

GRAIN TRADE AUSTRALIA LTD ANNUAL GENERAL MEETING 2019

CHAIRMAN'S REPORT

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As Chairman of Grain Trade Australia (GTA), I am proud to provide my second report to the GTA Annual General Meeting.

The 2018/19 year has been a mixed year for the Australian Grains Industry with severe and ongoing drought impacting east coast production.

These conditions, whilst challenging the industry and its participants have demonstrated the value and efficiency the Australian grain industry achieves through a united and collaborative approach. Grain Trade Australia (GTA) has again been privileged to play its part, working on behalf of its Members and industry to facilitate trade and provide an industry driven self-regulatory framework.

Despite seasonal variances, the Australian grain industry has continued to grow over the last 10 years. Our industry has an open, competitive and self-regulated market delivering value and opportunity throughout its supply chain. In 2018/19 ABARES estimates the Australian **grain industry value** to be around \$A12.9 1 billion (at the farm gate). This is 6% below the 5-year average of \$A13.8 billion.

Exports in 2018/19 are estimated by ABARES at \$A7.9 2 billion (FOB) and approximately 18.7 million metric tonnes (mmt). This has been severely impacted by the drought being 29 % below the 5-year average of \$A11.1 billion and the lowest volume since 2009/10. In addition, there has been around 4-5 mmt of transshipments from WA and SA to the East Coast far surpassing anything transshipped in prior droughts.

The **domestic market** is the largest consumptive home for Australian grain. Domestic consumption for all crops is estimated at 15.5mmt in 2018/19 and is expected to increase to 16mmt in 2019/20.

The **container export trade** has been challenged due to the drought but remains optimistic for the future. Container trade has grown from as low as 300kt in 2002/03 to an average level of 3.5mmt (with a peak of 4.2mmt in 2016/17) or around 10 % of exports in a normal year.

The variability of supply and the nature of market demand means the supply chain and its participants must be dynamic and adaptable. This places significance on GTA's core mission of the *'facilitation of trade, and the ability for industry participants to appropriately manage risk'*. Grain will not trade and move as efficiently through the supply chain without the products and services provided to industry by GTA.

These products and services enable a unique **self-regulatory industry framework** that is recognised by Government as an important part of the Australian grain industry.

The Industry Driven Framework provides a sound foundation for the commerce of grain and allows the grain industry to operate with confidence. Industry participants can originate grain from producers, manage commercial risks, and the task of moving grain from farm to domestic and offshore markets with confidence in the grain product and the terms of trade.

- Trading Standards;
- Standard Form Contracts;
- Trade Rules;
- Arbitration and Dispute Resolution;
- Training and Development; and
- International and domestic advocacy to improve Trade and Market Access.

The glue that binds the self-regulatory framework together is the **Australian Grains Industry Code of Practice (Code)**, managed by GTA. The Code plays an important role in the facilitation of trade and creates value by ensuring confidence in the Australian value chain. The Code increases surety and stakeholder confidence, to support trade and market access arrangements for Australian grains, pulses and oilseeds. Increased market confidence drives value across the supply chain. Australia remains the only major exporting country with an industry managed and driven Code of Practice.

GTA's **Dispute Resolution and Arbitration Service** instills commercial confidence in the industry by underpinning and providing sanctity of grain contracts in Australia. This increases market efficiency

¹ ABARES (farm gate value), July 2019

² ABARES (FOB value), July 2019

and reduces risk across industry. It is important to understand, Awards issued by GTA Arbitrations are as enforceable as a ruling by a Court.

We must acknowledge the role of GTA Arbitrators who contribute their time on a pro-bono basis. In 2018/19 GTA held specific training for Arbitrators to re-enforce the strengths of the Dispute Resolution process and encourage industry participants to utilize the professional development opportunity being an Arbitrator provides.

We know that resilient **market access**, which is so vital for our industry, is a partnership between industry and government. We work hard to ensure industry has a strong and collaborative working relationship with the Australian Government, particularly Department of Agriculture (DA) and Department of Foreign Affairs and Trade (DFAT)

GTA works with Government to capture and develop industry feedback to assist in its policy formulation. This includes development of sound Australian positions for international protocols and agreements (such as the International Standard on Phytosanitary Measures – ISPM) that impact the global movement of grains and oilseeds. This work ensures GTA Members, and the Australian grain industry is best positioned to take advantage of opportunities in an increasingly competitive global environment.

