



16 May 2017

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Dear Pat

Re: Further on alteration to barley standards for snails

The Australian Grain Exporters Association requests that the GTA Standards Committee bring forward its proposed change to the Barley Trading Standards snail tolerance from the 2018/19 season to the 2017/18 season.

AGEA is strongly of the view that the industry must proceed promptly to reduce the tolerance for snails in all malting grades and Feed 1 to one snail per half-litre sample (reduction from two per half-litre).

Just as the industry moved to greater efforts for meeting export shipments during 2016, so this needs to flow through the supply chain in a clear and simple way. There was no change to the GTA Standard for 2016/17 because although the need was recognised, it was thought too late in the season for growers to adopt. That reason is no longer valid and the issue is now well-recognised by the grower community. The change should occur without further delay.

Background

In January AGEA put a request to GTA to consider the message well known to the industry: that since late 2015 (and consistently since) Chinese quarantine authorities have expressed concern about snails in barley shipments.

Barley exports to China occur in accordance with the China Wheat and Barley Protocol and its associated Industry Management Plan (IMP). The IMP is in the process of being revised and tightened, especially in respect of the requirements on exporters to confirm compliance with the IMP.

AGEA encourages GTA to take the lead with its Trading Standards, as the Standards are commonly used to inform receival standards implemented by operators of bulk handling facilities. These in turn are the vehicle for communicating market signals on quality requirements to growers and from the perspective of AGEA's members, the market signal is clear: no market wants to buy snails.

The industry has reported in detail to DAWR and through them to China on all the snail control research and extension that growers have seen. Altering the GTA Standard becomes a tangible step that can be shown as a logical improvement.

GTA Wheat Standards

All milling wheats listed in GTA Standards specify maximums of one snail per half-litre. Wheat grades drop all the way to AGP1 before snail tolerances are higher. It is well known that Australia's lesser

grades of milling wheat – ASW and below – are also purchased for stockfeed. Despite this, we have not chosen to increase the snail tolerances in these grades of wheat.

How can it be that milling wheat justifies tighter tolerances than malting barley? If we accept the tighter tolerance for wheat sold for feed, how can we continue to delay bringing the same level of discipline into F1 barley?

Market reactions

Recent information from China has been that snail detection in cargoes is interpreted by Chinese authorities as evidence of poor grain hygiene and fumigation failure. While this may not be valid from an Australian perspective, it seems to be one of the many points that are referenced after conversations with Chinese authorities.

It is recognised that exports of feed barley to China have increased markedly in recent months, however the report from DAWR during March of another snail detection incident in China has confirmed that sensitivity remains.

As of last week it also remains the situation that two Australian exporters are banned from shipping into China.

Grower impact

Based on AGEA member feedback, we suggest that less than 6% of malting and feed barley receivals collectively would have been downgraded in South Australia had the tighter snail tolerance been applied in 2016/17 harvest.

It might be argued that this economic penalty would further pressure barley at a time when values are already relatively low, however this misses a key issue: China has repeatedly threatened further individual company bans or even cessation of the whole trade as it seeks to communicate its biosecurity message. This could affect much more than 6% of receivals.

At the extreme level, if China banned Australian supply, only Saudi Arabia could absorb the sort of volume Australia has been regularly supplying China – perhaps three million tonnes. At current values this would be at a discount of \$15/tonne, but realistically the discount could be worse as the market sought to place such a volume from Australia.

China repeatedly tells Australia that they want our barley, but they also say they don't want our snails. Other countries can supply China and seek to displace our barley to markets of lower value. Every cargo that is displaced would be the true economic loss, from a market Australia has dominated for decades.

Growers respond well to market signals when they are clear and anecdotally are already doing so in the efforts they are making to control snails on farm.

Exporters must respond to the revised IMP and this must flow through the supply chain to growers.

AGEA believes the market signal on snails is clear and the GTA Barley Trading Standards for 2017/18 should reflect this reality.

We look forward to your consideration.

Yours sincerely



Ian Desborough
Executive Officer