



Submission to the

Wheat Industry Taskforce

Assessment of Wheat Export Industry

Stocks Information Requirements

Date 16 August 2013

Executive Summary

Producers are particularly concerned about the apparent disincentive for grain traders to maximise the value of the crop as opposed to maintaining trading margins and this is perceived as a decline in real marketing of the Australian crop. There is a perception that the wheat crop is being devalued and undersold with domestic receival standards becoming the default export standards.

Producers invariably end up carrying the costs and losses associated with an inefficient supply chain and have articulated to GPA very real concerns about their ability to effect change in the system to realise the true farm gate value of the grain produced.

The Minister for Agriculture Fisheries and Forestry in announcing the formation of an industry taskforce to undertake an independent review of the supply chain requirements in Port Access agreed with industry on establishing stocks information within a Port Zone, Information on Wheat by Grade weekly during harvest and monthly otherwise.

GPA believes that this response is not deemed to provide enough information to the supply chain to ensure its efficient operation and maximise grower's returns. GPA has long argued the need for a transparent and contestable marketplace to be supported by complete transparency of all ticketed stocks by site, grade and aggregated tonnage in a timely manner.

In June 2011 Grain Producers Australia Ltd distributed a discussion paper in an attempt to determine the best way to provide support to the export wheat supply chain.

The premise for the discussion was based on major issues around transparency and compliance within the supply chain. In particular, there is a disconnect between producers and end users that acts as a disincentive for producers, bulk handlers and traders to cooperate to maximise value capture. In effect the Australian wheat crop is exported through a series of transactions which are focused on achieving a trading margin per transaction. The crop is traded and not marketed in the truest sense of the term.

The system is crippled by a lack of information and accurate description of the crop as it is harvested and delivered into the central storage systems and further as these stocks disappear from these systems to export port or domestic end users. The bulk handling companies (BHCs) effectively operate regional monopolies which restrict and control the intelligence around up country stocks information including quantity and quality. This lack of transparency severely impacts the ability of producers and traders to make informed decisions in delivery and aggregation of cargoes.

The logistics section of the supply chain has now been compromised to the point that there are major issues in relation to maintaining the integrity of traded grain and ultimately contract compliance to end users. Wheat receival standards are becoming the default export standards and these minimum specifications are increasingly failing to meet customer needs. Blending across grades has a major impact on the final cargo quality and thus milling and flour quality.

In addition we are seeing the quality reputation of Australian wheat being undermined by container packers who are failing to ensure that each container which forms part of a contract consignment is quality consistent with every other container in the consignment.

The problem producers have is that net price for their grain is derived from the gross end user price less the trader's profit margin and all costs including various risk margins allowing for supply chain inefficiency and monopolistic behaviour of the port terminal providers. The lack of transparency and subsequent lack of compliance means each effectively "blind" transaction incorporates a risk margin applied by the transactor. End users discount the price to offset risk associated with contract compliance. This disconnect has blunted/blurred the market signals that growers should be receiving as to the demand for the crop and traits desired by the market place.

If the supply chain is transparent and accurate quality information is available throughout the chain with traceability then compliance will improve, fostering a stronger marketing effort and subsequently maximising value capture by reducing the perceived risks in each transaction and reducing associated risk margins.

Recent discussions with key stakeholders including the National Residue Survey (NRS) have highlighted a range of problems that indicates systematic failures in the supply chain and strongly suggest there is a need to maintain regulatory capacity in the export wheat market to establish standards of behaviour and information disclosure to facilitate maximum compliance and value capture. This indicates market failure.

The underlying premise is that the export wheat supply chain is not yet achieving acceptable standards of efficiency and subsequent value capture to provide comfort in further deregulation of the marketing arrangements.

In reference to the Taskforce request on market failure GPA feels that the original terms of reference outlined a need to consider what further information should be provided and a mechanism established to support an efficient and competitive supply chain. The Minister's request appears not to have been referenced in the Taskforces document.

