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I have read through much of the Productivity Commission's (PC) draft report and although I thought there was a fair assessment of the current state of Marketing information, Quality standards and the effect of the new arrangements on Industry Good functions, overall the Draft Report is pretty much as I expected.

It is largely based on theory (it could hardly be based on evidence given the fact that only one season has been considered) and assumes market forces will provide everything that is necessary even though the critical mass of the industry (Growers) is under an enormous amount of pressure to adjust and the natural monopolies and market power enjoyed by several Bulk Handler/Exporters have largely been ignored.

My comments follow roughly the PC Overview and Draft Recommendations.

- (pg XXII) "...no accredited exporter has experienced bankruptcy or lost accreditation....growers have a high level of confidence in payment security...". Surely no one can make such a confident assumption after one season. Where is the evidence to support the levels of grower confidence? These new arrangements have yet to be tested in a large production year.
- The National Pool was not compulsory. In my view any inefficiencies or cross subsidies exposed by the removal of the National Pool have been eclipsed by new costs and zero price transparency under the new arrangements as well as more duplication of service.

- (Pg XXIII) SMALL AND LARGE GROWERS

- Lets get this straight, 50% of Growers produce 10% of the wheat and 10% produce 50%, that leaves 40% to produce the other 40%. So what? Is the PC suggesting that the 90% of growers who produce 50% of the wheat and make up the critical mass of the industry don't matter? If that is the case then all small business across the country should be wound up on principle and let the corporate sector run everything. My view is that the small proportion of large growers are often driven by self interest and don't have the interests of the wider industry in mind and would probably prefer to make no contribution to the industry at all.

COSTS

- Numerous mentions of costs, cost of accreditation, WEA costs, Port Access costs etc.,etc.
- Under any model there are costs. Proponents of Deregulation have moaned about the costs of running the National Pool and implied that such costs would miraculously disappear with the removal of the Single Desk. It is fairly obvious that those costs are still there, many of them remain unaddressed (QA, Marketing, Crop Shaping etc) and in fact costs are rising because individuals do not have the market power we had through the National Pool.

TRANSPORT AND HANDLING

- (Pg XXXI) I'm not sure that the on farm storage experiment will last that long. There are many quality issues emerging relating to pests and varietal classification, some are real others may well be propaganda pushed by Bulk Handlers to scare end users away from farm stored grain in order to increase their own throughput.
- There may well be increased flexibility for Farmers but there is also cost and risk in this approach and in my experience it has lengthened the whole harvest period from a few weeks to a couple of months or more as harvested grain is first contracted and stored then

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transferred to either end users or Bull Handlers at their convenience. This approach is on par with feeding sheep through a prolonged drought, you may well have something at the end but you don't have much equity in it.

- The PC mentions inappropriate investment decisions, there is plenty of evidence of this all over the Australian Wheatbelt with 50m Tonnes of Bulk storage capacity, much of it standing empty beside derelict railway lines, not to mention thousands of tonnes of farm storage not including plastic bags. It amazes me that a system that purports to promote efficiency could give rise to the massive under-utilisation of this existing infrastructure.
- The Grain Express model may be able to address some of these issues and has potential to keep transport and handling costs down as well as keep some grain on rail, but how it would work in the Eastern states where so much grain is consumed domestically I'm not sure.

COOPERATIVE OWNERSHIP OF CBH

-Why should cooperative ownership of CBH be an impediment to structural change?

-If the grower owned handler can maximise through put, keep costs down and give equal access to exporters, where is the problem?

-This stuff is corporate propaganda to promote demutualisation and turn CBH into another Graincorp.

ALTERNATIVE SUPPLY CHAINS

-I would say that the major impediments to new supply chains would include the following

1. the up-country monopoly held by Graincorp that apparently, does not exist. (PC 6.1)
2. Henry taxation review that will in all likelihood recommend even more increases to road user charges (following the recent NTC increases)
3. Closure of all Branch lines across the Eastern States as State Governments abdicate their social responsibility to regional areas.

MARKETING AND PRICING

- (Pg62) PC example of AWBI's 06/07 Hedging losses is completely unfair and only tells half the story. It is most likely lifted from the biased WEA final report on the former pool managers performance. The \$46/tonne hedging loss was more than offset by physical wheat sales (that information is also in the WEA report) that year. As I recall we still ended up with a net return above the industry benchmark as was the case in every other year of the Grower corporate model. This was achieved whilst AWBI was hamstrung by the ramifications of the Iraq episode and the Cole Inquiry.
- Did any other Trader achieve a better result given the market volatility in that season?

POOL TRANSPARENCY

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-Personally I never had an issue with Pool Transparency, I understood what the pool manager was doing and that Industry good functions paid for under the operational costs of the National Pool benefited the whole industry (even West Australians).

-Many people griped about these costs and the supposed lack of transparency but it must be patently clear to all but the brain dead now that there is no National Pool covering these costs, that we got value for money.

-How anyone can say that present grain pricing is anymore transparent is beyond me and the fact that those industry good functions paid for through the National Pool (Pg275 Draft Report – AWBI funding \$30m in the 3 years prior to 05/06 for industry good functions) are no longer being properly addressed is very worrying in this new environment as our present raft of exporters do not seem to interested in cooperating in any way to address these issues.

FUTURE POOLS

-I cannot see how Pools can be an effective risk management option into the future for the very reason stated by the PC on PG61 "...operators have no control over tonnage and therefore limited ability to hedge...". I would also add limited ability to negotiate freight and handling charges with Bulk Handler/Exporters as well as no National Pool to dump uncommitted Grain into as a safeguard, as Graincorp did on several occasions prior to the removal of the Single Desk

QUALITY CONTROL

- What exporter is going to come forward and admit to shandying containers of wheat or ignoring varietal classification standards?
- Relevant protocols should have been in place prior to deregulation, not after.
- As I mentioned earlier, I believe Bulk Handlers are trying to create a perception that farm stored grain has major QC issues in order to capture more grain for their own networks with the associated handling costs (eg Warehousing).

END POINT ROYALTIES

-How do you collect end point royalties from a vertically integrated company exporting grain, especially if it a producer of grain (Glencore)?

-I particularly like the PC comments about Plant Breeders being entitled to be adequately rewarded for their investment. What a joke!

-When a Grower buys a variety from a seed company he has no guarantee of the performance of the variety either in the field or the market place (there is quite a long list of PBR protected varieties that have failed to deliver claimed advantages), yet is subjected to high initial purchase prices and ongoing and completely non transparent royalties even though he more than likely contributed levies to fund the breeding program in the first place. Where is the balance in that? The present EPR system is nothing but a rort.

INDUSTRY GOOD

-By the time the "industry" get's its act together to sort out issues that were previously well covered by the manager of the National Pool under the Single Desk I think the crop will have shrunk to suit the size of the domestic market with an exportable surplus to dump in big years.

-The incentive for the manager of the National Pool manager was to market the Australian crop on behalf of Growers. It is my view that this approach benefited non pool participants

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indirectly and had positive effects on all the other unregulated grains largely due to the discipline imposed on the whole grains industry through the grower controlled export monopoly for wheat.

-What we now have is nothing more than an experiment.

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