

Export of wheat grain

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Introduction

Firstly my thanks to the Agronomy Society for the opportunity to present my thoughts on this matter to you today. I would emphasise that I am speaking to you from a personal viewpoint. Any views expressed do not necessarily represent those of Cropmark New Zealand.

I have spent over 40 years in the New Zealand grain and seed industry, and for the greater part of that time I have been closely involved with exporting and thus I believe I have a contribution to make to your deliberations here today.

I believe there is plenty of potential for exporting wheat grains. We are a small producer in a very large world and our total production would make very little if any impact in the world market environment. If we had the heart to sell 100,000 tonnes of wheat of whatever grade, we could do it. It is not just a case of getting out there and wearing out some shoe leather - but more of that in a few minutes.

I am not going to go through the various markets continent by continent and tell you who I think would be prepared to buy what. Because what would be true of any particular market this morning may very well be history this afternoon. You will just have to take my word for it. If we had it to sale, we could sell it.

Markets, Barriers and Quotas

Certainly, there are barriers around certain markets. The EC I don't need to go into. Despite the much heralded reforms of the cereal production regime recently, the EC remains a closed shop to large volumes of common grades of wheat. Indeed, many commentators believe the reforms will not even halt the annual increase in production within the EC. The EC would be difficult to sell into - but nowhere have I seen anything to indicate that it would be impossible.

In terms of barriers, the EC is possibly less difficult than some other markets which are regulated by what are called "non-political trade barriers". Where import licensing is absent, quarantine regulations usually exist. These can be a lot more intractable than licensing - because they can be drawn into play at the drop of a hat

when it suits importing countries to do so. Quarantine provisions, if they are being used as a trade weapon, are very difficult to combat. But again, for the marketer who is on the ball, not always impossible.

Some of the world's larger importing nations operate on quotas. In some years supply difficulties in traditional source nations arise and it is sometimes possible for countries like ours to sell into markets regulated by quota. But of course you cannot rely on markets like that, and that leads me to my main "take home message" here today.

Production and Marketing

I am going to say the most difficult of all barriers to the exporting of wheats from New Zealand lies right here in New Zealand. It lies in the hearts and minds of our farmers and the industry as a whole.

Ladies and Gentlemen, you cannot export wheat that you do not produce. Now this may sound like the production-driven mentality that has become so unfashionable these days. But it is a fact.

Let me quote you some simple figures: in the middle of the last decade New Zealand exported about 400,000 tonnes of barley and imported less than 10,000 tonnes of wheat. Now, we are exporters of only 50,000 tonnes of barley and importers of around 200,000 tonnes of wheat. I have used those figures in recent times in my efforts to get Cropmark members to produce more barley for us. Because we can sell it. What we cannot seem to do is produce enough of it. To be more precise, the figures demonstrate that we can produce it, but for whatever reason, we don't want to.

Now you might say: You get the market and we'll produce the goods. My response is: Henry Ford had to build the Model A before he could start looking for buyers. No overseas buyer in his right mind is going to give New Zealand a supply contract - because it does not have a wheat exporting track record.

A Catch 22 situation? Absolutely not. This situation can be turned around but it required a turnaround in the mind set of the industry here in New Zealand.

Some of the work required has already been done. I refer to the document "Strategic Partnerships" produced

in April last year by United Wheatgrowers and the Flour Millers Association. That document outlined what was necessary to prevent the New Zealand wheat industry from falling below critical mass. It did not address exporting in any depth, but a sustainable domestic wheat industry is a prerequisite for an exporting future.

But we need to take it further than just discussions between the farmers and the millers. To get a viable and profitable exporting industry going we need a complete industry approach. Farmers, millers, bakers, breeders, researchers, marketers and anyone else who has a peripheral involvement in the industry need to sit down around the table and decide to make it happen.

There is so much to be done. Potential markets need to be investigated to learn both general and specific quality requirements that have to be met if these new markets are to be satisfied. We have to demonstrate to these markets that we do not intend to be here today and gone tomorrow. We have to start monitoring the world wheat trade much more closely for the opportunistic sales that inevitably arise from time to time. Watch how they are satisfied, by whom and with what. We have much to learn. And much to show the world before we are considered a reliable supplier.

We must also get the government involved. So much international trade potential today exists among underprivileged nations, whether they be in what we know as the third world or they are countries emerging from economically disastrous regimes such as the former Eastern bloc. These nations have the will to buy but not always the ready cash. Credit facilities from the government level will be required in some form or other.

