

ADVISORY & COMPLIANCE DAY



14 July 2022

PROGRAM

10.00 am	SIGN-IN	1.30 pm	A Stockbroker & Investment Advisors perspective on Financial Advisory Regulation
10.05 am	INTRODUCTION & WELCOME		<i>Judith Fox, Stockbrokers & Investment Advisers Association</i>
10:10 am	Activities & Actions facilitating Trade - Grain Trade Australia	2.00pm	Cash prices and local basis
	<i>Pat O'Shannassy, CEO Grain Trade Australia</i>		<i>Rob Imray, Farmarco</i>
10.30 am	Australian Crop Outlook	2.30 pm	AFTERNOON TEA BREAK
	<i>James Maxwell, Australian Crop Forecasters</i>	2.50 pm	What's happening in the insurance market
11.00	Raising the bar – Grain Asset Storage Standards		<i>Henry Steindl, Thomas Miller (Australasia O/L)</i>
	<i>Gerard McMullen, GTA Technical Consultant</i>	3.10 pm	Supply Chain Capacity, Freight & Delivery issues
11.30 am	MORNING TEA BREAK		<i>Jock Carter, NAT</i>
11.45 am	AFSL – Current Issues and FASEA update	3.30 pm	What's happening in our carbon market?
	<i>Alicia Pevely, Sophie Grace Compliance & Legal</i>		<i>Jo Garland, HFW</i>
12.40 pm	Industry & GTA Activities on AFSL issues	4.00 pm	Open Forum – Issues in the Industry
	<i>Tim Ross/Pat O'Shannassy, Grain Trade Australia</i>	4.20 pm	Closing Remarks & AFSL – Professional Development Assessment
1.00 pm	LUNCH BREAK	4:30 pm	CLOSE

Attendees who complete the assessment will receive a certificate from GTA attesting to the successful completion of one day structured training that could be utilised by Australian Financial Services License holders.

All times are AEST (Sydney time)

ADVISORY & COMPLIANCE DAY



GTA Update
Pat O'Shannassy, CEO



Industry driven and managed

GTA Mission

*“To **facilitate & promote** trade by providing products, services and advocacy for the Australian grain value chain.”*