It is gratifying to see in such challenging times, industry participants coming together for broader industry benefit and recognising a foundation for individual, or commercial success is a strong, robust industry. A great example of this has been the Anti-dumping (AD) and Countervailing Duties (CVDs) investigation against Australian barley exports by China.

The Australian grain industry has shown great leadership and collaboration through the establishment of an **Industry Working Group (IWG)** to address the concerns of the Chinese investigation and diligently work through the investigation process. GTA and others have been instrumental in this important work.

GTA's **Technical Committees** play a critical and important part in GTA's activities. The Technical Committees are part of GTA's Member driven process and work to develop policy that draws in the expertise in industry to develop policy for the broader benefit of industry and Members.

Over the past year GTA has continued to operate several Technical Committees, namely:

- Trading Standards;
- Commerce;
- Transport, Storage and Ports;
- Information Technology Advisory Committee;
- Trade and Market Access; and
- Plant Breeding Innovation

The **Trading Standards Committee** has continued its work on developing and continually improving the Trading Standards which are the basis for the facilitation of trade. The Trading Standards Committee has focused on sampling, food safety, as well as a major review of the Visual Standards Recognition Guide (VRSR) and Seed Impurities Identification Guide.

The **Commerce Committee** has worked to ensure the commercial basis for trade has strengthened and risk mitigation improved. During the past year the Commerce Committee has provided further guidance for industry and released revised versions of specific GTA Standard form contracts and the GTA Trade Rules.

The **Transport, Storage and Ports Committee** has developed information, guidelines and processes for Safety, Health and Environment including training on compliance with Chain of Responsibility in the transport sector. The Committee developed submissions on several policy areas, including the Governments Productivity Commission Inquiry into Transport Regulatory Reform.

The **Information Technology Advisory Committee (ITAC)** assists industry by driving operational efficiency through technology planning and harmonisation. This includes publishing industry standard reference data, participation in international initiatives to support the increased adoption of electronic documents such as a global electronic phytosanitary certificate (e-Phyto).

The **Plant Breeding Innovation Committee (PBIC)** has been active on both domestic and global issues. This has included submissions to multiple Federal and state government reviews and inquiries.

The PBIC undertook a review and updated the Market Choice Framework and Industry Response Plan for delivering market choice of GM crops within the supply chain. This is now published and referenced by industry.

The **Trade and Market Access Committee** has focussed on the global trading environment, which is becoming more challenging with increasing competition and emerging technical barriers to trade. GTA has increased its activity to ensure that Australia's reputation as a supplier of quality grain is protected and market access is assured and improved.

GTA has been particularly active in the development of global trade policy initiatives and frameworks. GTA's focus is to advocate for open, competitive markets, regulatory coherence based on sound science and risk-based assessments.

A strong focus has been on **Non-tariff Trade Measures (NTMs)** such as phytosanitary issues, chemical residues and regulatory inconsistency.

2018/19 saw GTA become a founding member of the **Australian-ASEAN Business Working Group on Non-Tariff Trade Measures**. GTA has led the private sector representation of the **APEC Grain Regulatory Forum**, an initiative of the Australian Department of Agriculture. There is an APEC Grain Regulatory Forum meeting taking place this week in Beijing, where GTA will be represented and present a study on NTMs through the grain value chain. The APEC work has involved engagement with private sector and trade associations from 11 different countries.

GTA is a long standing and active member of the **International Grain Trade Coalition (IGTC)**. GTA serves on the global Management Committee and actively participates in the IGTC as it's recognition and impact grows globally on issues of the importance to the efficient low-cost movement of grain from regions of surplus supply to regions of deficit.

Through the IGTC and its own work, GTA has brought issues of importance to Australian industry to global forums such as:

- World Trade Organisation (WTO);
- Food and Agriculture Organisation (FAO);
- International Grain Council (IGC);
- International Plant Protection Convention (IPPC);
- APEC
- ASEAN
- CODEX; and the
- World Grain Trade Forum.