It would appear clear from the Taskforce response document that there is not a consensus position on stocks information within the Taskforce which tends to indicate entrenched positions rather than independence.

It is GPA's view that the Taskforce needs to fully engage with industry to discuss the issues that have been articulated over a lengthy period. To suggest that there is No Current Market Failure is clearly at odds with industry views and the development of regional monopolies based on port terminal ownership.

The Australian Grains industry is operating with market asymmetry of information indicating a failure of the market to operate efficiently.

Further provision of stocks information cannot reduce the overall functionality of the Australian Grains Industry it can only improve its efficiency and aid efficient market operation.

About GPA

Grain Producer's Australia (GPA) as the recognised Representative Organisation (RO) for the grains industry has an obligation to provide an industry response to government given its responsibilities under the *Primary Industries and Energy Research Development Act 1989* (PIERD), the *Primary Industries (Excise) Levies Act 1999* and the *Primary Industries (Customs Charges) Act 1999*. Recommendations of the Productivity Commission's review have specifically addressed elements of GPA's responsibilities. These include: oversight of the Grains Research and Development Corporation (GRDC) on behalf of growers; reviewing and setting the grains levy; and determining industry views on the Wheat Export Charge utilised to fund Wheat Exports Australia.

Inquiry Terms of Reference (emphasis added)

The Australian Government is committed to promoting competition within the bulk wheat export market To ensure **the market is operating efficiently**, the government will establish the Wheat Industry Advisory Taskforce to examine and make recommendations to industry and government on issues that may affect the efficient operation of the wheat export industry supply chain.

Scope

Point 3 states (emphasis added):

Provide options and advice on the **most appropriate mechanisms to enable the publication** of timely and accurate grain stocks information outside of the port zone

GPA Response to the Taskforce Discussion Paper

It is clear to GPA that the Wheat Industry Taskforce (the taskforce) has misinterpreted the Ministers terms of reference (TOR) for the taskforce.

Nowhere in the TOR does the Minister indicate that "Market Failure" must be proven. Instead the words "the market is operating efficiently" are used.

Point 3 of the scope of the TOR clearly state "provide options and advice on the most appropriate mechanisms to enable the publication"

Thus GPA's interpretation is that the Minister wants the publication of stocks information and it is the taskforces remit to provide various options rather than proving market failure.

The taskforces discussion paper clearly ignores the TOR.

A. Market Failure

GPA understands that the taskforce has used the Productivity Commission's definition of Market Failure:

The Productivity Commission (PC) defines 'market failure' as where the market fails to provide or allocate goods and services to their most efficient use, and limits the overall well-being of the community.

Although GPA agrees with this definition it believes the following quote provides clarification¹:

"information asymmetry occurs when one party to a transaction has more or better information than the other party.

And further

Information asymmetry can prevent consumers from making fully informed decision's".

On 29th May 2008 the Minister for Agriculture Fisheries and Forestry in his second reading speech for the Wheat Export Marketing Bill 2008 stated:

"One of the concerns identified during consultation was the risk of a single wheat export monopoly being replaced by three regional monopolies."

This clearly highlights the governments concern that the development of regional wheat (grain) monopolies could develop and if they did it would be detrimental to effective competition and thus competition for grower's grain.

It is the view of GPA that the three natural regional monopolies have developed and exert significant market power which is enhanced by information asymmetry.

The grain industry was deregulated to provide greater competition for growers' grain at the farm gate. This was achieved in 2008 when 20 organisations (at 24 November 2008) had been accredited to export bulk wheat. In the period 1 July 2008 to 10 December 2012 (the period in which the Wheat Export Accreditation Scheme was in operation) Wheat Exports Australia (WEA) accredited 33 organisations to export bulk wheat. On 10 December 2012 only 21 organisations were accredited indicating significant consolidation and a large reduction in the number of exporters competing for growers' grain. As figure 1 shows for the 2011/12 marketing year only 19 exporters were active with four very dominant. There has since been further consolidation.