GTA Facilitates Trade with a Self Regulatory Framework



**Trading
Standards**



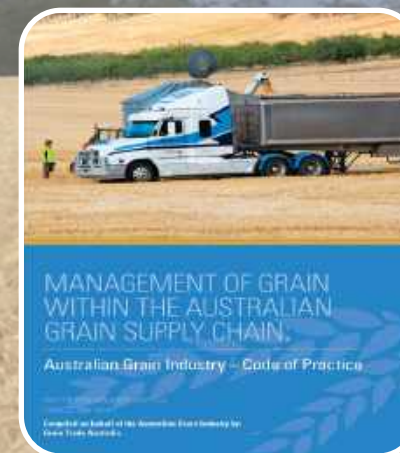
**Contracts &
Trade Rules**



**Dispute
Resolution**

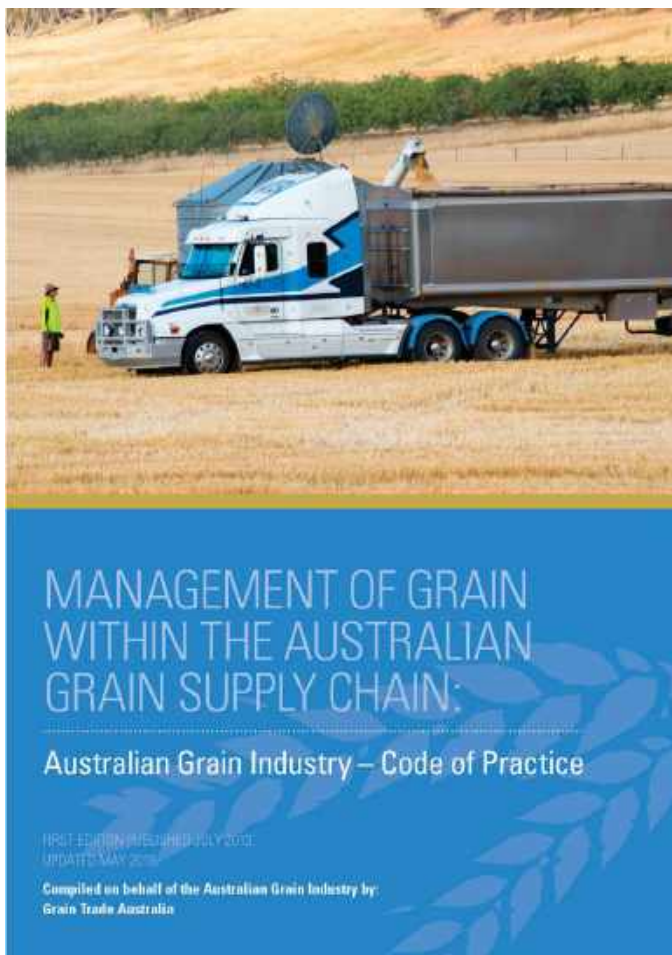


**Trade Policy
& Market
Access**



**Industry
Stewardship
& Capability**

CONFIDENCE DRIVES MARKETS – Code of Practice



- A. Across the Supply Chain
- B. Production Guidelines
 - Crop Growing
 - Harvesting & Storage
- C. Sampling and Testing
- D. Storage and Grain Hygiene
- E. Chemical Use
- F. Grain Quality Management
 - Receival
 - Storage
 - Outturn
- G. Marketing
 - Contracting
 - Trade Rules & Documentation



CONFIDENCE DRIVES MARKETS!!!

Modernising the grain supply chain

- from Drought, through Covid-19 to 2030

An Innovative Growth & Investment Strategy for the Grain Supply Chain