Now of course, none of this will happen unless someone with sufficient vision and dynamism decides to drive it. To make it happen. Someone has to start the ball rolling. Otherwise the wheat industry will continue to flounder. No direction, no cohesion, no vision.

An Exporting Future

I am going to take the opportunity to issue this symposium a challenge: if we are serious about a future in exporting wheat grains, why don't we embark on the task right here and now? There is no better time. The entire industry is represented here. This audience is well-qualified to commission a working party representing all sectors of the industry to begin the undertaking I suggest.

I am aware this lays me open to the criticism that I am advocating that traditional Kiwi expedient, forming a committee. So be it. We cannot start any other way. If this challenge is not taken up, then I would ask: what

has been the point of including my topic on the agenda for this symposium? I believe the industry does want an exporting future. That is why this address is being delivered. And I strongly believe I have addressed the nub of the problems in front of us.

We are simply not behaving as an intelligent industry.

Take the case of the Saudi wheat importation issue here six months ago. If there was any unity at all, it was in a knee-jerk repudiation of the possibility that heavily subsidised wheat might be imported into New Zealand.

Any businessperson knows that in most adversity lies opportunity. That Saudi wheat was a superior quality to our own and it was cheap. Did anyone stop and think that there might have been benefits for the New Zealand industry in importing that wheat and doing something about it - like processing it into higher value products and re-exporting it?

I would challenge anyone to say that it could have benefitted New Zealand in some way. Quite possibly, because of its high quality, it could have enabled millers to use more New Zealand wheat.

And do you think our rejection of that wheat will change in any way, shape or form the subsidisation policies of Saudi Arabia? In fact, it is just as likely to have the reverse effect and impact upon our exports to that country. Exports which any sheep farmers in the audience will appreciate are very important indeed.

Take another tack. Has anyone considered the opportunity that lies in our close proximity to one of the most successful wheat marketers in the entire world? I happen to know that the Australians would not dismiss out of hand the possibility of some joint activity with New Zealand. In fact, they would not dismiss anything out of hand. Because they have the very vision and dynamism that we so sadly lack.

I have believed for some time that we need offshore connections of some form or other. I don't think that we as a country have the horsepower to make it alone. If you look around you, you will see that most large successfully enterprises in this country have offshore shareholdings, offshore business partnerships or offshore activities. I believe the New Zealand wheat industry should be looking to develop in that direction - but it cannot do it unless it is united in purpose and in fact.

I am not talking about single-desk selling. I am talking about an industry working together. When a rugby scrum does down, the hooker takes the ball back. The half-back delivers it to the backs. And the winger scores the try. That winger could not score his try if everybody in front of him had not done their bit. The winger might get the glory, ladies and gentlemen, but my point is that the whole team gets the five points. And if

they keep scoring, the whole team wins the match. And the championship.

I was also asked to speak today about niche markets. I could talk about various niche marketing opportunities *ad nauseam*. My definition of a niche market is an unsatisfied requirement, however large or small, inside any larger market. You don't uncover niche markets until to you out looking for them. And you don't do out looking for them until you have something to sell. Which we do not.

A brief word about prices. I will confine these remarks to grain only. Dr Lindley will be talking about valued-added product. At any given moment, there is a world price for wheat. Often, you might not like the price or the range within which it moves. But it is the ruling price and it is what buyers are prepared to pay. If you do not believe you can produce profitably for that world price, you can forget exporting.

Farmers often look to their marketers to perform conjuring tricks for them. It is not possible. A sustainable export industry is one that is able to meet the world market price in most years. In the odd years when prices are low, the industry must be sufficiently robust to absorb the fall. It achieves that robustness by profiting from the good years. The corollary of that, of course, is that you must be in the market every year. That is what the New Zealand wheat industry must aim for if it is serious about building for itself a viable and profitable exporting future.

Conclusion

I will close my remarks today with an old and well-worn metaphor. The world is an oyster. In terms of export market opportunities for feed wheat or milling wheat, that is quite true. But to eat an oyster, you need the skill, the determination and the co-ordination to open it.

Mr Chairman, Ladies and Gentlemen, thank you for your attention. To the Agronomy Society my congratulations for having the vision to call this symposium and my thanks for the opportunity to voice my thoughts and issue my challenge.