¹ The Better Regulation Office – NSW Department of Premier and Cabinet Guide To Better Regulation, Appendix A pp 30. Accessed via www.betterregulation.nsw.gov.au

Figure 1: 2011/12 marketing year wheat exports by exporter and State

Shipper	Wheat 2011/12 (Oct - Sep)						Total	%
	QLD	NSW	VIC	SA	WA			
Cargill / AWB	139,489	957,948	813,324	1,262,550	1,274,557	4,447,868	21%	
Glencore	54,955	668,415	410,895	664,375	1,644,398	3,443,038	16%	
CBH			35,000	340,500	2,923,844	3,299,344	16%	
Graincorp	200,293	1,821,926	523,018	110,000		2,655,237	12%	
Viterra	211,414	72,568	86,365	1,145,590	229,820	1,745,757	8%	
Emerald	112,204		389,874	396,000	757,825	1,655,903	8%	
Toepfer	61,565		93,000	573,312	171,688	899,565	4%	
Gavilon	157,820		154,000	20,000	422,844	754,664	4%	
QCOT	254,895	129,000	102,999		97,431	584,325	3%	
Bunge			299,499	230,000		529,499	2%	
Dreyfus				266,500	158,805	425,305	2%	
Plum Grove				31,000	129,760	160,760	1%	
Pentag	145,165					145,165	1%	
Mitsui					133,480	133,480	1%	
Riverina	12,257				118,050	130,307	1%	
Noble		58,141	47,113			105,254	0%	
GSPL		88,000				88,000	0%	
Concordia				50,000		50,000	0%	
Touton	29,546	840				30,386	0%	
Grand Total	1,379,603	3,796,838	2,955,087	5,089,827	8,062,502	21,283,857	100%	

Source: Australian Crop Forecasters

Figure 1 clearly shows that four organisations control 65 per cent of wheat exports.

There is a diversity of opinion concerning the timely availability of information on wheat stocks. Exporters have consistently indicated to GPA that to have information on stocks available on a silo by silo basis would substantially aid pricing and help target purchases and stock swaps. Having this information readily available would have positive implications for many domestic and export industries including domestic livestock industries.

Growers also hold a variety of opinions on this issue. Some growers have indicated to GPA that they object to the information on their warehoused wheat being passed on to the related trading arm of the BHC. Other growers would prefer to have the information on their warehoused wheat made available to all traders (not just the BHC trading arm), to generate greater competition for their wheat.

GPA considers transparent information critical to the efficient operation of the market. GPA supports the publishing of stocks information—for example, by silo, by grade—at an aggregated level. This would ensure the market is fully informed yet protects individuals' positions. The BHC clearly uses this information which provides them with a marketing advantage and as the market is not aware of this information this would indicate “Market Failure”.

Other industry participants have indicated the ownership of this information belongs to growers and those that purchase grain on delivery to the system. Grain growers should have the largest determination on how this aggregated information is managed and disclosed.

Upcountry stocks information is not currently published in sufficient detail nor in a consistent and timely manner to be useful to industry. Industry requires detailed and

timely information to facilitate accurate pricing and competitive tendering for international contracts.

This results in a significant marketing advantage to the associated exporter of the BHC as indicated in figures 1 and 2.

The BHC's have tried to counter this by pushing that there is some kind of disadvantage to growers by having transparency of information. Clearly no market can function properly with incomplete or one sided information and failure to provide that information will lead to market failure. This is why the ASX have their listing rules that ensure complete disclosure to prevent this type of market failure.

WEA noted in its submission² to the Productivity Commission Inquiry Report on Wheat Export Marketing Arrangements dated 1 July 2010 that:

“Exporters have consistently indicated to WEA that to have information on stocks available at up-country storage facilities with the data aggregated by grade and warehouse position (thus ensuring that the stocks of individual growers/owners were not identified), would aid pricing and help target purchases or stock swaps.”