Strategic Pillars:

1. *Skills & Capability*
2. *Quality & Market Access*
3. *Technology*
4. *Transport & Logistics*



GRAIN TRADE
AUSTRALIA

Industry and Government Alignment



GTA has a comprehensive strategy to improve the competitiveness of the grain industry through to 2030.



Similarly Government has released its PEO Strategy from 2020-2030 -

Working Together to improve supply chain efficiency & trade

Collaboration for mutually beneficial trade

Economic Partnership Agreements/FTAs

- Government level
- Industry level
- Industry Forums

Improve understanding and harmonisation

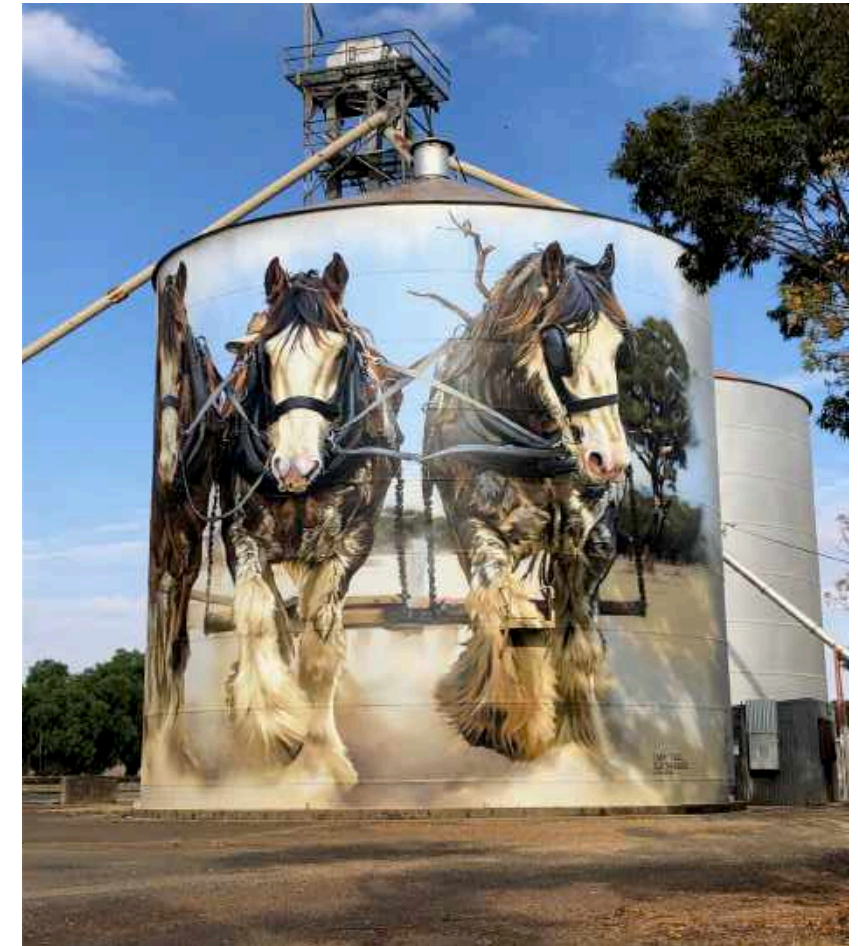
- Quality Assurance Systems
- Sampling and Testing methodology and processes
- Local Research and Development
- Collaborative Research and Development

