



Victorian
Farmers
Federation

Grains

23rd March 2017

Grain Trade Australia Board
Grain Trade Australia Standards Committee
C/o: Mr Pat O'Shannassy
Via email: submissions@graintrade.org.au

Grain Trade Australia
Level 11, Royal Exchange Building
56 Pitt Street
SYDNEY NSW 2000

To the Board & Standards Committee,

RE: 1st Industry Call for Submissions – Standards Review 2017/18

The Victorian Farmers Federation (VFF) Grains Group provides the following submission to the Grain Trade Australia (GTA) Standards Committee in relation to the first Industry Call for Submissions on 2017/18 GTA Trading Standards. The VFF Grain Group provides the following comments for consideration by the GTA Committee and Board.

1. Industry Standard Process for establishing Classification

At the 2017 VFF Annual Grains Conference the conference participants unanimously passed the following resolution:

The VFF Grains Conference calls on wider industry to agree and establish an agreed industry standard process for objectively and independently establishing grain grades/segregations not only before harvest, but develop the means of managing non-standard grades during harvest.

Impact on Member Businesses

It was noted that during the 2016/2017 harvest, debate arose concerning the receipt and classification of Barley subject to discolouration. The uncertainty that arose led to a debate as to not only which receipt criteria to apply to the discoloured barley, but also as to whether standards could be changed mid-harvest, and whose responsibility it was to vary such standards/tolerances.

At the time grower representative organisations convened a teleconference to help facilitate a resolution to what was a whole of industry issue.

The standards and tolerances applied resulted in down-grading of grower's deliveries and the price received by growers. Uncertainty surrounding grade classifications also impacted delivery against contracts as to whether the affected barley in question would meet contracted grade criteria, resulting in delays against contract deliveries and missed market opportunities.

Broader industry impacts included the general industry uncertainty that arose between various bulk handlers and receival agents as to whether grain could be readily classified, as what grade it should be classified, and whether it could then readily be on-sold in the supply chain with confidence.

This was a significant impact and risk to the whole of supply chain as market participants grappled with the issue of whether they would be able to receive grain then find they were later unable to out-turn grain when on-delivered to port.

Recommendations

- 1.1 The VFF Grains Council and conference delegates recommend it is necessary to ensure that industry has the independence and objectivity to establish core grade specifications and segregations prior to harvest.
- 1.2 VFF Grains further recommend that industry requires an agreed process and capability to manage in a timely manner the establishment of agreed non-standard or 'off-grades' during harvest, especially in years of unseasonal conditions.

Implementation of these recommendations will facilitate a transparent liquid market, and reduce risk and uncertainty to all market participants as experienced in the 2016/17 season.

2. Barley Standards Uncertainty – ‘Bin Burn / Dark Tip’

As mentioned, during the 2016/17 harvest barley was received in various locations throughout Victoria, such as the Western Wimmera, with what appeared to be ‘staining’ of partial or whole grains. This created uncertainty throughout industry as to what standard(s) should be utilised to classify the affected grain.

Impact on Member Businesses

Initially tonnage had been downgraded from Malt to Feed1 & Feed2, with one market participant opening a lower feed segregation at a \$20/mt discount (which was later re-classified). After much informal industry discussion GTA did put out an advice notice with photos to assist receival classification.

Grain was received as either “Dark Tip” where the ends of grains are stained or as “Bin Burn/Heat Affected” where the whole grain is a darker colour. The tolerances of both these dis-colourations are quite different - “Dark Tip” has a much higher tolerance in Malt & Feed. E.g. Malt is 10 seeds per 100 count (10%), & Feed has not limit. However “Bin Burn/Heat Damage” has a much tighter tolerance of 1 seed per hectolitre in Malt & Feed1, and 5 seeds per hectolitre in Feed2.

Extract of GTA Barley Standards:

	Malt1	Malt2	Feed 1	Feed 2
Dark Tip	10% (100 count)	10%	NA	NA
Field Fungi	5% (100 count)	5%	NA	NA
Heat Damage, Bin Burnt, or Storage Mould	1 per half litre	1 per half litre	1 per half litre	5 per half litre

“Bin Burn/Heat Affected” caused much confusion as the grain has come direct from the paddock, . GTA argued that it is the “appearance” of the whole grain discolouration that has resulted in this classification, versus the partial staining of dark tip.

