



**Trade &
Investment**

Strategic Policy & Economics Division

**Review of Rice Vesting by the Rice Marketing Board
under the NSW *Rice Marketing Act 1983***

Report prepared for the NSW Minister for Primary Industries the
Hon Katrina Hodgkinson MP

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1. The Rice Marketing Board

1.1 Objects

The Rice Marketing Board is established under the *Rice Marketing Act 1983*. The objectives of the Board are to:

- a. encourage the development of a competitive domestic market for rice;
- b. ensure the best possible returns from rice sold outside Australia based on the quality differentials or attributes of Australian grown rice; and
- c. liaise with and represent the interests of all NSW rice growers in relation to the Board's functions and objects.

1.2 Rice Vesting

Under the *Rice Marketing Act 1983*, all rice produced in NSW is vested in the Board, i.e. the Board is its legal owner. Vesting is a policy instrument of the NSW Government based on the proposition that providing a single statutory authority (namely, the Board) with the legal right to control the marketing of rice produced in NSW will yield net benefits to the NSW rice industry and broader community.

The market control provided by vesting originally applied to all rice grown in NSW, but was recently restricted to only that rice destined for overseas markets. Hence the Board must now automatically exempt from vesting all rice sold on the domestic market.

The vesting period is established by a proclamation made by the Governor on the advice of the Minister for Primary Industries and is for a specified period. The current proclamation expires on 31 January 2013.

Date of Proclamation	Start of Vesting	End of Vesting	Years
04/01/1995	01/02/1996	31/01/1999	three
26/11/1997	05/12/1997	31/01/2004	six
14/01/2004	16/01/2004	31/01/2009	five
20/01/2009	06/02/2009	31/01/2013	four

The provisions of the *Subordinate Legislation Act 1989* cause a proclamation to last no longer than five years before it must be reviewed and a public benefit case made for its renewal. This Act requires such reviews to include public consultation and an assessment of the costs and benefits of making the proclamation. These reviews also require that:

- i. legislation should not restrict competition unless the benefits of the restrictions to the community as a whole outweigh the costs; and
- ii. the objectives of the regulation can only be achieved by restricting competition.

The Board exercises its rights as the legal owner of rice produced in NSW to charge fees to authorised traders of NSW rice on the domestic market and to limit who is allowed to export NSW rice. The Board has presently chosen to issue only one export licence, to Ricegrowers Limited trading as SunRice Australia. The Board has also entered into a related but separate Sole and Exclusive Export Licence (SEEL) Agreement with SunRice that it will not issue any other export licences.

1.3 Operations

The Board's operating costs are between \$500,000 and \$700,000 per annum and it covers these costs from the income it receives from authorised buyer fees.

The Board's principal operations are to administer the issue of authorised buyer licences and payments to growers from the Grower Equity Fund. The Board issues licences to buyers for domestic sales on payment of annual fees and variable fees per tonne purchased. It also issues and manages the SEEL on payment of a fee by SunRice.

The Board also monitors the performance of its sole agent, SunRice.

1.4 Authorised Buyers

As it is a vested commodity, only authorised buyers may deal in rice produced in NSW. Section 51A of the *Rice Marketing Act 1983* prescribes the conditions under which the Board may appoint authorised buyers. The Act authorises the Board to set fees to be paid by authorised buyers and to impose conditions on where they market rice. The Board appoints authorised buyers separately for trading rice on the domestic and export markets.

Domestic Buyers - the Board is required to authorise any person as a buyer for domestic trading on condition that they are a "fit and proper" business, that they pay to the Board relevant fees and undertake not to export NSW grown rice or on-sell it to others who may export it. There are presently six authorised buyers, including SunRice and Graincorp Limited, the remainder being niche growers and traders based in the NSW north coast region who in 2010 dealt in only 347 tonnes.

Authorised buyer applicants are presently charged an annual \$550 "application/renewal" fee, as well as being required to remit to the Board a variable "authorised buyer fee" per tonne of rice purchased.

Export Arrangements - as previously described, the Board has negotiated an agreement with SunRice which gives SunRice the right to be the sole exporter of NSW rice. Under the SEEL SunRice:

- a. must accept all rice of merchantable quality offered to it by growers; and
- b. operate an equitable crop marketing and payment system as required by section 64 of the *Rice Marketing Act 1983* (including acquiring rice of the same quality or grade as near as possible at a uniform rate).

The current term of the SEEL is until 30 June 2016. Under the current provisions, the Board can continue the SEEL for any further period which it permits and either party may terminate such further term by giving the other party five years written notice.

While this gives the Board and SunRice a rolling 5-year guarantee of stable marketing arrangements, the SEEL may be terminated by either party immediately if:

- a. the other party commits a material breach which is not remedied within 30 days after notice to remedy;
- b. the Board is dissolved for whatever reason;
- c. there is a change of control of SunRice without the consent of the Board;

- d. SunRice ceases to be an authorised buyer for any reason;
- e. vesting is revoked or the vesting proclamation is not renewed; or
- f. either party becomes insolvent.

