

SUBMISSION

The AGEA support the National Competition Policy and the review process that has been established to remove anti-competitive legislation within the broader economy and specifically within the Australian grain industry.

Our special interest in the NCP process relates to grain marketing and the service industries that operate under the marketing structures, such as storage and transportation.

The fact that the C O A G agreed to implement the NCP indicates there is little doubt that the concept behind the policy is necessary. An efficient national economy allows Australia to be more competitive in increasingly tough international markets. Contestable markets will also ensure that our resources are allocated in the most efficient manner. The end result is stronger economic growth and higher employment, within the agricultural and food sectors.

The NCP was established to create an objective, non-political means of assessing the cost of market restrictions and anti-competitive practices and to establish whether they are good or bad for the economy and further to ensure decisions are made for the long term benefit of Australia and not for short term political motives.

As Australia is a significant exporter of grain and grain based food items, our industry competitiveness is crucial to Australia's international competitiveness. We will not improve our international competitiveness and increase our proportion of value added exports, if the basic services of storage, transportation, risk management and marketing are themselves uncompetitive, with our major export competitors. As the competitiveness of other countries increases, our domestic markets will also face increased competition from imported products.

We believe it is critical for the future success and growth of this industry to ensure we seek a world competitive industry that provides a base for further growth. It is important that the review process is continued to examine the costs of restrictions and establish their impact on industry.

It is critical this process of change is not delayed or diluted.

To date not all of the competition reviews set down for grain marketing legislation have taken place and for those that have finished, there is no conclusive outcome. Our submission presents the AGEA's views on key areas of the international and Australian grain marketing system and potential areas of reform.

1. Australia's competitive advantage

Australia's proximity to the growing Asian markets and large exportable surpluses to high quality grains, offer Australian food processors a competitive advantage over our international competitors.

The Supermarket to Asia Council identified the potential of the Australian food industry to **create wealth, jobs and exports** for Australia. The Council noted the need to have access to competitively priced services and the need to remove trade barriers to exports in order to expand our share of the Asian market of value added food products.

The vast majority of Australia's grain processing industries are supportive of structural reforms to the grain industry that will provide access to world competitive services within Australia. They see the NCP process as a satisfactory means of achieving these objectives.

2. Impact of export monopolies

A country's grain marketing system has a significant effect upon how grain-consuming industries operate. Policies that restrict competition in grain marketing have also resulted in limited competition in grain storage and transportation. The close links that exist between export monopolies and state bulk handling companies has not allowed new entrants into the grain storage market resulting in higher rates to farmers.

The same policies that aim to maximize grower returns by collective marketing of grains has led to Australia's grain storage and transportation system being uncompetitive with other major grain exporting nations such as U.S.A, Canada and Argentina.

Export monopolies limit liquidity in domestic markets which in turn reduces the ability of domestic grain consumers to manage price risk.

3. Regulation to liberalization

The world grain market has seen a significant transformation during the past decade as trade barriers have been eroded and the world has become a global market place. The vast majority of grain importing monopolies that elected to deal with export monopolies have been removed, to allow direct imports. Countries such as Russia and China have removed import monopolies and replaced them with free market structures. Free market buyers are more price discerning and buy on the most competitive price, which has resulted in monopoly sellers no longer being able to extract monopoly rents.

Several of the major grain export monopolies have also undergone similar changes moving away from single desk selling structures in favor of open and contestable markets. Examples of these include Argentina and South Africa.

Argentina has experienced significant reductions in internal storage and transportation costs as the systems became contestable and investments occurred. Private investment in infrastructure also saved Argentine grain growers from a significant tax burden to finance infrastructure and grain marketing.

Conclusion

The AGEA believe that it is wrong and inappropriate to curtail or dilute the reform process that has been initiated through the NCP.

There is little doubt or evidence that the concept behind the NCP is absolutely correct and necessary. An efficient national economy allows Australia to be more competitive in the international market leading to increased investment, increased employment and stronger economic growth.

It also extremely important that the process retains its objectivity to assessment rather than being directly embroiled within the political process. There appears to be little wrong with the concept behind the NCP or in the way the National Competition Council is implementing the policy. After all, the NCC is only acting on legislation that has already been supported by politicians.

We encourage the Commission to have the vision and courage to ensure that Australia continues to look towards reform as investing in opportunity and growth for the future, instead of making short term reactionary decisions.

Australian Grain Exporters Association

20/11/98.

AUSTRALIAN GRAIN EXPORTERS ASSOCIATION

MEMBERS

CARGILL AUSTRALIA LIMITED
CONCORDIA AGRIBUSINESS (AUSTRALIA) P/L
CONTINENTAL GRAIN (SYDNEY) P/L
LOUIS DREYFUS AUSTRALIA P/L
JOSEPH & COMPANY P/L
MARUBENI AUSTRALIA LIMITED
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THE MEMBERS

- * EMPLOY 2,500 PERSONS IN AUSTRALIA
- * ANNUAL TURNOVER \$ 2.5 BILLION IN AUSTRALIA
- * \$ 250 MILLION INVESTMENTS IN UNRESTRICTED MARKETS IN AUSTRALIA
 - MEAT PROCESSING
 - OILSEED PROCESSING
- * SUPPORT
 - A COMPETITIVE AND COMPLETE MARKETING SYSTEM THAT DRAMATICALLY INCREASES THE LINKAGE BETWEEN GROWERS AND THE MARKET
 - INCREASED OFF FARM INVESTMENT TO LIFT THE VALUE OF GRAIN AND GRAIN PRODUCTS SUPPLIED BY AUSTRALIA TO RAPIDLY INCREASING MARKETS I.E. NEAR EAST AND ASIA
 - FULLY COMMERCIAL GROWER OWNED MARKETING COMPANIES CAPABLE OF COMPETING ON EQUAL TERMS WITH OTHER MEMBERS OF THE GRAIN TRADE
 - AN AUSTRALIAN GRAINS INDUSTRY ABLE TO COMPETE ON WORLD MARKETS WITHOUT AUSTRALIAN GOVERNMENT SUPPORT
 - THE UNRESTRICTED ABILITY, IN TERMS OF FEDERAL AND STATE LEGISLATION, FOR GRAIN TO BE EXPORTED BY ALL PRIVATE ENTITIES/PARTIES
 - CASH PRICES REFLECTING TRUE ON FARM RETURNS TO BECOME THE KEY MARKETING CRITERIA IN PLACE OF ESTIMATED POOL RETURNS
 - DIRECT MARKETING SIGNALS TO GROWERS VIA CASH PRICES OFFERED AND THE AVAILABILITY OF INSTANT INTERNATIONAL AND COMMODITY INTELLIGENCE
 - GRAIN GROWERS TO HAVE THE OPPORTUNITY TO SPECIALISE IN PRODUCTION AND ATTAIN INDIVIDUAL REWARDS FOR PERSONAL SKILLS OR INVESTMENTS THAT ENHANCE THE MARKETING PROSPECTS OF THEIR CROPS
 - A VITAL GRAINS INDUSTRY THAT OCCUPIES A PLACE OF INCREASING IMPORTANCE IN THE NATIONAL ECONOMY
 - THE REVITALISATION OF RURAL ECONOMIES VIA THE IMPACT OF COMPETITIVE MARKET AND INVESTMENT STRUCTURES