but the winners will be the ones that have got the quality that was previously in the stack.

**MR PFEFFER (AG):** My concern is are we getting real value for our premium grades and I hesitantly say that we're not.

**MS MacRAE:** Is that a fault of the classification system then or is it a fault that the market hasn't yet developed enough products to allow you to differentiate? We have been hearing, from some quarters at least, that there are different increment-type programs, and it's not Golden Rewards any more obviously, but there are products developing that are available that would allow you to get some of that premium back and in fact the possibilities of segregation and the alternatives that are now available both through containers and bags and other niche markets that weren't previously available, there might be more scope to get that premium back to the grower.

**MR PFEFFER (AG):** Under the previous regime I know there were some markets where the Australian wheat was regarded as high quality and gained a premium and they mixed that with grain from other parts of the world. I'm not sure whether that is still taking place these days or whether the multiple marketers or traders are actually looking to do that in the overall scheme of things or whether they're just trying to get a bit of a premium.

**DR CRAIK:** In your submission, Lyndon, on information provision, do you think the industry is prepared to pay for that information? The government is currently putting out some information and collecting it to go to air in 2011 but after that there is some fear, but do you think the industry would be prepared to pay for continuing that information or more information?

**MR PFEFFER (AG):** I think we need to have an assessment of it but certainly the timeliness of information that's been reported at the moment through ABARE or the ABS is not satisfactory, it's too much of a delay. But if we had more timely information it could be considered.

**DR CRAIK:** So do you think there's a chance that growers would pay for it?

**MR PFEFFER (AG):** Ultimately growers pay for everything.

**DR CRAIK:** Yes, that's right.

**MS MacRAE:** Just in relation to that information request, it seems that there are really two uses of information that will make a difference to what you collect and how frequently and one is probably the stuff that you're less interested in, I think,

from reading your submission but is probably still of some value and that's the history and how has the wheat crop moved over time and what does the industry look like, what's its geography and history. Then there's other information that's the market-sensitive, kind of, "I want some information now because I'm trying to find the best place for myself in the market and get the best opportunities that I can." So the first part of the information seems not very contentious and the ABS and ABARE information is more of that character, I suppose. No-one thinks that it's timely enough to give you that market sensitive, "I'm looking where to put my wheat and how to sell it today." We're not going to be able to move that information into a system that will give you information fast enough for that.

But we've heard a range of views from growers and others about whether they actually want to give away that information, so even things like reporting on the size of stocks and what's held at various ports. Some of the growers in Western Australia, for example, were saying, "I know what I'm holding, that's my information, that's commercially sensitive and I don't want to give that information out. I think I've got an advantage in knowing what that is and not giving the information out." Whereas others will say, "The handlers and others in the market will have a much broader view of what's happening today in the market and I want to know what they know, so I'm actually prepared to give my personal information if that means that I can have the traders' information and the bulk handlers' information."

I guess I'm just really asking, would you agree that the sensitivity around the information is what you have in terms of what's valuable for trading today, so it's that side of the information question that's difficult, and then which side of the fence you'd sit in terms of how far we go to collecting that and what information should reasonably be expected from growers and others.

**MR PFEFFER (AG):** I know there was some discussion through the consultative group and I think that situation still hasn't been addressed properly, into what level of detail we need to get into. I thought maybe market development would have been a better line of thought to follow because my understanding is that Japan's economy has flattened out and the real expansion will be in the South-East Asia region and India and China and we need to identify what classifications or what specifications of grain they have so we can adjust, more so than know what quantity of grain is in some stores.

**MS MacRAE:** Okay. So some of the information then is more of that first type I guess in a way that you're talking about, its movements and trends in world markets and where the demands are for particular clients of wheat and how the market is moving over time more than kind of what's happening in my local environment and how am I responding to that in the marketing decisions I make.

**MR PFEFFER (AG):** I'd imagine in Western Australia the situation is different to

Queensland because as I said earlier, it's predominantly a domestic situation and our preference or main options are that market and it's only when it becomes export orientated that we get interested.

**MS MacRAE:** That's helpful. I'm sorry to press it but it's an issue that we get very wide views on in submissions and so trying to work out exactly what people are looking for and why just helps us clarify that a bit in considering what we might be saying about it all.

**DR CRAIK:** I was just going to follow up on that. Lyndon, given that you mostly grow for the domestic market, whatever the overseas trends are, it sounds like, from what you say, it's almost fortuitous if - you know, it just depends on the buyers of the wheat crop if Queensland growers end up exporting. So if mostly they're growing for the domestic, they're orienting what they grow for the domestic wheat market, whether or not what they grow is what the export wheat market wants sounds to me like - and I might be quite wrong here - it's a bit more the lack of the size of the crop, sort of thing. Is that right?