The Productivity Commission³ found that:

“Timely and accurate information is important for supporting an efficient bulk wheat export market”; and

“Unequal access to more disaggregated stocks information confers a marketing advantage on the trading bulk handling companies and expects that greater disclosure of this information to all participants would improve the operation of the wheat market.”

Grain handlers have previously stated that stocks information is not theirs to release, that it belongs to those who are holding the grain in storage i.e. growers, end users or traders.

Figures 1 clearly shows that for the 2011/12 marketing year exporters with an associated port terminal facility hold dominant shares for wheat the same occurs with barley and canola exports in the region in which their port facilities are operated.

Figures 2 shows that the trend (exporters with an associated port terminal facility hold dominant market shares) in 2011/12 (figures 1) appears to be continuing for the 2012/13 marketing year.

² Wheat Exports Australia, Submission to the Productivity Commission Inquiry into the Wheat Export Marketing Act 2008 and the Wheat Export Accreditation Scheme 2008, 26 January 2012. Accessed via http://www.pc.gov.au/_data/assets/pdf_file/0007/94462/sub055.pdf

³ Productivity Commission, *Wheat Export Marketing Arrangements Inquiry Report*, 2010. Accessed via <http://www.pc.gov.au/projects/inquiry/wheat-export/report>

Figure 2: 2012/13 marketing year October 2012 to June 2013 wheat exports by exporter and State

Shipper	Wheat 2012/13 (Oct - Jun)					Grand Total	%
	QLD	NSW	VIC	SA	WA		
Glencore	153,100	265,550	206,826	1,317,844	1,070,950	3,014,270	21%
Cargill	58,700	719,815	332,834	358,415	1,110,127	2,579,891	18%
CBH				356,600	2,129,851	2,486,451	18%
Graincorp	303,818	1,145,115	265,168	79,250		1,793,351	13%
Emerald	114,634		553,984	274,800	499,615	1,443,033	10%
QCOT	150,515	17,500	245,000	40,049	54,852	507,916	4%
Toepfer			154,424	109,000	204,343	467,767	3%
Bunge			79,000	213,693	55,000	347,693	2%
Plum Grove					336,149	336,149	2%
Dreyfus					294,091	294,091	2%
Mitsui				28,000	260,672	288,672	2%
Noble		89,700	81,888			171,588	1%
Pentag	85,000				30,000	115,000	1%
Riverina	5,900			25,055	82,800	113,755	1%
Gavilon					80,000	80,000	1%
BUAA			50,000			50,000	0%
Grand Total	871,667	2,237,679	1,969,124	2,802,706	6,208,450	14,089,626	100%

Source: Australian Crop Forecasters

The system in Australia is crippled by a lack of information and accurate description of the crop as it is harvested and delivered into the central storage systems. The bulk handling companies effectively operate regional monopolies and restrict and control the intelligence around up country stocks quantity and quality. This lack of transparency severely impacts the ability of producers and traders to make informed decisions in delivery and aggregation of cargoes.

Exporters have indicated to GPA that publishing stocks both in volume and quality segmentation by up-country site, would support:

- more efficient execution of export sales, particularly improving scheduling of logistics and port terminal operations
- more efficient wheat marketing including improved capacity for arbitrage and swaps
- exporters more closely meeting customer quality specifications
- exporters better servicing their customers.

Thus with no asymmetry of information the market will operate efficiently, and reduce the monopolistic behaviour of BHC's.

B. Response to the taskforce questions

1. ***Is there any evidence that there is insufficient information to allow appropriate wheat export marketing decisions? If so, what additional level of information would add the most value and what would be the most appropriate collection arrangements?***

Information Asymmetry and Monopolistic Behaviour

Greater disclosure of stocks information for all participants will help to provide a transparent and contestable market place enabling proper price discovery. The lack of transparency in stock's information currently disadvantages growers and market participants who do not have port terminals. It does provide significant advantage to the regional monopolies which have developed based on ownership of port terminal infrastructure.

