



Australian Government
Grains Research and Development Corporation

23 April 2010

Ms Wendy Craik AM
Presiding Commissioner (for the Inquiry into)
Wheat Export Marketing Arrangements
Productivity Commission
Locked Bag 2, Collins Street
East Melbourne Victoria 8003
Email: wheatexport@pc.gov.au

Dear Wendy

The Grains Research and Development Corporation (GRDC) is pleased to provide this submission on the Productivity Commission Draft Report on Australia's Wheat Export Marketing Arrangements, released for public comment on 22 March 2010. The GRDC is a statutory authority established to plan and invest in research, development and extension (RD&E) activities for the Australian grains industry. Its primary objective is to support effective competition by Australian grain growers in global grain markets, through enhanced profitability and environmental sustainability.

Overall, the GRDC commends the Commission on its Draft Report and supports the draft findings and recommendations. There are, however, a number of areas that the GRDC believes require further consideration by the Commission before the report is finalised and presented to Government. Where this is the case, the GRDC provides specific comments for the Commission to take into account.

The GRDC's comments are limited to the areas of:

- Information provision (Chapter 7)
- Wheat quality standards and market segmentation (Chapter 8)
- End Point Royalties (EPR) collection arrangements (included in Chapter 8).

For its part, the GRDC will continue to work with Government and the grains industry to ensure continuity in the provision of important industry good functions—including wheat quality standards, variety classification and stream-lined collection of End Point Royalties.

The GRDC would be pleased to hold further discussions with the Commission on the issues raised in this submission or any other matter regarding the GRDC's role in Australia's export wheat marketing arrangements. If you would like to hold further discussions with the GRDC, please contact Ms Leecia Angus, Executive Manager Corporate Strategy and Impact Assessment, on (02) 6166 4500 or email L.angus@grdc.com.au.

I look forward to seeing the Commission's final report to Government when it is released.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Peter F. Reading'.

PETER F. READING

Managing Director

Information provision (Chapter 7)

DRAFT FINDING 7.1 – PAGE 247

The ABS and ABARE should continue to provide core, long-term wheat market information, in line with what is currently provided by these agencies for other Australian grains and agricultural commodities. Government funding for this purpose is appropriate.

GRDC RESPONSE:

- The GRDC supports this finding.

COMMISSION COMMENTS – PAGE 215

Beyond 30 June 2011, if the industry wants stocks information by state it will need to pay for it. A compulsory payment mechanism, such as an industry levy, should be used. Funding through an organisation such as the GRDC would appear to be an efficient option, given it already has a levy collection mechanism in place. This is consistent with the GRDC's current funding agreement with the ABS for the collection of barley stocks information.

DRAFT FINDING 7.2 – PAGE 248

The cessation of government funding provided to the ABS and ABARE for additional wheat data collections and publications on 30 June 2011 is appropriate.

FURTHER COMMISSION COMMENTS – PAGE 252

The Commission considers that grower level levy contributions to the GRDC provide an appropriate revenue source for funding the provision of stocks information by state, on behalf of the industry. ...The Commission understands that the GRDC is able to use revenue from industry contributions for this purpose. Indeed, the GRDC currently provides funding to both ABS and ABARE for the purpose of producing grain information. ...On this basis, GRDC support for the ABS information should commence from 1 October 2011.

DRAFT RECOMMENDATION 7.1 – PAGE 253

If the industry wants the ABS to produce stocks information by state, it should pay for it. The cost of producing this information is not expected to exceed \$1 million annually. The most efficient approach to funding this information would be via an existing compulsory industry levy.

GRDC RESPONSE:

- Agree that ABS and ABARE should continue to fund core wheat market information.
- Agree with the findings of the wheat Industry Expert Group (IEG) in April 2008, which in relation to the role for Government in information provision was:

“The importance of access to accurate and independent information is recognised through the Government's creation and support for the ABS and ABARE.

ABARE is well positioned to produce an independent, credible monthly report providing base-line industry data. This is particularly so given it already produces production data and has access to export data collated by ABS. Given ABS's data collection powers it is the most suitable body to collect data on committed and uncommitted wheat.

More specialised adaption of information can be adequately handled by private information providers and commentators.

Recommendation

The lead agency in providing information would be ABARE, which in conjunction with ABS and other agencies as required, would publish monthly base information covering:

- production (forecast and actual) – by tonnes by major classification by State;*
- committed and uncommitted wheat (excluding trading stocks) by tonnes by major classification by State; and*
- exports – commodity by tonnes by destination by State, both in containers and in bulk.*

The information on the amount of wheat available for purchase would be collected and collated by ABS. If the costs of this data collection are prohibitive the Government may wish to reassess what information is collected. However, the IEG is of the view that with proper use of automated collection forms and careful assessment of the number of participants needed to ensure a high degree of accuracy, the cost should be able to be managed at an acceptable level.

