

## SUMMARY OF BARLEY REVIEWS AND REFORM [JULY 2000]

	LEGISLATION	STATUS	COMMENT
VIC	<i>Barley Marketing Act 1993</i>	Joint SA/Vic Review completed Dec 1997 Legislation to progressively reform domestic and export markets was enacted in April 1999.	Legislated progressive reform of barley arrangements: - domestic feed barley from 1 July 1998; - domestic malting barley from 1 July 1999; - ABB privatised 1 July 1999; and - export barley from 1 July 2001.
SA	<i>Barley Marketing Act 1993</i>	Joint SA/Vic Review completed Dec 1997 Legislation to progressively reform domestic and export markets was enacted in April 1999.	Legislated progressive reform of barley arrangements: - domestic feed barley from 1 July 1998; - domestic malting barley from 1 July 1999; - ABB privatised 1 July 1999; and - export barley from 1 July 2001.
NSW	<i>Grain Marketing Act 1991</i>	Review completed in July 1999 Review report with the Minister	Currently, the NSW Grains Board has a legislative monopoly over all grains produced in NSW, including barley, canola, and sorghum, for both the domestic and export markets.
QLD	<i>Grain Industry (Restructuring) Act 1993</i>	Review completed mid-1997 Legislation to reform domestic arrangements enacted in Oct 1999	Queensland is re-examining its barley arrangements in response to the barley reforms in SA & Vic. and the opening up of Japanese import arrangements.
WA	<i>Grain Marketing Act 1975</i>	Review completed mid-2000.	The single desk powers of the Grain Pool of Western Australia over the export of barley, canola and lupins are to be retained. Possible further consideration following the outcome of the Commonwealth's review of wheat marketing.
NT	<i>Grain Marketing Act</i>	Review completed 1997 Legislation repealed in Feb 1997	No legislative grain market controls.

Victoria and South Australia's Review found that the ABB's export monopoly did not allow it to extract price premiums, nor did it counter the market power of large overseas buyers.



For further information on SMAs see the NCC paper *Securing the Future of Australian Agriculture: An Overview*

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## SECURING THE FUTURE OF AUSTRALIAN AGRICULTURE **BARLEY**

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### SETTING THE SCENE

The past three decades have been a period of major change in how we market our agricultural produce. These changes have been driven by the need to remain competitive in evolving local and international markets. It is against this backdrop that the barley industry in Australia is under going a major transformation.

The barley industry has traditionally been dominated by statutory marketing authorities (SMAs). Each of the barley-growing states – New South Wales, Victoria, Queensland, Western Australian and South Australia – has had it's own compulsory marketing authority with the sole legal right to buy barley, and often other coarse grains, from growers, as well as the sole right to sell on the domestic and export markets.

Over recent years governments have gradually shifted away from highly prescriptive regulation of the barley industry including compulsory SMAs. As a result, a number of new trends are emerging in the barley industry.

In most States where barley is sold on the domestic market, producers can now choose to sell their crops to private traders, the former monopoly authorities, such as ABB Ltd (formerly the Australian Barley Board), or direct to end users, such as malsters. While the introduction of competition and choice for the exporting of barley has been slower, the largest barley producing states, Victoria and South Australia, are due to remove the remaining restrictions in mid-2001.

State-based marketing authorities are progressively being corporatised or privatised as grower owned and controlled companies. In addition, an increasing number of strategic alliances and joint ventures between various grain authorities and/or other grain industry bodies, such as bulk handlers are emerging.

Changes in barley marketing are primarily about giving growers a choice as to how, when, and to whom, they sell their crops. Growers are increasingly able to take greater control over their businesses and to respond to opportunities as they arise. It also gives purchasers a choice of who they buy barley from and increasingly, choice as to which sort of barley best meets their needs.

In addition, the changing structures of the former statutory marketing authorities are placing them in a stronger, more flexible position to operate effectively in the new business environment and take full advantage of local and international opportunities.

Anecdotal evidence suggests that the changes in barley marketing have led to greater price competition between marketers as they compete for supplies. Prices received by growers are up by an average of \$10 - \$20 per tonne as compared to those achieved pre-competition.

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### VICTORIA AND SOUTH AUSTRALIA: A TEST CASE

Australia is the second largest barley exporter in the world. Victorian and South Australian barley accounts for more than 55 per cent of total Australian exports.

In 1997, the Victorian and South Australian Governments jointly reviewed the legislation governing the Australian Barley Board's (ABB) power to compulsorily acquire barley and hold a monopoly ("single desk") over the domestic and export marketing of the barley crop in both States.

The Review found no case for maintaining the single desk. It concluded that the ABB's export monopoly did not allow it to extract price premiums or advantages, nor did it counter the market power of large overseas buyers of barley.

The Review also found that the ABB's monopoly powers imposed higher barley prices on domestic users such as brewers and large feedlot livestock industries such as piggeries.

Consequently, it was determined that the public or community interest would be best served if restrictions on domestic and export marketing of barley in both States were lifted.

### How Was Competition Introduced?

Recognising the need for a smooth transition to competitive marketing arrangements for both growers and their rural communities, the Victorian and South Australian Governments have progressively introduced competition to their domestic barley markets, with export controls legislated to end in mid-2001. In mid-1999, the ABB was privatised as a grower-owned company to enable it to better respond to the changing market environment.



Barley is a key input for brewers

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#### BARLEY AND NATIONAL COMPETITION POLICY

In 1995, all nine Australian Governments agreed that in order to stimulate economic growth and job creation in our increasingly internationally focussed economy, a co-ordinated approach to market reform was required.

As a result all Governments undertook to implement, on an ongoing basis, a package of reforms to be known as the National Competition Policy (NCP). The NCP reforms are designed to help develop a more dynamic, creative and competitive economy.

In its simplest form, 'competition' in a marketplace exists when a number of businesses strive against each other to attract customers and sell their goods and services. When customers can choose between businesses offering the same or similar product, prices tend to be reduced while quality and efficiency usually improve.

One of the most important NCP undertakings is that each Government will review and reform all laws that restrict competition *unless* the benefits of the restriction to the community as a whole outweigh the costs.

In compliance with their NCP obligations, all Governments have or are reviewing their barley marketing arrangements.

### Export Price Premiums

The Victorian/South Australian barley Review highlighted the need to determine whether claims of market power and export premiums are directly attributable to compulsory marketing arrangements or whether other factors are responsible.

There are costs associated with restricting competition by compelling growers to use a particular marketing authority. It is therefore, important to determine whether these costs are fully offset by the benefits obtained.

It must be considered whether price premiums result from:

- the exercise of genuine market power by the compulsory marketing authority and, therefore, its ability to affect the world price
- quality, value-adding or freight advantages provided by a particular nation or marketer and whether these factors are dependent on compulsory marketing arrangements
- the institutional buying arrangements of other nations, such as Japan

The Review found that price premiums had been obtained by the Australian Barley Board in two markets: Japan and the United Arab Emirates. However, it also found that these premiums occurred due to the buying policies of these nations - not any market power on the part of the ABB or the compulsory nature of the market arrangements.

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