At harvest growers need to be aware of the crop shape and profile to enable proper marketing decisions on whether to sell or hold grain for sales at a later date. Too much confusion in the market creates a bad decision making culture, leading to producers becoming more frustrated with the current market which is failing producers.

This position is supported by the ASX in their submission⁴ to the Rural and Regional Affairs and Transport Senate Committee Inquiry into Wheat Export Marketing Amendment Bill 2012.

“The existence of regional monopolies with inherent information advantages inhibits the development of open markets and challenges efficient price discovery.”

And

“The current stock reporting framework needs to be revised to address market perception concerns and avoid inherent dangers associated with asymmetric market information. Improved market information will help inform industry stakeholders and participants throughout the entire supply chain.”

Further

“The continued growth and development of a liquid Australian grain futures market is, in part, dependent on the existence of a robust, independent, accurate and timely data reporting regime for crop estimates and available stocks on hand. Improved data supply would ensure that all market

⁴ ASX submission to Rural and Regional Affairs and Transport Legislative Committee, Wheat Export Marketing Amendment Bill 2012 inquiry. Accessed via http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Committees?url=rrat_ctte/completed_inquiries/2010-13/wheat_export_2012/submissions.htm

participants have equal access to information to enable efficient pricing in a deregulated market.”

WEA in its final report to growers 2011/12⁵ clearly indicates the significant market share of exporters with associated port terminals, see **Figure 3**. This data also indicates the monopolistic position of these organisations and thus the information asymmetry issues.

Figure 3 – Shipping stem – Market share of exporters with associated port terminals

Accredited Exporter	State in which associated port terminals are located	Bulk tonnage exported by accredited exporter in 2011/12 from State	% of bulk tonnage exported by accredited exporter in 2011/12 from State
GrainCorp Operations Limited	New South Wales	1,821,926	47
	Queensland	200,293	15
	Victoria	523,238	18*
	Total exports through New South Wales, Queensland and Victoria	2,545,237	31#
Emerald Group Australia Pty Ltd	Victoria	389,874	13^
Viterra Ltd	South Australia	1,145,590	23
CBH Grain Pty Ltd	Western Australia	2,892,806	36
Viterra Ltd plus Glencore Grain Pty Limited	South Australia	1,809,965	36

*From Victoria, GrainCorp Operations Limited exported 523,018 tonnes, which accounted for 26% of exports through its port terminals in Geelong and Portland.

#From New South Wales, Queensland and Victoria, GrainCorp operations Limited exported 2,545.273 tonnes, which accounted for 35% of exports through its port terminals in those states.

^From Victoria, Emerald group Australia Pty Ltd exported 389,874 tonnes of which 271,075 were through its own port terminal in Melbourne which accounted for 29% of exports through that terminal.

Source: Wheat Exports Australia – Report for Growers 2011/12

⁵ Wheat Exports Australia, Report for Growers 2011/12 pp 14, Accessed via <http://wayback.archive-it.org/org-672/20121204151214/http://www.wea.gov.au/>

GPA has continually argued with the BHC's that the information they hold through storage of grain should be made freely available to the market on an aggregated level and that they act merely as a service provider. This would NOT be a matter for discussion if the BHC's didn't have professional trading arms.

The South Australian Parliament, Select Committee on the Grain Handling Industry, in its final report⁶ recommended:

"That information re stock levels and grades is made available in a timely manner to farmers and traders to ensure transparency and fairness."

The committee also stated:

"It is widely accepted that an informed market promotes competition which benefits all participants. The general view is that markets cannot work properly if key information can be withheld by one or other of the participants."

The committee further stated in relation to the South Australian situation:

"Industry (except Viterra) is unaware of the tonnages and quality available at a particular location. Viterra's trading division have the knowledge of who the owner of the commodity is, where it's located and the quality parameters of the grain and the quality of the stack that it is in. They know which growers to ring and when, without competing traders having the same level of information.

