

SUBMISSION TO THE AGRICULTURAL COMPETITIVENESS TASKFORCE

RESPONSE TO POLICY IDEA 24 -
STRENGTHENING AUSTRALIA'S OVERSEAS
MARKET EFFORTS

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Response to Policy Idea 24 - Strengthening Australia's overseas market efforts

This policy idea involved supporting a strong and profitable farm business and agri-business sector by encouraging further action by government in a number of areas including:

- a) undertaking further trade research;
- b) improving exporter services and our understanding of overseas markets;
- c) providing more exporter readiness training;
- d) accelerating the development of technical market access and commodity strategies to prioritise market access efforts;
- e) developing national promotion efforts (such as through a national brand);
- f) increasing Australian Government positions and considering options for industry-funded positions, on the ground in foreign missions, to underpin increased focus on agricultural market access; and
- g) increasing engagement in bilateral and multilateral forums to promote use of international standards in food regulation.

Key Points

- To strengthen and grow Australian agricultural exports, at least for grains, would require organisational innovation.
- Australia suffers from poorly co-ordinated, inadequately resourced organisational efforts to bolster the value of Australian grain exports.
- Some significant economic opportunities arise from a strengthening of Australian technical support for use of Australian grain in target markets.
- The Canadian International Grains Institute is an example of what Australia could embrace to remedy fragmentation and duplication of current effort in Australia.

In the current budget environment government is unlikely to support any initiative based on government being the sole funder. Hence to achieve a “strengthening of Australia’s overseas market efforts” requires other funding models to be implemented.

A particular business model that serves Canada’s grains industry and its grain exports is one based on cost-sharing. It is an example of organisational innovation that if applied in Australia, could well-serve the Australian grains industry and help deal with some of the unintended consequences that have accompanied grain marketing deregulation in Australia. For example, the lack of a unified voice for Australian grain occasionally allows individual corporate goals of grain traders to disserve farmers’ interests; especially farmers’ longer term interests.

Canada has an organisation known as the Canadian International Grains Institute (CIGI). This organisation is recognised as highly worthwhile by stakeholders in the Canadian grains and receives continued industry support, however, there is as of yet no Australian equivalent. CIGI is a not-for-profit educational and market-support organization which functions in a market development role, providing information about Canada’s grain, oilseed, pulse and specialty crops industries to international and domestic participants.

Its annual funding of \$10 million is derived from levy payments from Canadian wheat farmers (\$3.4 million), annual support (\$4 million) from the Federal government's agricultural department (known as Agriculture and Agri-Food Canada) plus fee-for service payments and occasional payments from industry marketers (\$2.6 million). For example, Viterra gave \$1 million to CIGI in March 2014 to support its activities.

Farmers support CIGI via a 15c/tonne levy on wheat sold in the Canadian provinces of British Columbia, Alberta, Saskatchewan and Manitoba. In October 2015 the Canadian federal government announced that CIGI would receive an additional \$15 million over 5 years to enlarge its activity.

Although the grower levy is voluntary, the vast majority of farmers pay the levy because they see value in the activities of CIGI. CIGI's mission is to create "a global advantage for Canadian field crops".

CIGI is driven by customers' needs. Its 7-member board is comprised of exporters and producers. Further, to ensure it delivers industry value, CIGI has two program advisory committees; one representing western Canadian farmers and the other, marketers. Committee members provide guidance and direction to CIGI regarding its portfolio of activities. CIGI has 41 staff — 4 executive team members, 23 research and technical staff, 10 client-relation and communication staff, and 4 finance and business administration staff.

Based in Winnipeg, CIGI is a one-stop shop of technical and grain communication expertise, with grain processing and education facilities. CIGI offers a one-year certificate course in grain milling for potential overseas users of Canadian grain and provides training in grain processing and functionality assessment for overseas customers. Each year CIGI arranges new crop missions to Canada's main and emerging grain markets around the globe. These missions include CIGI staff, traders and farmers. Most stakeholders in the Canadian grains industry perceive value in the activities of CIGI; through its scientific assessment of grain quality, its assessment of grain functionality and its promotion of Canadian grain through in-country tours and via provision of technical training for potential users of Canadian grain. In 2013-14 CIGI ran 40 programs and missions that involved wheat customers from 35 countries. Each program and mission was an opportunity to demonstrate the quality of grain grown by Canadian farmers for use in products around the world.

As an illustration of the practical work of CIGI, Canada's Department of Foreign Affairs, Trade and Development (DFATD) provided \$6.4 million over 5 years (starting in 2013) to team with CIGI and the Institut de Formation de l'industrie Meunière (IFIM) in Morocco to train potential users of Canadian durum wheat. The funding from DFATD is allowing CIGI to play an important role in developing markets for Canadian durum wheat and pulses in North African countries. CIGI provides technical training in the use of Canadian milling durum and pulses, thereby facilitating purchases and use of Canadian grains.

There is no Australian equivalent to CIGI. Hence, the Australian grains industry is currently being disserved by its current ad-hoc, inadequately resourced and loosely co-ordinated activity required to protect, serve and grow the overseas market opportunities for Australian grains.

A range of organisations and facilities exist in Australia that lay claim to representing the interests of the Australian grains industry in its export activities. To various degrees, a range

of organisations engage in grain promotion, grain quality and functionality assessment, grain quality education and training, and in-country technical support for and promotion of Australian grain. Current key organisations include Wheat Quality Australia, the Australian Export Grains Innovation Centre, Grain Growers Ltd, AusTrade, state government trade offices, the Department of Agriculture and a range of industry and state-based grain and food organisations (e.g. the Queensland Alliance for Agriculture and Food Innovation (QAAFI)). There is no single, adequately funded and resourced organisation that usefully serves as a cost-efficient one-stop shop or centre of excellence in grain quality assessment, education and training in processing and grain functionality, technical support for export markets and strategic assessment of market opportunities and threats. Instead there is overlap, duplication, organisational competition and an inadequate critical mass of expertise.

Market Opportunities

- Is Australia defending or growing the use of Australian grains in the burgeoning food market of Indonesia in the most cost-effective and powerful way? Or are we unduly exposed to the focused operations of organisations like CIGI as well as the growing threat of grain exports emanating from the Black Sea?
- The Philippines annually imports about \$1,032 million of wheat. Yet Australian wheat is sometimes referred to there as 'pig wheat'. In 2013 Australia's share was only two per cent of the two million tonnes of Philippines' milling wheat imports; so successful has been marketing efforts of the United States Wheat Associates and other competitor organisations such as CIGI.
- Japan annually imports five million tonnes of wheat for human consumption of which only about 1.2 million tonnes comes from Australia for Udon noodle production. In many other market segments, in spite of its potential suitability, Australian wheat is largely excluded mostly due to the marketing efforts of the USA and Canada.

Australia needs to learn from Canada's success, especially if it wants to share fully in the market opportunities for grains that will arise over the next few decades.