The ABS should perform this collection and collation of this information under its mission to “assist and encourage informed decision making, research and discussion within Governments and the community, by leading a high quality, objective and responsive national statistical service.”

In addition, ABS should continue to collect export data in conjunction with Customs.

ABARE would coordinate the collation of its production data and the information collected by ABS. It would release a report distributing this base information on a monthly basis.

Are there any transitional issues?

The Government will need to arrange for the ABS to collect the base data concerning wheat available for purchase (uncommitted/committed) and ensure its collation of export data continues. This includes arranging for the funding of this collection and release. In addition it will need to ensure that ABARE is sufficiently funded to collate the ABS information and its own production data on a monthly basis.”

- Agree that provision of stocks information by State has a significant industry good component to the activity.

- Considers the wheat industry to include at least breeders, growers, accumulators, traders, marketers and end users.
- Considers that the beneficiaries should pay for the information and the key beneficiaries are the traders and marketers although the entire industry will benefit to a degree.
- Disagree that provision of stocks information should be paid from grower levies to the GRDC.
- The GRDC proposes that the Government considers a user-pays subscription model underwritten by Government funding.
- Whilst the GRDC does co-invest with other RDCs in the provision of stocks information for the feed grain sector, the investment is only short-term in nature and relatively small at \$90,420 of which the GRDC's share is \$46,114.
- The project originally aimed to provide stocks information by state for barley and selected other (non-wheat) feed grains for the 2009-10 season only. The project has since been extended by one year and will now terminate on 30 June 2011.
- The small RDC investment adds value to and indeed builds on and complements the much larger ABS stocks reports which Australian Government has commissioned as part of its three-year transitional Industry Assistance Package post-deregulation.
- The RDC investment is indeed reliant on the large body of funding provided by the Australian Government to the ABS as part of its Industry Assistance Package and will not continue beyond June 2011.
- The GRDC suggests that further discussions be held between the Commission, the Government and GRDC to clarify the GRDC's role in the area of information provision.

ADDITIONAL GRDC COMMENTS:

The GRDC has a very limited and interim role in the area of information provision. Specifically, the GRDC is part of a collaborative Feedgrain Partnership project involving the GRDC, Dairy Australia, Meat and Livestock Australia, Australian Pork Limited, and the Australian Egg Corporation. The Feedgrain Partnership established a one-year project with the ABS to provide stocks information by state for barley and selected other (non-wheat) feed grains for the 2009–10 season. The project has since been extended by one year and will now terminate on 30 June 2011.

Table 1 – Feedgrain Partnership members and their contributions to the ABS collection of stocks and use data for barley and selected other (non-wheat) feed grains by state.

<i>R&D Corporation</i>	<i>Contribution \$</i>	<i>Share %</i>
GRDC grains	46,114.20	51
DA dairy	20,796.60	23
MLA meat and livestock	15,371.40	17
APL pork	6,329.40	7
AEC eggs	1,808.40	2
Total	90,420.00	100

The project is highly leveraged to the ABS collection of *Wheat Stocks and Use* information until 30 June 2011, which is funded by the Australian Government's three-year transitional Industry Assistance Package post-deregulation. This strong leverage means the total cost of the Feedgrain

Partnership project is very low at \$90,420 of which the GRDC's share is \$46,114 (Table 1). The GRDC agreed to act on behalf of the Feedgrain Partnership as the contracting party with the ABS for this statistical collection on account of it having the largest (51%) share of the project funding. The Commission recognises (p. 248) the Government's specific policy reason for funding the information provision on wheat stocks was because the wheat industry was not yet in a position to organise such collection.

This is the reason why the Feedgrain Partnership members, including the GRDC, established interim support for the collection of stocks information for barley and other non-wheat feed grains. The Feedgrain Partnership members had a strong expectation that long-term funding arrangements would be put in place by the industry, with the particular objective of ensuring ongoing transparency of information on feedgrain availability to end-users, especially during drought.

Wheat quality standards and market segmentation (Chapter 8)

WHEAT CLASSIFICATION COUNCIL ROLE – PAGE 259

As part of its role, the WCC provides direction and oversight for wheat breeding, classification and research processes to administer the grading framework and criteria.

GRDC RESPONSE:

- Suggest a slight rephrasing to:

“The WCC presides over a grading framework and criteria which inform wheat variety classification and ultimately wheat breeding and wheat quality research”.

DRAFT FINDING 8.1 – PAGE 264

The design, delivery and funding of a wheat classification function is most appropriately undertaken by the industry. The Commission has not identified a role for government in this process.

GRDC RESPONSE:

- The GRDC will wait to receive recommendations from the WCC on who should conduct wheat variety classification and how this will be achieved, including resource recommendations.