**MR PFEFFER (AG):** I think the previous arrangements were to breed for high-quality wheats and get premiums that way and that's been to the detriment of yield. In Queensland we see it's just the bottom line like growers get as farm gate values go and their gross margins. Currently the only way to try and get that best gross margin is through trying to attain those premium grades, but certainly in Queensland and northern New South Wales, the weather can be fickle at times, and as seen earlier in the 2000s, if you get one major rainfall event at the wrong time - there's significant classifications of feed - and yet we try and grow Prime Hard or Hard varieties and gain that premium on the export, but it's not recognised domestically to such an extent.

**DR CRAIK:** In your submission, Lyndon - and this is on the transitional costs to the new arrangements - you've got a statement that:

It would be fair to assume that the transitional costs have been higher than the net benefit to date.

Then you say it's impossible to apportion such benefits and you suggest that most growers would be about \$120 a tonne worse off this year compared to last season. Is that a function of the global wheat products issue? Is that a large element of it? I suppose no longer having national pools that average out the prices - I guess what I'm interested in is what do you think the factors are that have led to that \$120 worse off this year?

**MR PFEFFER (AG):** I think it's a bit of everything you said, the world supply, increased production last year; I think the economies of some of the countries has

tightened up and they're living from a more hand-to-mouth type arrangement instead of stockpiling. I see this continuing into the future because of the expansion in world population, particularly in south Asia, South-East Asia, and there's always going to be that risk there and there's always going to be that opportunity there, but certainly to see the prices come back from over the 400s to just over the 200 or 250 or whatever it is now, you can't just say - it's not only because of the loss of the single desk, there's a range of aspects there but certainly the wheat marketing arrangements, as I said earlier, we've had a negative basis for the last 12 or 18 months, whereas we used to always have a positive basis. So taking that into consideration, it is having an impact.

**DR CRAIK:** As I understand it, the basis is very much related to whether the global price is falling or rising, so I guess all those things are interlinked.

**MR PFEFFER (AG):** That's something that the industry or growers can't identify why we've got a negative basis now, except for getting the grain to port in a timely manner.

**DR CRAIK:** Yes, okay. Angela, over to you.

**MS MacRAE:** I wonder if we might just return to the role of WEA because we didn't investigate that very much at the beginning. There's a lot of reference in your submission to, if I can call it, the comfort factor from having WEA there. Given that it doesn't guarantee payment, I'm just wondering how much comfort there actually is in that and how or why, I suppose, given that you're mainly in the domestic market and that many of your growers would be comfortable in dealing with domestic companies, is it that distance from the supplier that is of concern to you that you think makes that accreditation necessary, and to the extent that it doesn't give you a guarantee, is that sort of a false comfort in a way, because ultimately it's not saying you will get paid?

**MR PFEFFER (AG):** Growers have approached us and wanted AgForce to virtually determine the balance sheets and the financial situations of various companies which we haven't got the resources, time or power to do and I think with the WEA taking on that role, at least it does give us some comfort and reassurance that they are credible companies.

**MS MacRAE:** Just in relation to that, is there a feeling that once the market has been established for a while then and maybe growers end up having a bit of a history of trading with some of these people that the need for that might reduce over time?

**MR PFEFFER (AG):** I think, yes, it will be customer, trader or marketer relationships that get built up over time and there's no guarantees anywhere, but certainly I think in the short term that we do need some measures in place to set that

platform.

**MS MacRAE:** GrainCorp say in their submission that one alternative, which would be much less costly for them but which they felt might be of almost equal kind of value from a comfort point of view would be more of an arrangement like they have for barley with ESCOSA in South Australia, so rather than saying, "Show us all your details and we'll go through them and give you a tick," they're asked, as I understand it, a series of questions, "Have you complied with A, B, C, D, tick the box," kind of thing, and get accredited on that basis. So it's more a system that says under the Corporations Act and various other requirements that companies are already subject to a fair bit of regulation and they're basically asserting or verifying, I suppose, in their accreditation process, that they're meeting all those requirements. Their view at least is that that should give almost the same level of assurance to growers without the heavy costs from their point of view that accreditation currently imposes. Would you have a view about whether that alternative might be something that you would contemplate as a possibility?

**MR PFEFFER (AG):** It's probably worth looking at. I know growers, they don't want too much onus on trying to fill out forms or meeting standards or requirements and paperwork and so forth, so that probably goes across the board as a general thought or comment. We need to look at efficiencies there, if any can be achieved to make it cheaper, easier.

**MS MacRAE:** Yes, okay. You were able to give us a couple of examples where you've become aware of some disputes, if I can call them that - it's probably not quite the right word - but I guess teething problems and the testing at the Toowoomba station is one example. Would you say that those sorts of problems have been widespread in the transition, or how many sort of trouble spots do you see in the environment we have got, and is that part of a transition that we're still some way in getting through or do you feel that it's kind of bedding down pretty well now?