Focus on rules based approach to trade

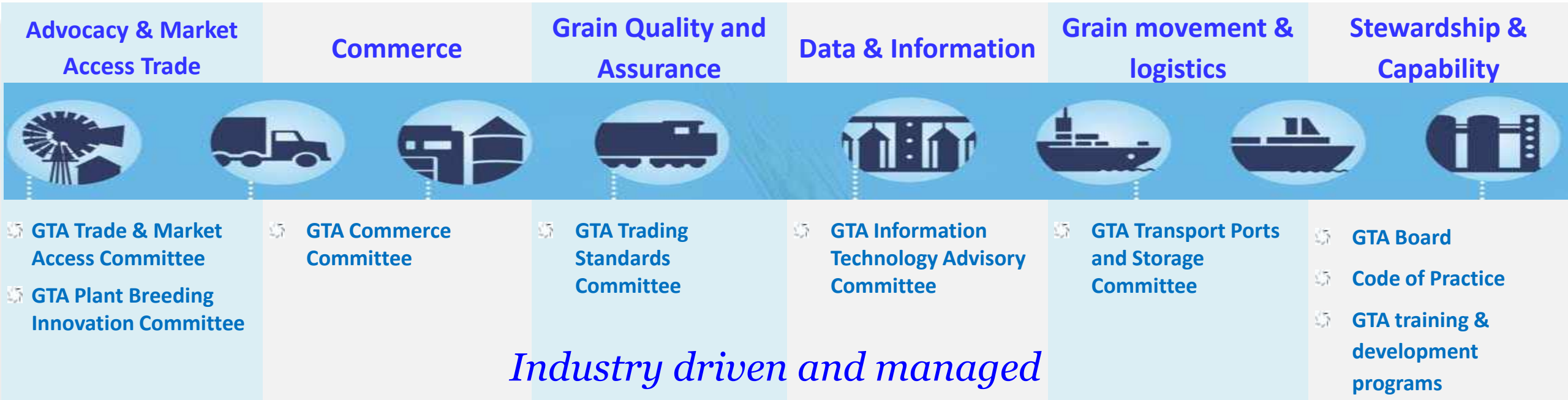
- International Protocols and Agreements

Regional Trade Enhancement

- AGIC Asia events
- APEC & ASEAN Regional Grain Trade Forums



GTA Committees across the Supply Chain



Technical Committees...

Standards

- Committee – cross section (Growers)
- Criteria
 - Regulatory
 - Production
 - Supply Chain
 - End-use
- Annual Review & Submissions
- Proposed AWW class
- AIW
- ASW Min 9%
- VRSG Updated again
- Sampling TGD 21 (DA endorsement / on-line training)

Commerce

- Container issues, Delivery Issues, truck/drivers
- Shipping Container Std
- LD Process – Road/Rail
- Revised Growers Guide to Grain Contracts
- Reviews - Ausgrain 2015 Charter Party
- Contract Assignment (Trade Rules)
- Modern Slavery / Anti-Sanctions/ Anti-Corruption
- AFSL

Dispute Resolution System

- Links Contract performance with market confidence
- Arbitrator Criteria & Training
- Contractual confidence => value
- Commercial Arbitration Act
- Small Claims
- Preliminary Hearing Fee