Trade and market activities are supported by the very important **National Working Party on Grain Protection (NWPGP)**. The NWPGP is the grains industry focal point for the management of chemical issues, including MRLs and the point of engagement with DA's National Residue Survey (NRS).

The annual **National Grain Storage and Protection Conference**, managed and facilitated by GTA has grown in importance for researchers, regulatory authorities, chemical companies, grain storage suppliers, producers and traders to discuss and develop industry's plan to improve effective protection of grain in storage and ensure industry meets all regulatory chemical residue standards and limits.

A new initiative introduced in 2019 by GTA and the NWPGP was a **Chemical Compliance and Information Workshop** held to promote awareness of chemical related market access issues, and the substantial work that is undertaken by industry in this increasingly important area.

Australian Grain Exporters Association (AGEA) and GTA consolidated to create the **Australian Grain Exporters Council (AGEC)** as the first **Sector Council** within GTA.

I am pleased to report, 2018/19 has proven this to be an appropriate and successful model for integration. AGECE has held several member meetings, and actively participated in the China Barley Industry Working Group, as well as continued its involvement and participation in GIMAF and the Department of Agriculture Grains Industry Consultative Committee. Congratulations to all the people involved.

GTA believes this is a proven, suitable and flexible framework, that may be considered by industry, but only if driven by industry and members.

The **Australian Grain Industry Conference (AGIC)** continues to demonstrate its importance as the forum that brings the grain industry together. The AGIC program and speakers from the business, science and grain communities reflects the strong position our industry plays in the Australian and global economy.

The showcasing of Australian grain in our major markets continued in 2019 with GTA running **AGIC – Asia events in Indonesia and China**. AGIC Asia continues to grow and cement its reputation, with both Indonesia and China conferences being well supported by local and Australian industry.

The Indonesian event coincided with the signing of the official Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA) which presents some exciting opportunities for the Indonesian and Australian grain sectors.

As part of AGIC Asia series, GTA led Australian industry delegations in **Round-Table** sessions involving local Government agencies and Trade, to strengthen industry relationships and support the development of mutual trading interests. In Jakarta, the AGIC Roundtable was attended by Trade Minister Mr. Simon Birmingham and the Australian Ambassador to Indonesia Mr. Gary Quinlan. In China meetings were again held with high level Government and private sector groups. These were very successful and have resulted in some encouraging projects being developed.

The inaugural Australian **Grain Industry Logistics Conference was introduced in 2019**.

Delegates from across the sector included producers, storage builders, storage operators, road and rail freight companies, researchers, regulators and consumers. This was an important opportunity to focus specifically on logistics. The forum discussed how sound policy & strategy can provide a framework for certainty and investment and how collaboration can help to increase efficiency and value to participants across the supply chain.

An industry that prides itself on self-regulation must also take responsibility for its professional culture and image. **The Training and Professional Development** programs, including the fully accredited Diploma in Grain Management, developed by GTA, are an important part of industry stewardship. It is pleasing to see growth in the number of students advancing and completing the Diploma in Grain Management.

GTA continues to play a key role in industry good activities including **Wheat Quality Australia** (responsible for Australia's Wheat Classification System) which importantly evaluates new wheat varieties in terms of end-product uses.

Like all good organisations, **GTA's strengths are its governance practices and the people** who contribute to GTA and its activities. On behalf of the Board and Management, I would like to acknowledge the efforts of a team of industry specialists who are prepared to give their time and expertise as members of the various GTA Technical Committees and Industry Working Groups, well as the GTA Arbitrators.

I would also like to acknowledge the contributions of the GTA Board and Management team, past and present. There will be some challenging times ahead, however, GTA is well placed to face those challenges, having the support of loyal and dedicated consultants and staff.

I especially wish to mention the retirement of Sheryl Brown in December 2018 after 10 years of dedicated service to GTA. During her time at GTA Sheryl worked tirelessly to support and further extend the services of GTA to ensure Members expectations are met and surpassed. GTA would not be what it is today without the efforts of committed staff like Sheryl.

Finally, I would like to thank our members for their ongoing support. We all know the past year was very tough for our industry and members and the next year looks similar.

We know and recognise GTA does not have a right to exist. It must continually earn that right from its members, by providing them with the products and services required to support their business needs.

Yours sincerely,



Andrew Goyder
Chairman