The SEEL also provides that if at any time during its term, the single export desk becomes illegal or is rendered unenforceable, the Board is not in breach of the SEEL if it appoints other authorised agents or authorised buyers to export rice grown in NSW.

1.5 Grower Equity Fund

The Grower Equity Fund was established to raise capital to enable the Board to purchase storage facilities and other buildings. Grower contributions were deducted from crop payments by means of an industry-agreed, per tonne levy.

Under the rules of the Fund, capital raised from growers is to be held for ten years, and then repaid to those growers who were originally levied. The Equity fund reached a peak of about \$100 million in 2002 and then stabilised.

The Board sold its storage assets to SunRice in July 2006 at their book value of \$130 million. The terms of sale included a down payment of \$30 million, with the balance of \$100 million payable by SunRice in ten approximately equal annual instalments through to 2016. Each instalment is equivalent to the amount of equity rollover redemptions to growers repayable by the Board in the relevant year.

SunRice has since transferred ownership of the assets to a subsidiary company, Australian Grain Storage (AGS), which now makes the annual payments to the Board needed to meet the Board's ongoing liability for redemptions from the fund.

This arrangement was designed to enable the Board to repay to growers their equity in the Fund over the ten years through to July 2016 without recourse to further levies on rice production.

2. Previous Reviews

The 1995-96 National Competition Policy review found that the single desk export selling arrangements of the NSW rice industry generated market premiums for the rice industry and a net public benefit. As a consequence, the NSW Government agreed that the single desk arrangements would be retained.

The preferred approach, however, was for new arrangements to be established under Commonwealth regulation. As the Federal Government did not agree to establish a single export desk under its jurisdiction, the NSW Government at the time extended vesting for six years to 31 January 2004 and scheduled a further review to determine what statutory arrangements should apply in the longer-term.

The 2004-05 review concluded that the single desk export marketing arrangements for rice were continuing to deliver substantial net benefits to the industry and broader community. However, while recommending that the arrangements be retained, it was also recommended that the Board establish rigorous accountability protocols for assessing and communicating to Government and growers SunRice's performance in delivering grower and community benefits.

The NSW Government at the time accepted these findings and agreed to extend vesting for a further five years, to 31 January 2009. A review was again to be conducted at the end of this period. Commencement of this review was delayed and in order to provide industry stability while the 2009-10 review was completed and consideration could be given to what the long-term statutory arrangements should be, vesting was extended to 31 January 2013.

The 2009-10 review did not conclusively argue that the single desk export marketing arrangements were delivering price premiums to growers and broader community benefits. Importantly, however, the review expressed the view that given the domestic market had been deregulated, any costs associated with vesting were likely to be imposed on rice growers rather than Australian rice consumers, and therefore, strong grower support for the arrangement could be interpreted as a proxy for the grower benefits it provides. It further concluded therefore that it is critical that the Board provide growers with enhanced levels of information about prices received so that well informed choice in relation to the retention or otherwise of vesting can be expressed by growers in future.

This review therefore called for the establishment of stronger accountability arrangements and, in particular, the development by the Board of performance metrics in relation to each Board objective and a Performance Management Plan in regard to its sole export agent (SunRice). It proposed that these initiatives and the associated performance information would form a key consideration in any decision to continue the present arrangements beyond 2013. The Board is currently in the process of establishing these performance metrics and Performance Management Plan.

3. The 2012 Review

3.1 Introduction

The Board maintains that vesting is needed in order to secure premium returns on international markets and so fulfil its object of: *ensuring that the best possible returns from rice sold outside Australia are achieved, based on the quality differentials or attributes of Australian grown rice.*

As outlined in section 2, this position has been supported in previous reviews of NSW rice marketing arrangements undertaken in 1998, 2004 and 2010, and under the terms of the *Subordinate Legislation Act 1989*, must again be confirmed for the current proclamation to be extended. This review therefore examined whether the single desk established by the Board and operated by SunRice continues to provide NSW rice growers with a price premium over what they could otherwise earn in the absence of vesting.

It is also relevant to note that while this review has examined whether vesting should be extended, it was also a requirement that a recommendation be made regarding the time period over which any such extension should be made.

3.2 The Review Process

The review was undertaken by the Strategic Policy & Economics Division of NSW Trade and Investment. Key elements of the review were as follows:

- a) An Information Paper was circulated to stakeholders in early June 2012 and advertisements were placed in both state-wide and regional newspapers inviting submissions by 30 June 2012.
- b) Research was undertaken by the Department on rice and paddy prices in international markets as a basis for comparison to price information provided through public submissions.
- c) Two public meetings were held in the Riverina, in Deniliquin on 24 July 2012 and Leeton on 25 July 2012, and in addition to consulting with growers on the objectives of the review, the meetings were used to announce an extension of the submission deadline to 6 August 2012.
- d) Targeted meetings were also held with a number of key industry stakeholders and NSW Trade and Investment consulted closely with the Board in the course of the review.

