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Grain Industry Developments

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Approved by:

Andrew C. Burst, Agricultural Counselor
U.S. Embassy

Prepared by:

Michael Darby, Agricultural Specialist

Report Highlights:

There have been a number of recent developments impacting the structure and regulatory environment of the Australian grain industry. The South Australian state government is considering changes to that state's barley export monopoly. In a separate development, AWB Ltd. and Graincorp have announced a joint venture for grain export services. Additionally, the 2004 Wheat Marketing Review will be delayed for six weeks until September 10, 2004.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
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GRAIN INDUSTRY DEVELOPMENTS

There have been a number of recent developments impacting the structure and regulatory environment of the Australian grain industry. The South Australian parliament is considering changes to the single desk marketing arrangements for barley in that state. If approved, the new system would allow for some competition to the state's current barley export monopoly. In a separate development, AWB Ltd. and Graincorp have announced a joint venture to provide grain export logistic services. Additionally, the 2004 Wheat Marketing Act Review, which was to have been completed by August 1, 2004, will now be delayed until September 10, 2004.

Changes Proposed for the Barley Export Monopoly in South Australia

South Australia, Australia's largest barley-producing state, is proposing legislative changes in marketing arrangements for barley produced in the state. The changes are contained in the Barley Exporting Bill, which was introduced in the lower house of the state's Parliament by the South Australian Agriculture Minister. Currently, ABB Grain Ltd. holds the barley export monopoly in South Australia. The Bill proposes a state barley export licensing system that would permit exports by other (non-ABB) companies. The new system would reportedly be implemented in July 2005 after a one-year period for industry consultations. A copy of the Bill is yet to be made publicly available.

Reportedly, the new system would be modeled on a similar system in place for barley and canola exports from Western Australia (see GAIN reports #AS4011 and #AS3047). As is being reported, the Barley Exporting Bill would retain ABB Grain as the main license holder for barley exported from the state. However, others would have the right to petition for permission to export barley. In Western Australia, the Grain Licensing Authority was established to oversee the export monopoly and issue export permits.

The opposition parties in the state have indicated that they will block the Bill. ABB Grain and the South Australian Farmers Federation have also denounced the Bill. The Australian Grain Exporters Association has indicated their support for the Bill.

The Commonwealth's National Competition Council and their assessment that the barley export monopoly in South Australia is anti-competitive is the driving force behind the proposed changes. The NCC has imposed penalties on South Australia because the existing Barley Marketing and Chicken Meat Acts does not comply with National Competition Policy principles. The NCC also drove the changes in Western Australia's barley and canola export monopoly arrangements that were made in 2003.

2004 Wheat Marketing Act Review Extended

The 2004 Wheat Marketing Review has recently been extended and will now conclude on September 10, 2004, six weeks later than previously planned (See GAIN report #AS4011). According to a statement issued by the Federal Agricultural Minister, the review panel requested more time to take into account the impact of the 2002/03 drought on the wheat pool.

The Review will provide an evaluation of AWB International's performance as manager of Australia's wheat export single desk arrangements. The Review will also take into consideration AWBI's obligation to maximize net returns to growers. The Commonwealth Government, however, has made it clear that the Review is not about the continuation of single desk arrangements, nor is it intended to fulfill National Competition Policy obligations.

AWB-Graincorp Joint Venture

Australia's national wheat marketer and monopoly exporter, AWB Ltd, and the major east-coast domestic grain handler, Graincorp, have recently announced the creation of a joint venture company to provide grain export logistic services. According to a statement issued by the two companies, the joint venture will focus only on export grain and will not affect domestic activities undertaken by either company.

Over the past decade, NSW-based Graincorp has grown significantly by acquiring similar companies in Queensland and Victoria. Many have viewed Graincorp as a driving force behind grain industry restructure. Some expect that the joint venture could now reduce pressure from within the industry for further restructuring and regulatory reform.

The AWB-Graincorp joint venture is subject to Australian domestic competition laws. A detailed proposal has reportedly been submitted to the Australian Competition and Consumer Commission for final approval.

Recent Post Reports on the Grain Industry

Grain and Feed Annual, AS4011, 03/19/04

Partial Deregulation of Barley Exports in WA, AS3047, 11/19/03