Quality Image And Imagination Drives Australian Wheat Marketing

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The Market

Australia is marketing wheat to over 60 countries and holds a 17% share of the world wheat export trade (Table 1).

Table 1. Wheat exports from Australia (%)

USA	31
CANADA	20
AUSTRALIA	17
EU	16
ARGENTINA	8
OTHERS	8

It is projected that world wheat production will decline next year (the plantings in USA have been the smallest since 1979).

World wheat trade is projected to be higher, due to Asian recovery, and world wheat consumption is heading for a record.

These combinations should result in the lowest world wheat stocks since 1980.

Table 2. World wheat production, trade, consumption and stocks (million tonnes).

	95/96	96/97	97/98	98/99	99/00*
PRODUCTION	541	582	610	583	569
TRADE	90	95	95	93	99
CONSUMPTION	553	578	589	586	592
STOCKS	106	110	131	129	105

*Projected

Marketing

The manner in which new Australian Wheat markets are initially opened and then maintained, is not easy to document.

There are many overlays in marketing, many things are operating at the same time, and there are many conflicts. The requirement for quality in wheat is fairly self-evident, however individual market quality needs can vary quite markedly. Marketing is also heavily influenced by the state of evolution of the market.

There are usually three stages:-

1. The number of flour mills increases dramatically and competition is fierce.

2. Competition decreases, and there are even some working relationships to save costs and reduce risks.

3. Marked decrease in number of mills. Often new large diversified companies enter the industry. Competition re-emerges and there is friction between the mills.

It is very important that markets are read correctly, and that the technical marketing decisions take into account the market state.

Two factors which somewhat help to explain part of marketing are image and imagination. These are powerful forces, and I rank these factors as the important anchors for long term success in wheat marketing.

Image produces a powerful picture in the mind. Once an image has been established (and this is not easy), it can usually be maintained and enhanced. Table 3 illustrates, fairly comprehensively, why Australian wheat needed an image.

Table 3. Protection of farmers: Producer subsidies*. $US Billion (1998)

Region	Total subsidies
OECD	273.6
EU	129.8
JAPAN	49.1
USA	47.0
KOREA	12.8
CANADA	3.2
AUSTRALIA	1.2
NEW ZEALAND	0.04

* Source OECD

Translated this means that government support in Australia equates to 7 percent of farm income, while the USA supports the farmers to the tune of 22 percent of farm income (Canada 16 percent). These two countries are the major competitors to Australia for sales of wheat.

There has been a very strong need for Australian wheat to develop a positive, quality image. The major planks of this image being low moisture content, clean, 100% white grained wheat. The image has been further enhanced with a single set of strict AWB receival standards, which are applied for each wheat load delivered, at the point of delivery into the storage system.

Storage logistics and shipping are another two important areas which customers heavily rely upon. It could be strongly argued that due to there being only one wheat exporter for the past 60 years, there has been a successful marriage of a quality and logistics image.

Australian Wheat Farmer

In order to plan how to market wheats for the future, it is important to look back to see where the AWB has come from.

How will the AWB make successful new wheats for markets?

What is our wheat factory?

Certainly, in the past, farmers produced wheat and production quantity was the most important factor. Farmers did not really care what happened to the wheat after they delivered to the storage system. This was not a good feature of the Australian wheat industry.

The AWB used real imagination when, in 1979, it took a major cultural step. The AWB incorporated the wheat farmers into marketing. The farmer became a producer of wheats which customers require.

This use of imagination, enhanced the image of Australian wheat and changed wheat classification and wheats in Australia.

This was the birth of Varietal Control and two major tools were used –
(a) Farmer education on marketing;
(b) Dollar penalties on varieties.

Both approaches were totally successful and there was a planned revolution.

AUSTRALIAN WHEAT

	%HARD GRAINED	%SOFT GRAINED
1980	20	80
1998	85	15

This use of imagination successfully positioned Australian wheat, not only in Asian markets but also in the Middle East, and other hard grained wheat purchasing areas.

This was an extremely large change in philosophy, and a large alteration to how wheat marketing/production operates in Australia.

The varietal control process which began as a fairly rigid form of control, was refined further in the late 1980's and early 1990's.

Premiums were paid to farmers for certain quality wheat varieties, and these were segregated.

This change has now led to the concept and operation of niche wheat marketing

Niche Wheat Marketing

This consumer driven approach to wheat production and marketing, will have large impacts on future wheat released in Australia.

Niche marketing will become even more beneficial as more markets deregulate. In this context quality assumes even a larger aspect in customers' wheat choices.

Niche marketing can only operate successfully if there are three winners.

1. Wheat Farmers
   If the farmer is not rewarded he will not risk growing a particular quality variety, especially if there is a narrow window for achieving the receival standard quality desired.

2. Flour Mills
   If the flour mills cannot get an economic benefit from the separated niche wheat, and market the flour produced at a profit, they will not purchase (or certainly not purchase at a reasonable premium).

3. Flour End-Users
   If the end product manufacturer cannot produce a better quality and economic noodle, steambun etc, they will complain to the flour miller that;

   a) The flour price is too high;
   b) The flour quality does not justify the flour price.

Obviously there are risks associated with niche marketing, but if one needs a pathway into the 21st Century, this type of marketing certainly presents major opportunities.

Competitor wheat exporter countries may come up with better quality wheats (or equal quality at even lower price). Both the USA and Canada have already developed hard grained white wheats (Canada Prairie Spring and US Hard White Winter).

As always, the winners for markets will be those who develop the best economic quality.

The Future

The AWB technical marketing philosophy is a very simple image, "Grow and market wheats that customers want".

This type of philosophy requires the setting up of strong R & D links between the AWB and customers R & D. This has already occurred, and will increase markedly in the future.

While cereal chemists were the driving force behind advances up to now, and provided the imagination to come up with new wheat segregation's, the future will need to have a whole new set of technical support.

Four major areas will need to be brought into more play for successful wheat marketing. These being; Food Technology, Food Microbiology, Wheat Hygiene/Storage and Wheat Genetics.

It will be essential to know more about the flour produced from Australian wheats, and how the flour makes the varied consumer end-products, in the major import areas around the world.

So image and imagination can prevent head to head competition with competitors.
It can place Australia where they are not!

It is always more palatable (and profitable) to have customers buying, rather than relying on the hard sell.