3.3 Submissions

A total of 97 submissions were received, made up of:

Ricegrowers' Association of Australia	1
Rice Marketing Board	1
SunRice	1
Department of Foreign Affairs and Trade	1
Murrumbidgee Valley Food and Fibre Association Inc	1
MIA Irrigation Ltd	1

Hon Scot MacDonald, MLC	1
Local Suppliers Agricultural Equipment and Services	7
Rice Growers (83 plus one supplementary)	84

A complete list of the submissions received is at Attachment A. 91 submissions supported continuation of vesting, while six were opposed to it.

The Ricegrowers' Association also attached the proceedings of seven branch meetings of the Association at which a total of 279 rice grower members voted unanimously in favour of extending vesting and the export single desk.

4. Analysis of the Issues

4.1 Price premiums

As previously outlined, the key factor in determining whether continuation of rice vesting and the export single desk is justified is whether or not this arrangement is delivering higher returns to NSW rice growers than would otherwise be achieved. Conceptually, this question should be able to be answered by simply comparing prices achieved by SunRice for NSW paddy on international markets against the prices achieved by competing suppliers into those same markets.

The analysis is complicated, however, by the fact that NSW rice is not sold as paddy. Instead, the paddy produced by growers is processed, packaged and sold as branded products. Moreover, the returns growers receive from SunRice are not simply the world price discounted to account for processing, transport and other marketing costs, but because growers are also shareholders in SunRice, bonuses and deductions associated with internal corporate objectives may also need to be accounted for.

It is therefore not surprising that most growers in their submissions did not comment specifically on actual prices received, but instead focussed on the broader package of benefits that SunRice provides to them.

While over 25 per cent of the submissions from growers claimed vesting as achieving the best prices payable in the market, only two submissions sought to estimate and compare 'farm-gate' equivalent prices as delivered by SunRice against what might theoretically be achieved with a deregulated market. These submissions were by SunRice and the Burrabogie Pastoral Company Limited, which claims to be the largest rice producer in NSW in 2012, producing 21,450 tonnes out of the total NSW production of 963,000 tonnes.

While the price analysis in this report therefore draws on these submissions, the Department also sourced relevant data from both within and outside Australia as an independent basis on which to assess price performance. US price information for Californian medium grain rice is published by the Creed Rice Co Inc¹ of Houston, Texas, and farm gate returns for paddy and average export prices for Australian rice are available on an aggregate basis from the Australian Bureau of Statistics (ABS).

Burrabogie Pastoral Company Limited Submission

As has been reported in public media, Deloitte Access Economics were engaged to undertake an investigation and prepare a submission lodged by Burrabogie Pastoral Company Limited. This submission relied on publicly available price and transport and marketing cost information and challenges the joint claims that SunRice is consistently delivering premium returns to rice growers from export sales and that these premiums are dependent on the single desk.

¹ The Creed Rice Co. is a rice brokerage firm. It negotiates rice transactions in both the export and US domestic markets. It also publishes a weekly rice newsletter, "The Creed Rice Market Report".

The submission examined prices in relation to medium grain Californian rice, the closest competitor to Australian rice on the world market, sourcing Californian export prices and paddy prices paid to growers from Creed Rice Company Inc, the US Department of Agriculture and the United Nations Comtrade database. Australian export prices and paddy prices to growers were sourced from SunRice, the Board, the Australian Bureau of Statistics and the Australian Bureau of Agricultural and Resource Economics and Sciences.

The submission compared average export prices for Californian medium grain rice (FOB exports) with average prices for Australian exports over a 10-year period between 2001-02 and 2010-11 and found no obvious or consistent price premium for the Australian exports, with the Californian price being higher in some years.

The submission also reported a method for deducing Australian paddy prices which were then compared to Californian paddy prices. It found that over the 10-year period there was little difference between the estimated paddy prices, but in the most recent years Californian paddy prices were significantly higher. The submission further claims that the years when the Australian price was highest against the Californian price were those years when the volume of Australian exports was low, and exports went to the highest price buyers. For this reason, the analysis was extended to also estimate “weighted” export prices for Australian rice, weighting each year’s average price by a factor to take account of the different volumes traded into the market.

In comparing these weighted Australian and Californian prices, the Deloitte analysis concluded that whilst the unweighted average 2001/02-2010/2011 export price for Australian rice is higher (\$818) than the Californian price (\$776), the weighted returns were lower than in California.

Over a long period, Australian rice export prices are broadly similar to those for rice of a similar type and quality – Californian medium grain rice – and this is the main competitor to Australian rice exports. Over the 10 years from 2001/02 to 2010/11, the average Australian export price was \$AUD818 per tonne and for Californian rice it was \$AUD776 per tonne. It is important to note that the Californian rice market is deregulated, i.e. does not operate under a single desk system.