...Technical Committees

Trade Market Access

- TMA Strategy
- Working with Government (inc GPPEICC, RFPs)
- Trade policy
 - Global (IGTC)
 - Local
- China – WTO
- NTMs, MRLs
- IGTC – ISPM, Plant Breeding Tech, e-phytos
- PBI & Market Choices Framework
- AGIC Asia
- Multi-lateral – APEC, ASEAN work
- Container Guidelines
- Ag Chemical Review (APVAM)
- Sustainability
- IA-CEPA
- Export Standard

Transport Ports Storage

- COR & NHVR (HVNL)
- Code of Practice (Code Assessment)
- Transport Code Revised
- TGDs
- Contamination in supply chain (truck wash)
- Safety Guidelines & Covid
- Supply Chain Studies
- Wheat Port Code Rec 12
- Storage Asset & Operation Stds
- Container Issues and Stds
- Coastal Shipping

ITAC

- IT Road Map
- Site Codes
- Varietal Codes
- E-Phyto
- IT Standard Formats
- E-CVD
- Global ABCD Trade Execution Project

GTA Conferences – Bringing Industry Together



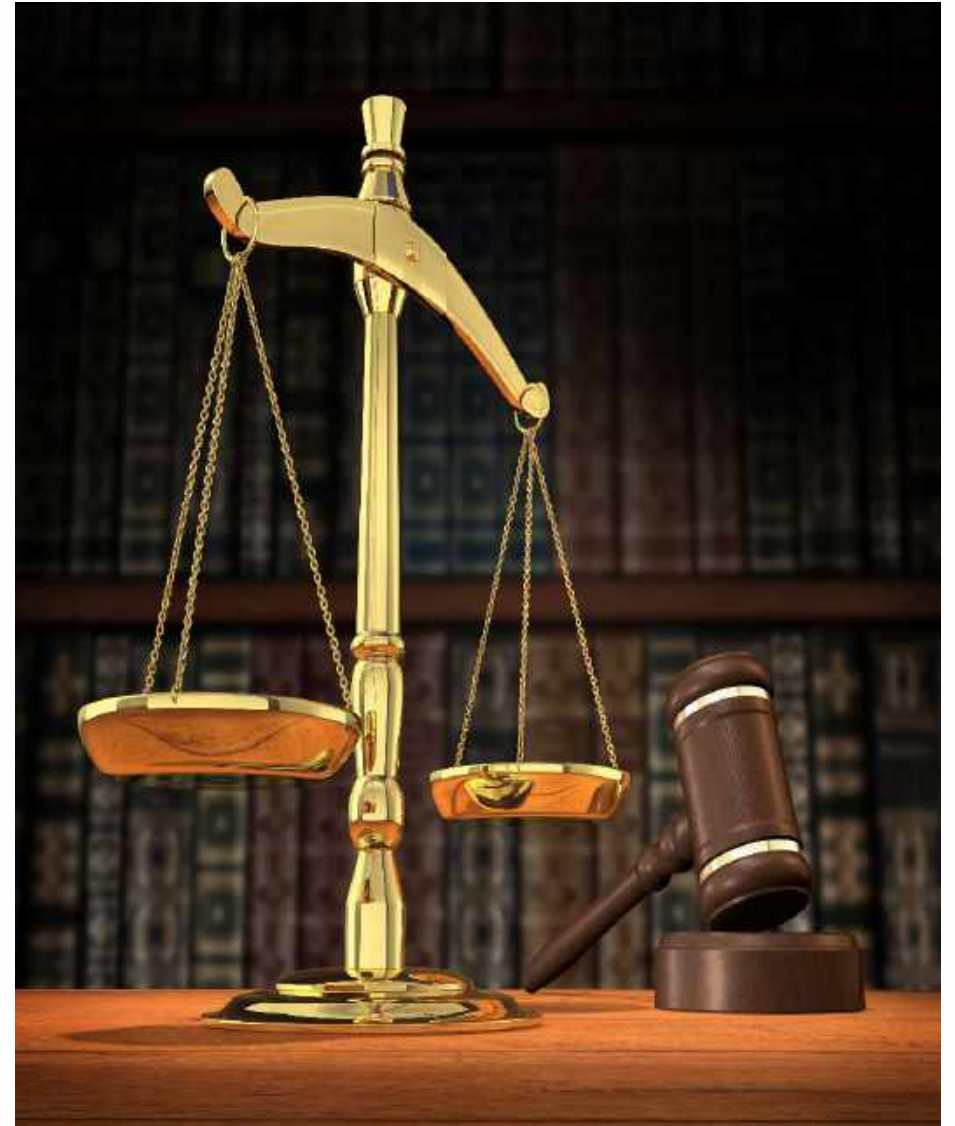
AUSTRALIAN GRAIN STORAGE & PROTECTION CONFERENCE

MEETING MARKET REQUIREMENTS
YOU BY THE NATIONAL WORKING PARTY ON GRAIN PROTECTION (NWPGP)

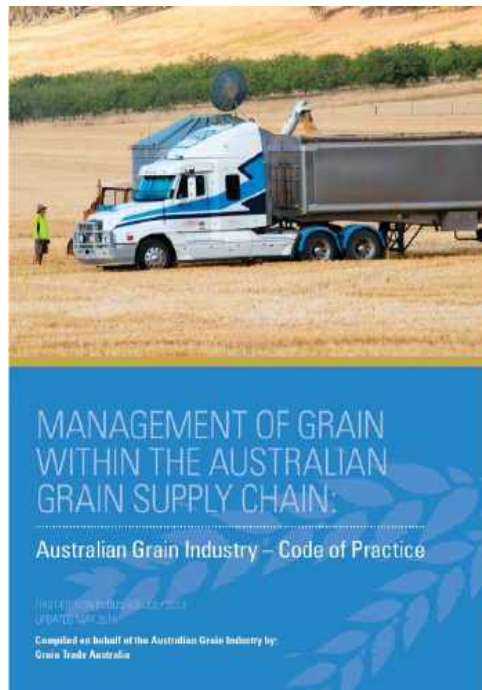


At the end of the day, GTA...

- Well informed Industry
- Better skilled Industry
- Access to more effective tools & processes
- More harmonious & co-operative environment
- Self Regulatory Framework
- Enhanced innovation & leadership
- Industry Stewardship, self reliance, appropriate Govt support as required.



Thank you!!!