The questions raised by producers was why was a “visual criteria” of Bin Burn, with a significantly tighter tolerance, applied to the grain in question? As seen above the “visual” heat damage/bin burn criteria is significantly tighter than other tolerances for both dark tip and field fungi. Further, if these “visual” criteria

did not impact the malting, milling, food, or feed value of the grain, why were such tight tolerances applied relative to other criteria?

This uncertainty undermined the confidence of producers in the standards setting process as producer's believed that they were being unfairly downgraded, and it was argued by many that 'the trade' could be profiteering at the growers expense.

The significantly tighter tolerance between "Bin Burn/Heat Damage" and "Dark Tip" and "Field Fungi" has cost growers a significant discount between Malt and Feed segregations. This, in a year where gross margins have been squeezed as export costs remain unchanged, yet prices have narrowed significantly in a year of world oversupply.

Recommendations

- 2.1 That GTA provide justification for the tighter "Bin Burn" tolerances applied to this category over other visual standards.
- 2.2 That GTA review and propose a more balanced standard and tolerance for this visual "defect/anomaly" that can then be applied to malt / food / feed grades accordingly.

3. A new Export/Malt/Food grade Barley Segregation

The issue of Malt Barley being downgraded to Feed based on a visual specification, or any specification, then re-graded and exported as a malt/human consumption quality for certain export markets has raised concerns regarding the independence, integrity, and equity of the receival, classification, and out-turn process.

Impact on Member Businesses

Farmers are not receiving true market value for their product. That is, farmers are being downgraded to a barley feed segregation, potentially based on a "visual" criteria, at a significant price discount between Malt Barley & Feed Barley. Some of this feed barley is then being exported as human consumption/malt barley to a major export customer(s) prepared to accept this quality as it meets their market's requirements.

The fact that the grain in question is suitable for a human consumption/malt market demonstrates that it should not have been downgraded to a feed classification.

This issue is undermining market confidence in both the market and in the receival standard setting process as grower's and other market participants question the independence, integrity and equity of the system.

Recommendation

- 3.1 That a new export/malt/food grade barley standard with appropriate tolerances be implemented by industry for this/these international markets and implemented as a segregation accordingly.

4. Transparency & Rationale - General

In reviewing all standards VFF encourage GTA to detail, quantify, and explain any proposed changes to the standards in question during the assessment and consideration process and report these finding back to industry either prior to or during the second round call for submissions to allow for feedback on proposed changes.

Once standards are agreed, VFF also support such projects that make this information more readily available such as (3.1.2) to make the VRSG and weed seeds more accessible through a database and app.

Impact on Member Business

It is clear, with respect to barley standards, that standards introduced at the commencement of harvest 2016/2017 did have potential for significant price and financial impacts for grain producers. That is both the

uncertainty surrounding the application of appropriate standards, partly an issue that this review is endeavouring to address with respect to Bin Burn, can and did result in producer's grain being downgraded at significant price differentials. For example, the grade spread from malt to feed grades.

Recommendation

- 4.1 VFF support the need for a transparent independent process in determining standard(s) that ultimately impact the segregation and pricing of produce. VFF recommend that GTA consult and publish their proposed recommendations, including supporting rationale, in a second round call for submissions prior to the Committee making final recommendations for Board decision on any proposed changes that may impact a standard.

5. Photos used for interpretation distributed for comment

Proposed changes to photos should be made available for comment.

Impact on Member Businesses

Photos provide an interpretation of a standard, and therefore changing a photo can alter the interpretation of a grade standard and thus impact prices and markets. For example, the interpretation of Bin Burn, discolouration, etc.

Recommendation

- 5.1 VFF recommend that any photos proposed to be used to interpret standards in the VSRG should be distributed in the second round call for submissions to enable comment prior to final adoption.

The VFF Grains Group thank the Standards Committee for the opportunity to provide input into the review of grain standards. VFF Grains appreciate the time and effort the committee has put into this review, and VFF's primary concern is ensuring that the rationale for any proposed changes are transparent to industry and producers, and that the impact upon producers as well as members has been adequately assessed and quantified.

If you have any queries please do not hesitate to contact me at the VFF Grains Group Office.

Yours sincerely,



Stephen Sheridan

VFF Grains Group Manager

Victorian Farmers Federation