However, a price analysis that also takes into account fluctuations in Australian export volumes, and is adjusted for inflation, shows that Australian export prices (weighted average return of \$823) are in fact lower than those achieved under competitive conditions by Californian rice growers (weighted average return of \$870). (bracketed terms added).

Average real export price of medium grain rice

	01/02	02/03	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	Average
California	724	700	914	648	750	769	842	1583	924	849	\$870
Australia	754	808	759	758	756	786	954	1459	1183	935	\$823 *
Premium	4%	15%	-17%	17%	1%	2%	13%	-8%	28%	10%	-5.4 *
Australian tonnes exported	580,326	664,386	216,495	298,786	167,330	598,202	92,267	124,106	50,635	64,871	

* prices weighted based on the Australian tonnes exported figures. Prices are Australian 2010-11 dollars. Source: Submission by Burrabogie Pastoral Company Limited

Most recently, Australian rice growers receive considerably less than Californian rice growers. In 2011/12, the paddy price for Australian rice growers was \$255 per tonne, compared with the \$411 for Californian rice growers. For 2012/13, the Australian price is expected to stay at around \$255, while the comparable Californian price (for the previous year) was \$423. SunRice concedes that, while they have earned record revenue for the year ended 30 April 2012, \$20 per tonne was withheld from growers to assist with reducing its debt position. This demonstrates that the main concern for Sunrice is the return to shareholders not to rice growers. Historically, shareholders and rice growers have been synonymous but more recently this has diverged.

A weighted price analysis that also takes into account fluctuations in Australian rice production shows that Australia paddy prices (\$336) are significantly lower (12.7%) than under competitive conditions (\$385). In the last two years in the table, the price discount has increased to 49% and 38% respectively.

Derived paddy price of medium grain rice

	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	03/04	Average
California	251	313	483	208	343	355	318	412	780	404	\$385
Australia	306	383	334	329	298	357	475	567	400	251	\$336
Premium	22%	22%	-31%	58%	-13%	0%	49%	38%	-49%	-38%	22%
Aust paddy tonnes of rice exported	1,022,609	333,224	459,886	257,551	920,740	142,015	191,022	77,936	99,848	n/a	-12.7

* prices weighted based on the Australian tonnes exported figures. Prices are Australian 2010-11 dollars. Source: Submission by Burrabogie Pastoral Company Limited

While the price analysis reported in the submission was intuitively appealing, it had a number of weaknesses, including:

- reliance on global rather than individual (country) market averages (as SunRice does not report destination data and therefore the ABS statistics do not include this information. ABS data for rice describes the destination of 99 per cent of Australian exports as “no country details”);
- that without access to cost information held only by SunRice, construction of a NSW price equivalent to published California farm gate medium grain prices requires adjustments based on crude estimates of costs in the value and distribution chain; and
- the fact that the average price received by rice growers in California is very strongly influenced by the high proportion of product they sell into the high priced US domestic market.

SunRice Limited Submission

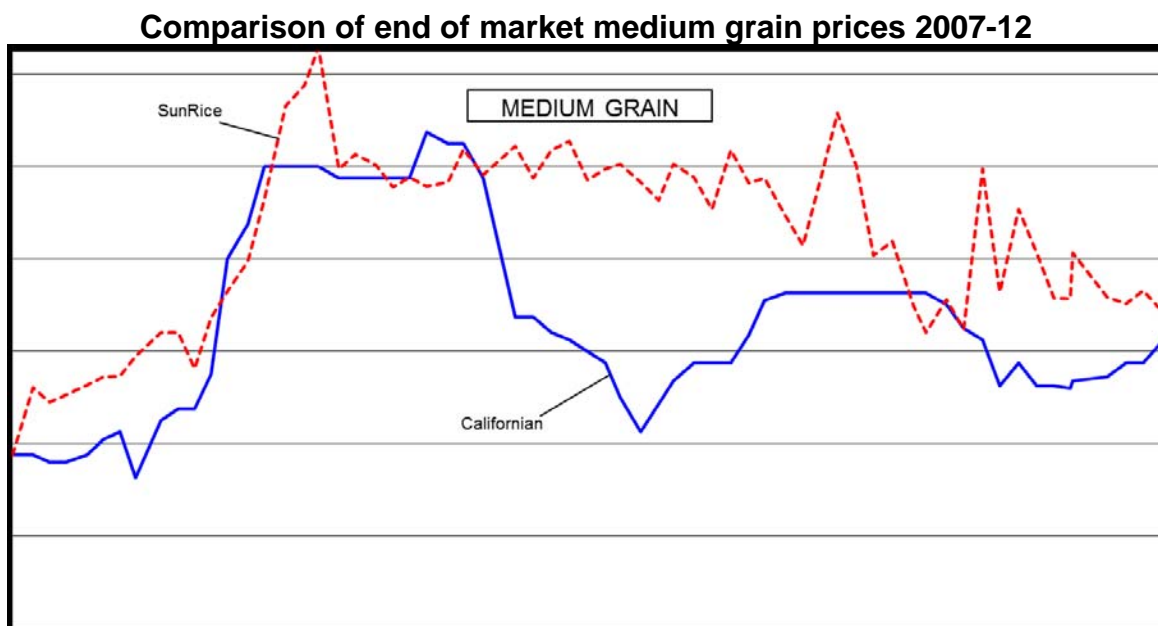
SunRice made a submission in which detail of the export prices actually achieved in each segregated market to which exports were made in 2011-12 was provided. Due to the commercial sensitivity of this information, the SunRice submission is confidential and detailed price and delivery data provided are not able to be reproduced in this report.