E: pat.oshannassy@graintrade.org.au

W: www.graintrade.org.au



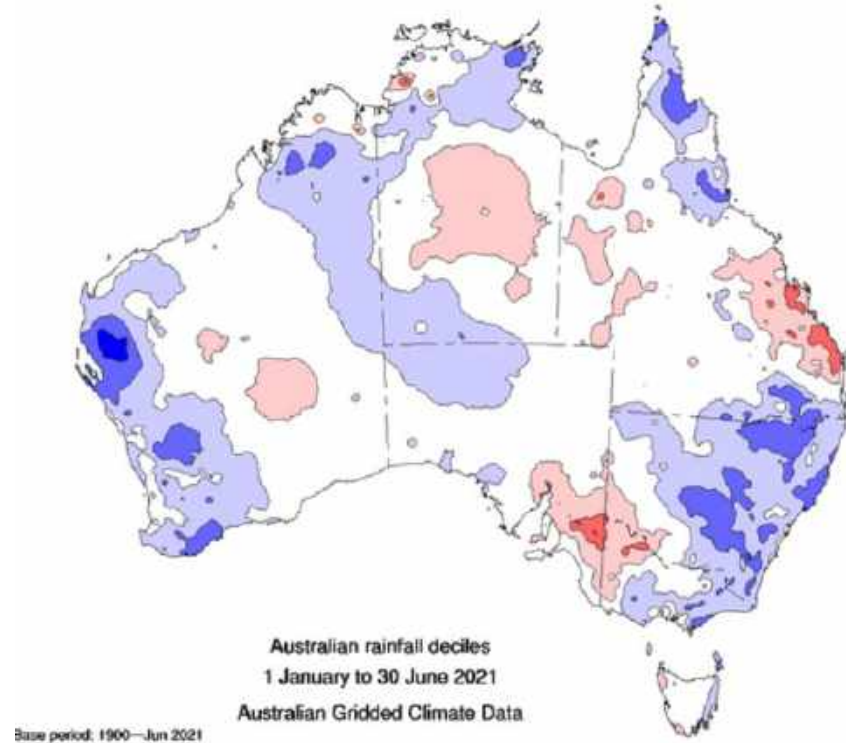


Australian supply & demand

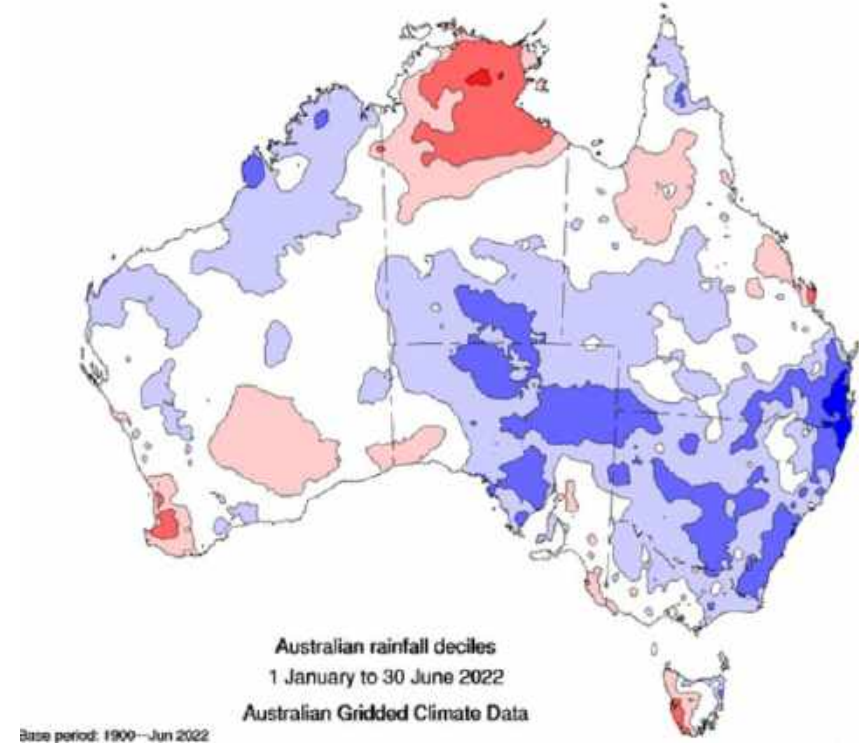
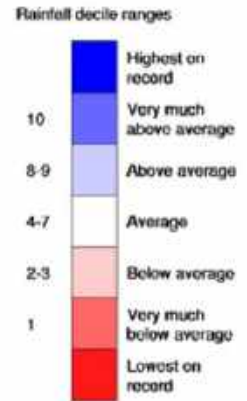
James Maxwell