Traders who are uncertain of the amount and quality of grain at a site are disadvantaged through this lack of knowledge. It is also difficult for traders to reconcile the quality of the grain they have purchased with the quality of grain out turned. Therefore grain buyers are likely to discount for the risk of not knowing what they are likely to receive, which flows back to growers through lower prices.

Information and timeliness of information are fundamental parts of a trading business - Viterra Grain Trading is in a position which other grain traders in the SA market are not. Viterra Grain Trading has the potential to access 93% of SA's storage information (volume, quality, locations etc.) at will and definitely before any other trader, if not exclusively."

This situation is not unique to South Australia. These quotes are also relevant for each State, you just need to change the name of the BHC.

⁶ The South Australian Parliament, Select Committee on the Grain Handling Industry, Final Report pp 29. Accessed via <http://www.parliament.sa.gov.au/Committees/Pages/Committees.aspx?CTId=3&CId=255>

In the Joint Dissenting Report by Senators for the Coalition and the Australian Greens⁷, as members of the Rural and Regional Affairs and Transport Legislative Committee, Wheat Export Marketing Amendment Bill 2012 inquiry, they state at:

1.18:

“There are real industry concerns that the dominant market positions occupied by BHCs have allowed the trading arms of those BHCs to appear to have preferential use of wheat stocks information that is not otherwise accessible by other traders or grain growers. After deregulation of the wheat market, there would be little to prevent BHCs using this information in an anti-competitive manner to the commercial detriment of other exporters and grain growers.”

1.20:

“Dissenting Senators are of the view that open, transparent and timely disclosure of information is essential for the wheat market to function effectively. This view was shared by the Australian Securities Exchange Limited.

1.21

“Dissenting Senators reject the assumption that access to wheat stocks information and port capacity information will be fairly and equally made available to all participants in the supply chain without national oversight and enforceable consequences for non-compliance.”

Markets react to stocks information and there is no better example than when the latest World Agricultural Supply and Demand Estimates were published by the USDA that this had a stabilising and positive affect on the market⁸.

Clearly information transparency can work both ways but at least all parties have the same level of information and can make an informed marketing decision.

GPA is of the view that the following issues are relevant in this matter:

- Grain that has been sold, transferred or delivered by a grower to a buyer is the property of that buyer (usually a company). In most cases this will be a domestic user, trader or accredited exporter.
 - All such industry participants want the publication of aggregate stocks information.

⁷ Rural and Regional Affairs and Transport Legislative Committee, Wheat Export Marketing Amendment Bill 2012 inquiry, Joint Dissenting Report by Senators for the Coalition and the Australian Greens. Accessed via http://www.aph.gov.au/Parliamentary_Business/Committees/Senate_Committees?url=rrat_ctte/completed_inquiries/2010-13/wheat_export_2012/report/d01.htm

⁸ ABC News Accessed via <http://www.abc.net.au/news/2013-08-13/grain-crop-usda/4883774>

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- In the case of grower warehoused grain, the grower retains title to his/her grain, but only the quantity and quality - and not a specified parcel of grain, as on delivery grain is comingled.
 - GPA is of the view that growers would have no objection to aggregated data being published.
 - All bulk handlers have installed computerised stocks systems. Growers and traders receive almost instantaneous details on a delivery ticket basis following unloading and taring of trucks.
 - As such, bulk handlers' claims that they cannot provide aggregated and timely information, or that it would be very expensive to do so, needs to be queried.

Historically, stocks information was provided publicly by both Vicgrain Ltd and AusBulk Limited prior to being incorporated into GrainCorp Ltd and ABB Grain Ltd respectively.

It is GPA's view that stocks information should be transparent, that ALL storage providers (ie all those who store grain for a fee and have greater than 10,000 tonnes storage in total) should provide the following information daily during harvest and weekly for the balance of the year to a central body which only aggregates the information then publishes it by silo on a central website.