The submission contained a detailed breakdown of prices achieved in its export markets: Pacific (PNG), Middle East, Japan and Taiwan, New Zealand and Pacific Islands. It included a comparison of the price received by SunRice with a 'competitor price' in each of these markets. These competitor prices were derived from import data in New Zealand, and Creed export price data for the Middle East and PNG, where SunRice medium grain not only competes against Californian medium grain rice, but also Thai long grain rice.

In summary, applying the difference between the competitor price and the return to SunRice across these markets for the total tonnage delivered to them, SunRice estimated that for 2011-2012, on sales of over 470,000 tonnes, a total price premium of \$40.3 million was achieved. SunRice calculated the premium based on direct comparisons against a range of publicly available industry measures, including:

- US medium grain CFR pricing from New Zealand (import statistics);
- Middle East Creed medium grain pricing;
- Creed long grain pricing in the Pacific Major market (where long grain is a significant competitor against NSW medium grain);
- Pacific Islands local pricing; and
- WTO published tender market pricing. Both Australia and the US supply medium grain rice for tender market volumes. SunRice considers that the most appropriate measure is to use the average tender price awarded to the US millers over the same period of time. As the Ministry of Agriculture, Forestry and Fisheries does not publish actual Californian offer prices, the average FOB price employed was based on the prices that Minimum Access licenced trading companies calculated as the winning prices.

For the longer historical period of 2007-2012 and based on equivalent analysis, SunRice submitted the following graph showing SunRice export returns to be consistently higher than the Californian export prices published in Creed data.



Source: Creed data and SunRice pricing data; Submission by SunRice Limited

SunRice argued that the premium is achieved because it sells a recognised branded consumer product for which there is an expectation of quality and consistency and that in the important PNG market product is sold under well established local brand names. SunRice also claimed that in these markets it is able to compete only with other overseas suppliers, and not with other suppliers of Australian rice, as would occur if the single-desk did not exist.

Turning to paddy prices, i.e., the actual returns to growers, SunRice maintains that it is difficult to compare returns to growers in Australia with California. Whilst Australian growers are all paid a uniform price from a single pool, farmers in California have several pool options and also a cash sale option. There is an approximate 50:50 ratio of cash sales and pool sales, and cash sales are generally at higher prices. SunRice also questioned the appropriateness of comparing Australian and Californian farm gate prices, when over 50 per cent of the Californian crop is sold on the higher priced US domestic market whereas less than 20 per cent of the Australian crop is sold domestically, although also for a higher price than is generally available on export markets.

NSW Trade and Investment Analysis

Despite both of the major submissions using data from mostly the same sources, quite different conclusions were reached. There are, however, sufficient publicly available data to undertake an independent analysis, the summary of which is reported in Table 1. To enable comparison, prices are all expressed in nominal terms and in Australian dollars.

Comparative paddy and export prices, California and Australia, 2001- 2011, \$AUD per tonne, nominal

		\$AUD per tonne			
		Paddy (farm price)		Export (fob port)	
Year	AUD to USD	California paddy	Australia paddy	California export	Australia export
2001/02	0.52	\$198.15	\$274.16	\$478.02	\$420.00
2002/03	0.59	\$211.30	\$348.17	\$475.59	\$624.00
2003/04	0.71	\$286.73	\$325.14	\$681.13	\$665.00
2004/05	0.75	\$191.49	\$296.76	\$428.17	\$635.00
2005/06	0.75	\$266.39	\$272.88	\$632.01	\$680.00
2006/07	0.79	\$323.61	\$337.42	\$658.64	\$742.00
2007/08	0.90	\$352.48	\$405.56	\$711.88	\$1,215.00
2008/09	0.74	\$727.37	\$565.57	\$1,546.67	\$1,851.00
2009/10	0.88	\$436.50	\$456.35	\$864.05	\$1,090.00
2010/11	1.00	\$413.77	\$240.11	\$804.09	\$838.00
Simple average*		\$340.78	\$352.21	\$728.03	\$876.00
Sources:	RBA	USDA Rice yearbook	ABS	Creed Rice Market Report	ABS

* Unweighted average price 2001/02 to 2010/11.

