



GrainPool
CBHGROUP

Grain Pool Pty Ltd

***Submission in response to the
Draft Report on the Review of
the Grain Marketing Act 2002***

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Authority*

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Executive Summary

The Grain Pool Pty Ltd (GPPL) as the main export licence holder (MEL), has successfully performed in a more competitive environment under the Grains Licensing Authority, delivering innovative products and competitive returns to Western Australian growers.

GPPL notes the findings of the draft report to repeal the Grain Marketing Act 2002 and proceed to deregulation. GPPL remains cognisant that State Government will make the final decision on the future of coarse grain exports from Western Australia.

Should the outcome of this review find that the current coarse grain marketing arrangements be continued, GPPL is well-placed to continue to demonstrate its competitive marketing performance.

Should the outcome of this review find that deregulation is an appropriate course of action, it is GPPL's belief that this should occur in unison with Federal wheat marketing arrangements and as such, an accreditation scheme should be put in place for the 2009/10 harvest with current arrangements to remain in place for the 2008/09 harvest. The accreditation scheme should mirror the Federal accreditation scheme to reduce cost and time for coarse grain exporters who have already been found to be fit and proper exporters of Australian wheat.

Submission

As the main export licence holder (MEL) since 2002, Grain Pool Pty Ltd (GPPL) has responded to the changing coarse grain marketing environment through its competitive performance and innovative marketing products.

GPPL recognises that the introduction of the Grains Licensing Authority (GLA) and the advent of a licensing system has stimulated a more competitive environment in the coarse grain market in Western Australia. To this end GPPL has successfully provided Western Australian growers with innovative products and competitive prices ensuring a strong presence in this new environment.

GPPL notes the recommendation from the Economic Regulation Authority's draft report from the Review of the Grain Marketing Act 2002 to repeal the Grain Marketing Act before the 2008/09 harvest, effectively deregulating the Western Australian coarse grains export industry.

The Draft Report recommendations suggest that:

- Barley, canola and lupins should no longer be prescribed;
- The GLA is no longer required to assess export licences; and
- The *Grain Marketing Act 2002* should be repealed.

Should these recommendations be rejected, GPPL is well placed to continue to provide competitive products and services for Western Australian growers in the coarse grains export market.

However, if the recommendations are approved, GPPL must point out its concerns as to the impact that implementing these recommendations for the 2008/09 harvest could have for Western Australian growers and international customers given the volume of change set to be introduced at a Federal level for this harvest.

GPPL strongly asserts its position that total deregulation of the coarse grains industry in the same year that significant changes are likely to be made to export wheat marketing arrangements presents too much change, too quickly. Of significant concern to GPPL is the level of confusion that many Western Australian growers may experience together with the likely impact on long-term international customers who are also questioning the arrangements under which they will be purchasing wheat for the 2008/09 harvest.

Changes to wheat marketing arrangements are expected to be introduced on July 1, 2008, pending successful passing of the legislation through Federal Parliament. These changes represent a significant shift for growers and customers who have sold and bought Australian wheat in the same way for almost 70 years.

Following its enactment on July 1, 2008, organisations will then commence the process of seeking accreditation in time for the 2008/09 harvest, leaving a period of three months to prepare prior to the commencement of harvest. The timeframe is short and growers will be required to understand in part, the changes to wheat marketing and how that impacts their day-to-day decision making process for marketing their wheat.

To introduce significant change to the Western Australian coarse grains industry, such as deregulation, will only add to the rapidly changing environment that growers will be operating in from July 1, 2008.

Customers will also be required to understand the new wheat marketing arrangements and the process for purchasing wheat from Australia post July 1, 2008. GPPL considers it important that customers only have this significant change to deal with at this time.

Therefore, it is GPPL's strong contention that to ensure a smooth transition for Western Australian grain growers and to protect the reputation of Western Australian coarse grains with international customers that the GLA remain in place for the 2008/09 harvest to allow growers and customers to adapt to the impending changes to export wheat marketing.

The Draft Report acknowledges GPPL's competitive performance and the increased number of marketing options for Western Australian grain growers under the GLA system. This should continue for a further 12 months to assist growers and customers adapt to the changing wheat marketing arrangements.

Further to this, it is GPPL's preference that any move towards further deregulation of the coarse grains industry in Western Australia mirror the arrangements being proposed for the export of wheat from Australia.

An accreditation scheme similar to that being proposed for export wheat marketing and to that already in place in South Australia, would provide a staged deregulation process, reduce the confusion and need to adapt to different systems for growers, and provide clarity of

arrangements to international customers. To reduce costs and ensure timely processing of accreditation, it would be reasonable to expect that an exporter accredited at a national level to export wheat, would meet the conditions required to export coarse grains from Western Australia.

To repeal the Act and deregulate coarse grains totally in Western Australia leaves growers without the protection provided by would-be exporters undergoing an assessment process for reputation and financial capacity. The Draft Report itself acknowledges the requirement for financial capacity to ensure growers are paid, together with the need to protect the State's reputation through the adherence to quality standards and reliability of supply.

Western Australia, through GPPL, has built a reputation as a reliable supplier of high quality grain. GPPL has shown its commitment to protecting the reputation of Western Australian grain.

GPPL to date is the only exporter of coarse grains who has proactively worked together with the CBH Group to promote the on-farm quality assurance program, Better Farm IQ, through the payment of a risk reward rebate to growers, and through the introduction of the first quality assured grain product – GPIQ. GP IQ Grain is an exclusive quality assured system and the first of its kind in Australia. It is sourced directly from quality assured farmers and the receipt, storage, handling and marketing of the grain is certified to CODEX HACCP Principles. The GP IQ program is audited bi-annually and includes acquisition, marketing, transport, chemical residue monitoring, traceability and recall.

Grain Pool is able to trace the grain parcel back to its origin in the case of a food safety concern and reduce the risk of litigation for its customers due to contamination of the raw product.

GP IQ Grain provides certification of product supply audits as evidence of risk management for governments, auditors and insurers. It also offers customers additional testing of physical grain quality and chemical residues on each parcel of GP IQ Grain.

An accreditation scheme for the export of coarse grains, to be introduced for the 2009/10 season should consider the would-be exporter's reputation, financial capacity and commitment to preserving the reputation of Western Australian grain through the supply of quality grain. These considerations would then see an accreditation scheme introduced for the 2009/10 season, and in line with the accreditation scheme proposed for the export of

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wheat, that would offer some level of assurance that the reputation of the State's grains industry will be preserved, together with an assurance that growers will be paid.

Western Australian grain growers will be asked to adapt to some significant changes in wheat marketing for the 2008/09 harvest. To eliminate any mechanisms of control over the coarse grains industry for this year will only add to the pressure of understanding and participating in a new system.

It is GPPL's strong contention that should the Draft Report recommendations be accepted that the status quo for coarse grain export marketing arrangements should remain for the 2008/09 harvest and subsequent to this, arrangements in Western Australian should mirror the Federal export wheat marketing arrangements. The two export marketing arrangements should transition in unison to provide growers with comfort and competition and to provide clear guidelines to international customers on how to source Western Australian grain.

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