ADDITIONAL GRDC COMMENTS:

The GRDC became responsible for Wheat Variety Classification after the Hon. Tony Burke, MP, Minister for Agriculture, Fisheries and Forestry wrote to the GRDC on 1 July 2008 requesting the Corporation take over the management of the Wheat Variety Classification function from AWB (International) Ltd following deregulation of the export wheat market. Wheat variety classification is designed to provide bulk wheat export market signals to Australian wheat breeders.

The GRDC established the Wheat Classification Council (WCC) to preside over a grading framework and criteria which inform variety classification and ultimately wheat breeding and

research. The WCC is an interim measure put in place by GRDC at the request of Minister Burke. The WCC's own submission to the Commission notes that the WCC Chair "will make a recommendation to GRDC before 30 June 2010 regarding the future arrangements for wheat classification in Australia".

COMMISSION COMMENTS – P 265

The Commission is seeking comment on the desirability of introducing a user pays approach to funding the Variety Classification Panel, or some other mechanism for funding varietal classification, in place of funding through the GRDC.

GRDC RESPONSE:

- A user-pays approach for the Variety Classification Panel could be workable if costs are indeed limited to the operations of the technical panel.
- In contrast, the running of the Wheat Classification Council and related functions should have a much broader support base.

End Point Royalties (EPR) collection arrangements (included in Chapter 8)

COMMISSION COMMENTS – P 270

The Commission is seeking further comment on the system of End Point Royalties, and on possible approaches to improving its effectiveness and efficiency.

GRDC RESPONSE:

- End Point Royalties are the financial basis for wheat breeding in Australia.
- The accreditation of wheat exporters, specifically, Section 6.4 of the Wheat Exporter Accreditation Application Form, requires applicants to demonstrate their ability to collect End Point Royalties (Table 2 below).
- This requirement has been critically important to secure the collaboration of exporters with the collection of End Point Royalties.
- The GRDC has strong concerns that abolishing the export accreditation scheme would remove this requirement and shift the focus back to better enforcement of Plant Breeders Rights.

Table 2 – Section 6.4 of the Wheat Exporter Accreditation Application Form, showing the requirement for applicants to demonstrate their ability to collect End Point Royalties.

<p>6.4 End Point Royalties (EPRs)</p> <p>Under section 5(1)(c)(xvii) of the Scheme, an applicant is not eligible for accreditation unless WEA is satisfied that the applicant is a 'fit and proper' company, having regard to such other matters as WEA considers relevant.</p> <p>WEA considers that the payment of EPRs under the <i>Plant Breeder's Rights Act 1994</i> is a relevant matter under section 5(1)(c)(xvii) of the Scheme.</p>			
	<i>Documentation attached</i>		
<p>6.4.1 Provide a statement to attest that robust systems and processes are in place that enables the applicant to ensure, to the best of its knowledge, the obligations to pay EPRs, if relevant, on the grain they will export are met.</p>	<p>Yes <input type="checkbox"/></p> <p><i>If 'Yes', provide reasonable/ supporting evidence of the systems and processes in place</i></p>		
<p>6.4.2 Does the applicant have in place an EPR Collection Agreement with an agent appointed by a Royalty Manager?</p>	<table border="1" style="width: 100%;"> <tr> <td style="text-align: center;">Yes <input type="checkbox"/></td> <td style="text-align: center;">No <input type="checkbox"/></td> </tr> </table>	Yes <input type="checkbox"/>	No <input type="checkbox"/>
Yes <input type="checkbox"/>	No <input type="checkbox"/>		
<p>6.4.3 Does the applicant have in place an EPR Data Provision Agreement with an agent appointed by a Royalty Manager?</p>	<table border="1" style="width: 100%;"> <tr> <td style="text-align: center;">Yes <input type="checkbox"/></td> <td style="text-align: center;">No <input type="checkbox"/></td> </tr> </table>	Yes <input type="checkbox"/>	No <input type="checkbox"/>
Yes <input type="checkbox"/>	No <input type="checkbox"/>		

- A recent Advisory Council on Intellectual Property (ACIP) review of the Plant Breeders Rights legislation highlighted significant shortcomings and made important recommendations for consideration by the Australian Government.
- The final report of ACIP's review, which also considered possible strategies to assist PBR owners to effectively enforce valid rights, was presented to the Government on 20 November 2009.
- The GRDC fully supports the ACIP review and its recommendations.
- Providing mechanisms to support a robust value-capture system for crop improvement is pivotal to attracting private investment and associated technologies capable of improving the competitiveness and sustainability of the Australian grains industry to this country.
- The GRDC proposes that the ACIP review recommendations be implemented expediently to strengthen the Plant Breeders Rights legislation and thereby secure the income base for wheat breeding in Australia.

END