The data in this table were derived from information drawn from the following sources:

- Californian cash sale prices - The Creed Report;
- California Rice Exchange pool prices - CalAg Trader²;
- average return to Californian growers - USDA Rice Yearbook;
- average farm gate prices in Australia - Australian Bureau of Statistics (ABS);
- export value of rice fob Californian ports - The Creed Report;
- average value of Australian rice exports fob Australian ports – ABS; and
- Australian to US dollars exchange rate – Reserve Bank of Australia (RBA).

While they are only estimates, these calculated prices support the contention that in general (eight years out of the last ten) Australian growers are receiving slightly higher prices – both fob and paddy - than Californian growers. The margin would be compounded if a payment for milling and storage (approx. \$US30 per tonne) was factored into Californian prices as a deduction from the farm gate price. Average export returns to both sources have trended together, with Australian export returns exceeding Californian most markedly in the years of low Australian supply.

4.2 Freight Advantage

Although the major focus of this review is whether price premiums have been earned, in its submission SunRice also argued that the single desk also delivers a further benefit by enabling it to earn a “freight advantage” by consolidating consignments and negotiating better rates.

SunRice claims that by being the sole exporter to each of the main markets, it can sell its rice products to export customers on a landed price basis, being responsible for the freight cost and negotiating that on a “whole of consignment” basis. SunRice estimates that in 2011 this freight advantage amounted to \$28 per tonne, which translated into \$10.5 million for the whole crop to all destinations.

On the other hand, the Burrabogie Pastoral Company Limited submission challenged any claim that SunRice may have achieved a freight advantage as a consequence of the single desk, instead arguing that any such advantage is primarily due to Australia’s relative geographic proximity to its major markets – particularly PNG (31 per cent of exports) and New Zealand, and to a lesser extent North Asia and the South Pacific - compared to the major competitor, California. This submission also argued that with the single desk confining freight organisation to SunRice, it removed the option of consolidating rice exports with other grain export arrangements as is now occurring in the deregulated wheat export business.

4.3 Restricted Competition

The Burrabogie Pastoral Company Limited submission argued that the single desk constrains it from developing its own export markets which may have different product specifications and which could contribute to its mixed production and export business.

² www.calagtrader.com/rice/info

A submission from another grower who produces organically certified rice, also observed that they are unable to export under the single desk, although they have identified a niche market from which they could earn higher returns.

In its submission, SunRice argued that because of the relatively small tonnages involved, only with vesting and the consequent certainty that it would be handling all the southern NSW rice crop could it, or any competitor, maintain the requisite storage and milling facilities in the southern Riverina. SunRice submits that if it were to handle only 60 per cent of the crop, for example, this would result in a \$10 million increase in the costs of operating below capacity, and consequently lower returns to growers. Therefore, SunRice is strongly of the view that not just scale economies but also the efficiency benefits to the industry of vertical integration are largely dependent on vesting and the single desk.

In contrast, the submission by Burrabogie Pastoral Company argued that storage and milling costs are unknown to growers on a per tonnage basis and, in the absence of vesting, growers would be able to sell to a supply chain of their choice, which may offer transport, milling and storage facilities at a competitive rate, because those facilities could be utilised in the supply chains of other grains. It cites Ausbulk and GrainCorp as organisations that could potentially compete.

4.4 Paddy Price Setting

Under the single desk, SunRice determines the paddy price which is the price offered to rice growers. In most years, SunRice has sought to maximise returns to growers, as well as operate beneficial terms of payment.

In the last two years, however, SunRice has retained part of the paddy payments to improve the gearing of the company, and in 2011 retained \$20 million from paddy payments to improve its balance sheet. According to the Burrabogie Pastoral Company Limited submission, the paddy price paid to growers was consequently reduced to \$230 per tonne, compared to the average farm gate return in California of \$AUD413 per tonne.

4.5 Trade Policy Implications

The Australian Government Department of Foreign Affairs and Trade (DFAT) provided an informal submission, describing how vesting related to Australia's trade policy. The submission noted that continuation of rice vesting is inconsistent with Australia's foreign trade policy, which includes commitments to free trade and to closing "State Trading Authorities", which the Board is considered to be.

5. Review Findings & Recommendations

5.1 Findings

Vesting is granted by the NSW Government to the Rice Marketing Board based on the proposition that providing it with the legal right to control the marketing of rice produced in NSW will yield net benefits to the NSW rice industry and broader community in the form of export price premiums. The fundamental task of this review was therefore to examine whether vesting was providing such a benefit.

While conflicting arguments were presented to the review, there is evidence to support a finding that the single desk enabled by vesting is delivering price premiums in export markets relative to SunRice competitors selling into those markets.

It is therefore recommended that vesting by the Rice Marketing Board be retained for a further period, with extension beyond the new date to be subject to a review of performance metrics over the intervening period providing clear evidence of continuing aggregate price premiums in excess of Board costs.