January - June Rainfall Deciles

1 Jan to 30 June 2021



1 Jan to 30 June 2022



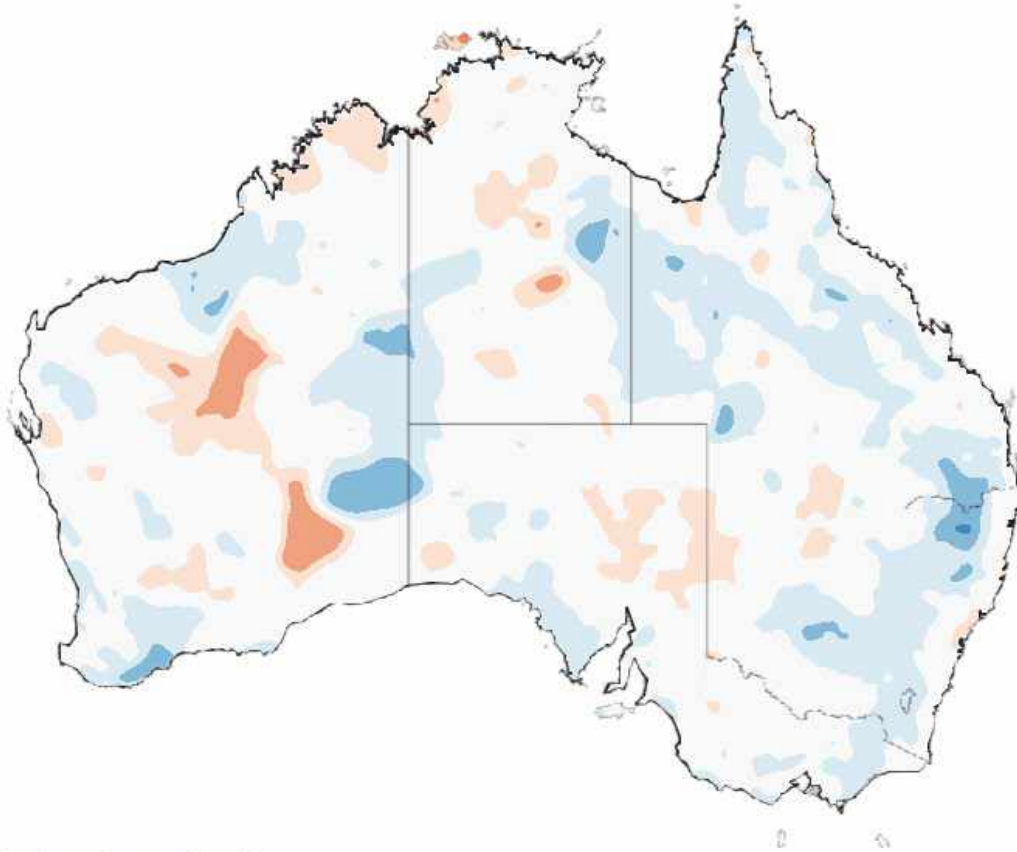
Dataset: AGCD v1

Base period: 1900–Jun 2022

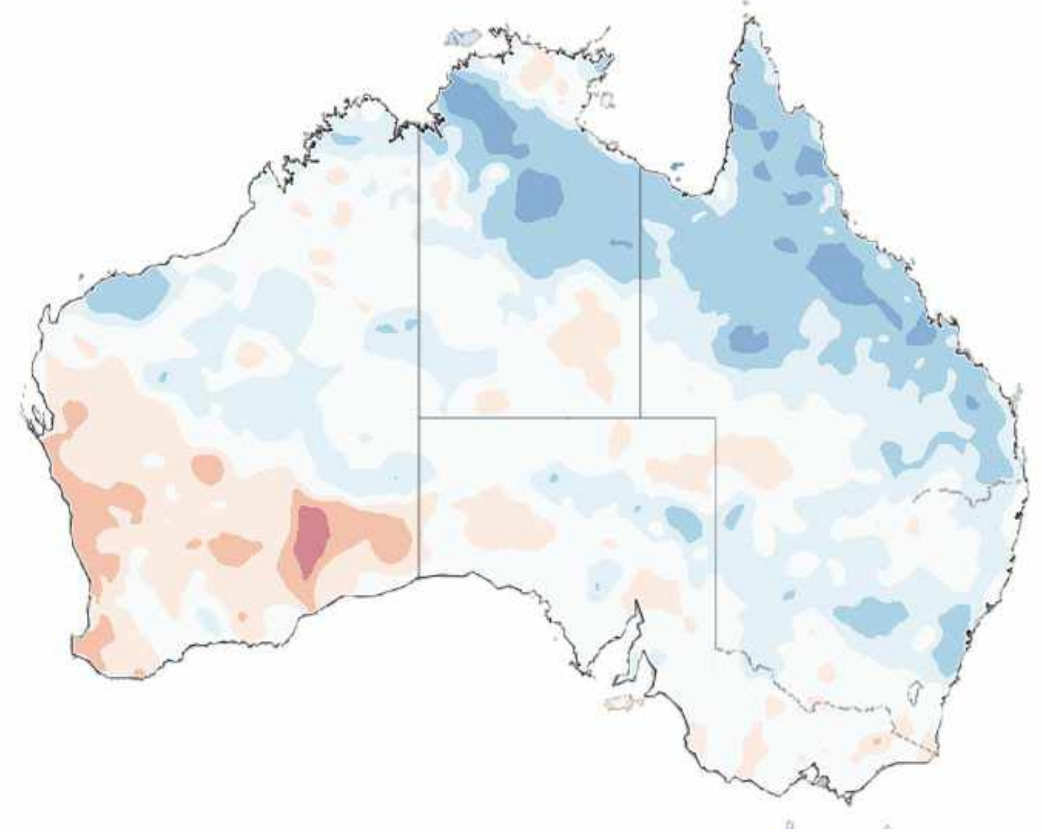
Source: Bureau of Meteorology

