

GRAIN LICENSING AUTHORITY, IMPACT OF SPECIAL EXPORT LICENCES

819. Hon MURRAY CRIDDLE to the Minister for Agriculture and Forestry:

I refer to the ministerial guidelines for the Grain Licensing Authority.

- (1) Does the minister agree that the volume of export licences issued by the GLA to traders other than the existing Grain Pool Pty Ltd markets will impact on the Grain Pool's long-term customers, given that the licence holders did not deliver on the majority of the permits in 2004-05?
- (2) Does the minister agree that the GLA is creating a situation in which Western Australian grain is competing with Western Australian grain, thus damaging the return to our growers?
- (3) Does the minister agree that the GLA's actions are harmful to the future of the single desk marketing system, especially after his assurances that the government was committed to that system?

Hon KIM CHANCE replied:

I thank Hon Murray Criddle for his question.

- (1) Will the tonnage represented by the licences that have been issued under special permits impact on Grain Pool Pty Ltd or, by extension, the entire grain industry? No. We have delved into this question before, and I certainly understand the context of the question. The volume of grain that has been exported, rather than the volume of grain that has been enabled for export, as a result of the issue of special permits accounts for somewhere between eight and 12 per cent of the total Western Australian exportable crop of prescribed grains. It is highly unlikely in that event that there will be a substantial effect on GPPL.

There was an implication in all three parts of the question that the very existence of the licences and also the non-fulfilment of the grain purchasing and export provisions of those licences presents a problem. I think the member has a point there. Only about half the volume of grain that is licensed for export is actually exported. That could reflect a range of issues but primarily it reflects the fact that the licence holders have not been able to pay a high enough price to acquire the grain. That is the ultimate protection in the operating of these two systems - the single desk or the main licence holder and the special licence holders - side by side. Ultimately, the sellers of the grain will not sell to one or the other unless they are satisfied that they are getting the best possible price. While I know that people are saying that the existence of private exporters in the market has a bearish effect on prices, that is actually impossible because growers will make an assessment about what the pool returns. Growers are provided with some tremendous capacity these days - I am just trying to find an example of it - through publications such as one that I know the member is well aware of and through the even more sophisticated information on the Internet. That actually gives growers a very good idea -

Hon Murray Criddle: That is exactly why I am worried because I do not agree with them.

Hon KIM CHANCE: I cannot imagine how we could say that the availability of information to a seller in any way disadvantages the seller. The very reason we initially structured single desk marketing arrangements post the Second World War was that there was a realisation that the market traders had access to sophisticated market information that the farmers did not have, and the farmers were at a disadvantage as a result. Today the market information is perhaps not equal but is more closely matched than ever. Farmers will make that decision.

I will give a cold, critical analysis of what has happened in the prescribed grain market in Western Australia since the existence of the GLA. The cash process for those prescribed grains has risen about \$30 a tonne. It is now on a par with Victorian cash grain prices, which has an open market, as the member knows. The pool price has not varied. There is no deviation in the pool price between those international parameters that we mark grain prices by, and it is an international market. I am yet to be convinced that damage is being done. I share some of the concerns expressed about the nature of some of the markets that have been targeted, particularly the feed grain market and, to a lesser extent, the malting grain market in China. We have to refine our arguments. People claim that the GPPL has some kind of market leverage in the Saudi Arabian market but prior to 2002, Western Australia's total market share of the Saudi market, which is the biggest feed barley market in the world, was about 15 per cent. We cannot possibly claim to have leverage when we have only 15 per cent of the market. Some of the arguments have to get a bit more sophisticated. On balance, from what I have seen and on the assessments that have been made in this field by experts with both broad and narrow terms of reference, I cannot see anything but a somewhat marginal advantage coming to Western Australian grain growers as a result of the operations of the GLA.

- (2) Does WA grain compete with WA grain? No. I am satisfied on the assurances that I have been given by the GLA that that is not the case, although I acknowledge that that claim is made from time to time.

- (3) Will the GLA's actions harm the single desk marketing system? No, I do not believe they will. However, I concede the possibility for that occurring if we do not keep control of the situation. That needs to be done by analysis and by careful questioning such as the member provided today.