The Board has financial commitments to growers until early 2017 relating to finalisation of repayment of the Growers' Equity Fund. As meeting this commitment is now an integral component of the Sole and Exclusive Export Licence Agreement with SunRice, it is further recommended that vesting be continued throughout this period. Should an argument supporting continuation of the export single desk not be sustained at that time, this timing would allow the Board and SunRice to transition to alternative roles and arrangements free of this commitment.

5.2 Recommendations

1. It is recommended that vesting be renewed until 30 June 2017, with further extension to be subject to a review to determine that export price premiums relative to other international competitors on export markets continue to be achieved.
2. To facilitate the conduct of this review and improved performance monitoring and reporting by the Board to growers and the NSW Government during the intervening period, it is recommended that:
 - a. performance metrics for each of the Board's objectives be established as soon as possible and in conjunction with NSW Trade and Investment; and
 - b. a Performance Management Plan in relation to the Board's sole agent similarly be finalised by the Board as soon as possible, and submitted to the NSW Minister for Primary Industries for approval by December 2013.

Attachment A - List of Submissions received

Submission

no:	Name:
39	Andreazza, Rod
4	Arnold, I&B and Sons
6	Atkinson, Bruce
59	Barry - LF & JA
11	Blenkiron, Neil CA
80	Blight, Ian
31	Boag, Rex
86	Braithwaite, Ian
46	Brear, Mark -Riverina Crop Care
29a	Buller, Moira
56	Burge, Keith, Margaret & Diana
83	Burge, Margaret
72	Burrabogie Pastoral Company Limited - Bell, Colin M,
96	Burrabogie Pastoral Company-Supplementary Report
43	Chalmers, Michael
54	Chalmers, RJ & LJ
12	Chapman, Geoff
47	Crawford, Robin
58	Cunial, Ray
89	Dahlenburg, Alison
3	Deniliquin Freighters - Russell Tait
57	Dept of Foreign Affairs and Trade
78	Dissegna, D.D & D
75	Donnellon, Brian, Theresa & Nicholas
22	Douglas, Ian B
69	Draper, Peter
85	Dunn, Rodney
62	Ellwood, Tony
76	Gardiner, Keith Anthony
19	Gardiner, Trent & Jenny
35	Gitsham Investments Pty Ltd
55	Graham, JJ, JE and DE
55	Grigg, SF and SA
33	Hand, John
87	Hargreaves, Peter - Hargreaves Aviation
13	Harrop, Barbara
25	Hayes, PS & WO
94	Hehir Family Farms
28	Hemley, Ron and Mavis
51	Henham, TJ & DA
91	Hermiston, Andrew
52	Herrman, Mrs I
30	Holmfield, Gary & Louise
44	Houghton, Rob
2	Hutcheon, A&G P/L - Bill Armstrong
88	Johnson, Chris
50	Jones, R & A
81	Kettlewell, Michael
70	Kirkup, Barry & Gillian
34	Knight, Joy & Arthur

63	Lindsay-Field, FA & RH
9	Lowden, Russell
60	Malcolm, Colin J
66	McCrabb, Colin
68	McDonald, Hon Scot
8	McDonald, Peter & Wendy
65	McKenzie, Ron
92	Mensforth, J & M
93	Moore, Brian
74	Morona, Nicholas
45	Morshead, Chris & Kate
73	Murrumbidgee Irrigation Ltd Jaduram, Raveen,
64	Murrumbidgee Valley Food & Fibre Assoc Inc
38	Nichols, Judy
42	O'Connor, Peter
82	Oswin, Charles Robinson
20	Payne, Ian
49	Pearse, DJ & SE
14	Perkins, Craig
32	Perkins, Scott
61	Pike, Colin & Mavis
10	Polkinghorne, Andrew
1	Polkinghorne, Lloyd, Wakool Branch President RGA
18	Randall, Peter
27	Reynoldson, Roger
90	Rice Marketing Board - Robert Brown
77	Ricegrowers' Association of Australia (Ruth Wade)
24	Roberts, RG & SB
16	Rolfe, RJ, A&G Machinery P/L
15	Star, David
21	Star, Gregory
95	Star, Michael
36	Stimson, Lloyd
97	SunRice
29	Sutton Nominees P/L
23	Tumbalee Pty Ltd - C Rosetto
41	Turner, Robyn
17	Vagg, Antony
84	Vagg, Max
48	Vagg, Ryan
26	Walsh, GJ
37	Walter, Bev
5	Wettenhall, Adam
79	Whelan, BJ & CT
67	Williams, Scott
71	Wiseman, AL & GJ
7	Wythes, Peter & Marion
40	Yenda Producers Co-op - Peter Calabria

