



Victorian  
Farmers  
Federation

Grains

26<sup>th</sup> May 2017

Michael Wood  
Commerce Committee  
Grain Trade Australia  
via email: [submissions@graintrade.org.au](mailto:submissions@graintrade.org.au)

Dear Michael,

### **Industry Submission: Trade Rules 'Buyers Call' Default Period**

The Victorian Farmers Federation (VFF) welcomes the opportunity to provide feedback on the Grain Trade Australia's (GTA) recent discussion of the Trade Rules 'Buyers Call' Default Period.

At present, GTA Trade Rules stipulate that Buyer's Call:

*"means that the Seller shall have fifteen calendar days or such other time specified in the contract after receipt of instructions from the Buyer in which to make delivery or shipment".*

The VFF supports the retention of the existing regulation stated in Clause 13.

As Wilson notes, one of the key challenges of constructing grain contracts is "determining the appropriate risk premium accrued by participants, and how that is shared between the buyer and seller."<sup>1</sup>

The VFF contends that reducing the 15 day period would unfairly impact grain producers as sellers, placing undue risk on grain producers.

The following logistical and regulatory factors demonstrate the necessity of maintaining the notice period for no less than the 15 calendar days stipulated in the existing GTA rules:

#### **1. Weather:**

The unpredictability of weather conditions can delay grain delivery ex-farm due to the general inability to load in wet weather.

#### **2. Transport logistics:**

Similarly, the VFF believes it is essential to maintain the current notice period to enable growers'

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<sup>1</sup> Wilson, W. a. (2009). Grain Contracting Strategies to Induce Delivery Performance in Volatile Markets. Journal of Agricultural and Applied Economics, 363-376.

sufficient notice to secure transport, which can be especially difficult during peak season demand. It is increasingly difficult to obtain road transport during and immediately after harvest, which has only further been compounded by the recent rail dispute.

### **3. Treatment/fumigation requirements**

The VFF considers that reducing the amount of time specified in the buyers' call threatens growers' ability to meet their fumigation responsibilities. Farmers have both contractual and legal obligations that they must meet in this space which require notice.

Bulk handlers require all ex-farm grain destined for export to be fumigated before being transported. Even grain destined to remain in the domestic market must, by the terms of the sales contract, be presented pest-free and thus fumigation is often still required.

Legally, the sellers (producers) have additional obligations to ensure their fumigation process follows the instructions specified on the label. The minimum phosphine fumigation exposure period is seven days if the temperature is above 25 degrees Celsius. If the temperature is between 15-25 degrees Celsius, a further 3 days are required for the process to be completed. After this an additional 1-5 days are necessary for the ventilation period (dependant on the container's flow). In addition to the associated health risks, failure to correctly fumigate in accordance with the label's instructions risks the development of pesticide resistance. Thus it is imperative growers are afforded the notice that the stipulated 15 days provide to ensure they can meet their fumigation obligations.

In conclusion, the VFF supports the retention of the existing regulation surrounding the 15 day default period for 'buyers calls'. Whilst in-store grain sales between grain traders may be conducted almost instantaneously, grain producers face a number of logistical and regulatory challenges in physically delivering their grain which necessitate the stipulated 15 days' notice. If the buyer and seller require a shorter notice period there is already capacity in the existing GTA Trade Rules to negotiate this in their individual contracts. Thus, the VFF believes the existing clause best accommodates the diverse needs of all grain sale parties, with any reduction in the notice period unfairly forcing producers into a position where they are at heightened risk of breaching contractual, bulk handler or regulatory requirements.

Kind Regards,



Stephen Sheridan  
**Manager, Grains Group**  
**Victorian Farmers Federation**