**MR PFEFFER (AG):** We were lucky in Toowoomba, like to get to the port of Brisbane all the trucks have to go through Toowoomba, so it was a one-stop shop as far as getting GrainCorp to agree to have their facilities there open after hours and that sort of thing so that testing could be done prior to the trucks getting to port. I'd imagine some bigger growers may get on-farm testing done and that sort of thing who hopefully can export their own grain, whether it be bags or containers or bulk. If they can have the capacity to do it that way, I think it needs to be considered as well instead of having the grain on hand, and they need to know what classifications and that they have on-farm so they can market it instead of just waiting to get to a depot or port to know what loan they have got.

**MS MacRAE:** Just in relation to where any dispute may arise over access or classification or any of those things, do you think the mechanisms that we have in

place now to deal with those disputes are working? I mean, obviously people have come to you, I don't know whether you'd feel that's an ideal situation, I don't know whether they would say, "We have come to you because there's no other mechanisms that will provide a suitable resolution for us."

**MR PFEFFER (AG):** I guess that's something that Grain Trade Australia could look at or consider as part of their charter; they have taken on other responsibilities. I think the most credible traders are members of Grain Trade Australia, so I could see that as just being an additional component or aspect of their business.

**MS MacRAE:** With Grain Trade Australia having developed this code of conduct for the industry - we were talking a bit previously about this problem of the reputation for Australian wheat possibly not holding up so well in a deregulated environment - one alternative might be to get people to sign up to a code of conduct which said that if you signed up you were effectively binding yourself.

You know, if you presented something as HW, that that's what it would be at the other end when it was received, that that sort of mechanism might work as a way of trying to protect that premium, that there was a way of labelling and marketing that would allow people to sign up to a code of conduct that said, "I'm going to agree that we'll meet those quality standards," and that, I guess, the penalty for that might be that you could no longer call yourself someone that was, you know - agreed and signed up to the code and was sort of an accredited exporter, that way. Do you think that might be a realistic alternative to more formal regulatory sort of accreditation?

**MR PFEFFER (AG):** I think we need our basic set of standards, but there's going to be the occasion when you have a hiccup, whether it be rain or drought or dry or whatever, and there will be some grain that won't meet the current specifications, and there still needs to be an avenue to be able to market that grain slightly out of spec to what we currently have.

**MS MacRAE:** I guess as long as you were prepared to say, "That's what we're doing," that wouldn't be a problem. It's more if you're selling something as a certain grade or classification, that that's what you're getting; and that if it doesn't meet the specs there's transparency in that, I guess is the issue; whether you think that might be a good way to go, to have it in the code of conduct that you're selling what you're labelling it as - - -

**MR PFEFFER (AG):** Yes, I'd agree with those comments.

**MS MacRAE:** Did you have anything else, Wendy?

**DR CRAIK:** Yes, I did just have one other question, Angela. Lyndon, is there any concern in the Agforce farms that information being passed from, say, the bulk

handling arm of, say, GrainCorp to the marketing arm of GrainCorp, the sort of information, you know, that obviously wouldn't be given to other marketers; and if that is the case, that that in some ways the marketing arm of GrainCorp has a market advantage, I guess, compared to the other marketers, in terms of what they can offer? I mean, is that a concern for your members?

**MR PFEFFER (AG):** Yes, I think it is a concern. Whether we can categorically say that they are doing it, I don't know, but, yes, it is a concern that each of the arms of GrainCorp are too close to each other and there could be either preferential benefits or - I wouldn't say collusion, but certainly certain aspects that could gain an advantage.

**DR CRAIK:** In WA, CBH has voluntarily ring-fenced GrainCorp from the bulk handling side of the business, and I guess it's one of the issues that is raised periodically with the other two bulk handling companies, so I guess we're interested in people's views about whether they see it as a problem and, you know, whether anything could or should be done about it.

**MR PFEFFER (AG):** I guess where our concern comes from - the original agreement that was set up by the bulk handling companies, they certainly wouldn't set something up that was to their detriment, and the term to reference, this is what I'm referring back to, the ACCC back in May, I think it was, yes, there were concerns expressed then, and whether they were substantiated or can be proved - but it certainly needed investigating.

**DR CRAIK:** Okay. Thanks very much. That's all from me, Angela.

**MS MacRAE:** I think that's all we have got then, thank you; unless there's anything you wanted to say in closing at all.

**MR PFEFFER (AG):** Yes, the only other thing I'd like to add is that there was general consensus within the industry that bags and containers be deregulated in the hope of saving the single desk or the monopoly wheat marketing, but that wasn't allowed, and I think the way the bags and containers have been handled is too loose and maybe needs to be tightened up, as far as quality control measures go in that department. As I said, I know of two examples, and these were highlighted at Australian Grains Industry Conference in July in Melbourne that I attended. So it's industry knowledge that there are issues.

**MS MacRAE:** Yes. I think that closes the proceedings for today. We'll resume in Sydney on Friday. Thank you.

**DR CRAIK:** Thanks very much, Lyndon. Thank you, Nina.



**MS MURRAY (AG):** Thank you.

**MR PFEFFER (AG):** Thank you.

AT 11.50 PM THE INQUIRY WAS ADJOURNED UNTIL  
FRIDAY, 11 DECEMBER 2009