Attachment B - Quarterly Californian Rice prices

Date	US Export \$US		US Farm \$US		US Export \$AUD	US Farm \$AUD	Aus Export \$AUD	Aus Farm \$AUD
	California #1 4% broken, milled rice	basis for price	California paddy prices FOB farm	\$US ex- change rate	\$AUD equivalent milled rice	\$AUD equivalent paddy	Aus average export price	Australia paddy price
	\$US/t		\$US/t		\$AUD/t	\$AUD/t		\$AUD/t
03-Jul-01	\$180.00	1	\$72.97	0.515	\$349.85	\$141.83		
03-Oct-01	\$235.00	1	\$114.42	0.494	\$475.32	\$231.43		
03-Jan-02	\$270.00	1	\$118.83	0.516	\$523.15	\$230.24		
03-Apr-02	\$270.00	1	\$130.73	0.528	\$510.98	\$247.41		
03-Jul-02	\$255.00	1	\$121.25	0.557	\$457.48	\$217.53	\$420	\$274.16
02-Oct-02	\$255.00	1	\$103.62	0.549	\$464.48	\$188.74		
08-Jan-03	\$275.00	1	\$132.28	0.563	\$488.11	\$234.78		
02-Apr-03	\$300.00	1	\$154.32	0.604	\$496.61	\$255.46		
02-Jul-03	\$475.00	1	\$197.31	0.675	\$703.70	\$292.31	\$624	\$348.17
01-Oct-03	\$490.00	1	\$229.28	0.690	\$709.73	\$332.10		
07-Jan-04	\$510.00	1	\$275.58	0.767	\$665.10	\$359.38		
07-Apr-04	\$490.00	1	\$270.06	0.765	\$640.69	\$353.12		
07-Jul-04	\$425.00	1	-	0.704	\$603.86		\$665	\$325.14
06-Oct-04	\$350.00	1	-	0.722	\$485.10			
05-Jan-05	\$300.00	1	-	0.779	\$385.21			
06-Apr-05	\$290.00	1	\$148.81	0.773	\$375.16	\$192.51		
13-Jul-05	\$320.00	1	\$149.25	0.758	\$422.22	\$196.93	\$635	\$296.76
05-Oct-05	\$485.00	2	\$244.93	0.764	\$635.07	\$320.72		
04-Jan-06	\$515.00	2	\$259.70	0.747	\$689.24	\$347.57		
04-Apr-06	\$475.00	2	\$238.98	0.715	\$664.34	\$334.24		
06-Jul-06	\$475.00	2	\$263.23	0.742	\$639.90	\$354.61	\$680	\$272.88
04-Oct-06	\$500.00	2	\$255.07	0.748	\$668.72	\$341.14		
03-Jan-07	\$565.00	2	\$271.17	0.794	\$711.68	\$341.56		
04-Apr-07	\$535.00	2	\$267.42	0.814	\$657.33	\$328.56		
04-Jul-07	\$510.00	2	\$265.21	0.853	\$597.75	\$310.85	\$742	\$337.42
03-Oct-07	\$560.00	2	\$288.80	0.886	\$632.05	\$325.96		
03-Jan-08	\$600.00	2	\$296.52	0.895	\$670.17	\$331.19		
02-Apr-08	\$700.00	2	\$352.74	0.910	\$769.06	\$387.54		
02-Jul-08	\$1,150.00	2	\$550.49	0.955	\$1,203.81	\$576.25	\$1,215	\$405.56
01-Oct-08	\$1,150.00	2	\$565.04	0.796	\$1,444.36	\$709.67		
07-Jan-09	\$1,125.00	2	\$612.88	0.697	\$1,614.52	\$879.56		
01-Apr-09	\$1,225.00	2	\$673.51	0.688	\$1,779.75	\$978.51		
01-Jul-09	\$1,125.00	2	\$562.17	0.804	\$1,399.78	\$699.48	\$1,851	\$565.57
08-Oct-09	\$825.00	2	\$491.63	0.879	\$938.67	\$559.36		
06-Jan-10	\$725.00	2	\$429.90	0.897	\$808.25	\$479.26		
07-Apr-10	\$575.00	3	\$325.18	0.916	\$627.46	\$354.84		
07-Jul-10	\$700.00	3	\$363.76	0.845	\$828.60	\$430.59	\$1,090	\$456.35

Date	California #1 4% broken, milled rice	basis for price	California paddy prices FOB farm	\$US ex- change rate	\$AUD equivalent milled rice	\$AUD equivalent paddy	Export	Australia paddy price
	\$US/t		\$US/t		\$AUD/t	\$AUD/t		\$AUD/t
01-Oct-10	\$835.00	3	\$496.04	0.966	\$864.66	\$513.65		
01-Jan-11	\$835.00	3	\$453.05	1.010	\$826.81	\$448.60		
01-Apr-11	\$835.00	3	\$457.45	1.039	\$804.04	\$440.50		
01-Jul-11	\$750.00	3	\$429.90	1.073	\$699.17	\$400.76	\$838	\$240.11
01-Oct-11	\$700.00	3	\$363.76	0.950	\$736.84	\$382.90		

source: Creed Rice Report

price basis milled rice:

- 1 ex-spout Sacramento CA
- 2 container FOB Oakland
- 3 container FOB Mill

source:

ABS