This information should be aggregated per site and:

- Identify volume by grade (classification)
- Identify volume by grade in warehouse (a physical grower delivery to a silo that has not yet been sold or transferred)
- Include stack average specifications (protein, moisture, screenings, falling numbers etc.).
- Attached Document (Sub_14AWB) Note AWB Submission in 2011 to the Senate Standing Committees on Rural Affairs & Transport in regards to the information quality requirements of a maturing market.

With data aggregated by grade by silo there is no way an individual grower could be identified.

Further, that 4 times a year this same body conduct an on farm stored grain survey.

With this information the body would be able to provide quarterly Australian stocks reports similar to the World Agricultural Supply and Demand Estimates published by the USDA.

Transparency of grain stocks information on an up-country site basis should be mandatory and legislated.

2. Is there any evidence that suggests additional stocks information disclosure by port zone, including committed vs uncommitted, would positively influence wheat export prices for growers, and that the benefits would outweigh the costs of collecting and disseminating this information?

In addition to the information provided above in 1.

There are two key mechanisms for improving returns to growers and realising the potential opportunity in the dismantling of the single desk marketing system.

Firstly, we must strive to bring down transaction costs along the supply chain, which includes reducing risk premiums.

Secondly, we must strive to differentiate and build confidence in our product to achieve a premium for it in the market. The system must provide accurate and meaningful stocks intelligence and it must have confidence in the description of the products to be traded in order to function efficiently.

Both of these functions are currently undermined by a lack of transparency which has led to unclear market signals throughout the value chain. Part of the solution is to minimise the current monopolistic behaviour which is enhanced through asymmetry of information and provide to all the market participants detailed aggregated stocks information by site as described above.

GPA believes:

- Lack of transparency about stocks and inventory data is hindering real competition in the supply chain and driving up transaction costs reducing returns to growers;
- Evidence now shows that the quality systems that underpin the differentiation of Australian wheat are being undermined under the current regulatory framework, reducing overall value capture of Australian wheat and reducing returns to growers;
- Currents metrics used to assess market performance and success of deregulation are flawed by scale and scope and misrepresent the health of the export wheat market.
- Information on grain stocks is also important for supply chain investment in infrastructure and strategic long- term investments within the supply chain.
- Known previous crop shape and profile underpins the sowing intentions for the producer and varietal selection to meet market requirements.

3. Is there other evidence which contradicts the observation that there is no market failure occurring in the wheat export industry due to a lack of stocks information? If so, what is it?

The following examples indicate market failure and given the time and lack of historical information within the industry these examples are some of the researched issues GPA has been able to find. In the interests of the industry there should be a greater emphasis and proper analysis commissioned as outlined by the minister to research these and other market failures.

1. In Western Australia in July 2012 Noodle wheat was trading at \$385 per tonne at Port, this would normally be an attractive price and growers sold at this price. Two days later when the market became aware that there was insufficient Noodle wheat the price rose overnight by \$40 per tonne. The lack of transparent stocks information caused market failure.
2. In NSW 2011 APH wheat stocks and proper market intelligence has led to poor selling decisions costing producers as much as \$70 per tonne. The market and producers were unaware of the lack of tonnage available to meet the markets requirements causing a significant disparity for growers and in this case also the trade.
3. In NSW 2008/2009 harvest Durham Wheat was trading at local silo Goondiwindi at \$220 per tonne. There was a shipping program in place which accumulated grain but there wasn't enough grain available to the exporter at the terminal. Hence the grain price rose to \$380 per tonne at Goondiwindi for a 7 day period. After the shipment the grain price returned to the original price \$220 per tonne. Clearly the growers and the trade were disadvantaged by the lack of stocks information.
4. Michael Reeves presentation at this year's AGIC conference highlighted the concerns through social loss from over export. Clearly a concern for the public impact of underestimation of stocks. The Russian Great Grain robbery in 1973 when an over commitment of grain sales impacted on the domestic market within America.

Article Attached: Russian_oct1973.pdf

<http://webcast.gigtv.com.au/Mediasite/Play/8b38d418689b4cf488d621ba4f819b711d?playFrom=2222000>