Relative Soil Moisture – July 2021 v July 2022

July 2021



July 2022

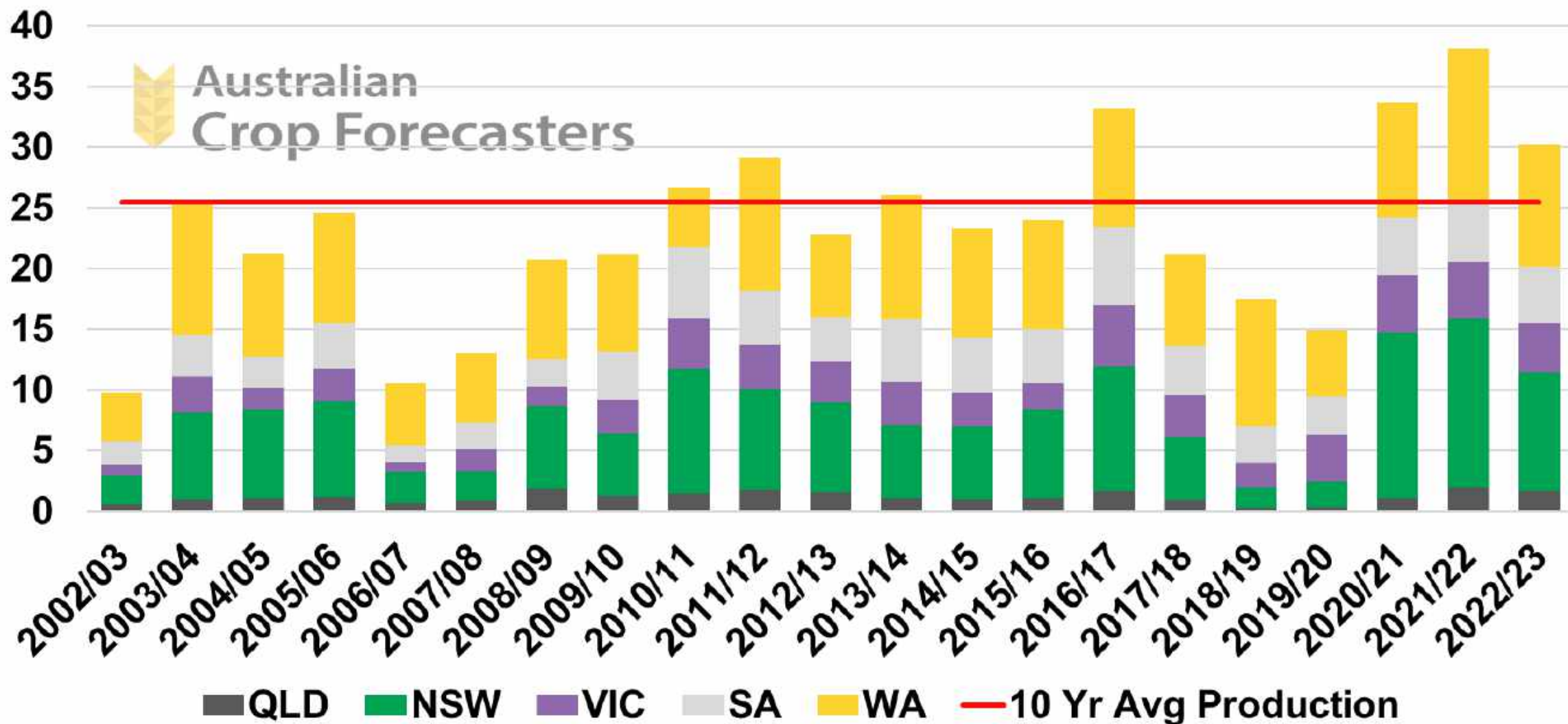


Root zone soil moisture (percentile rank)



Source: Bureau of Meteorology

Australian Wheat Production (Mmt)



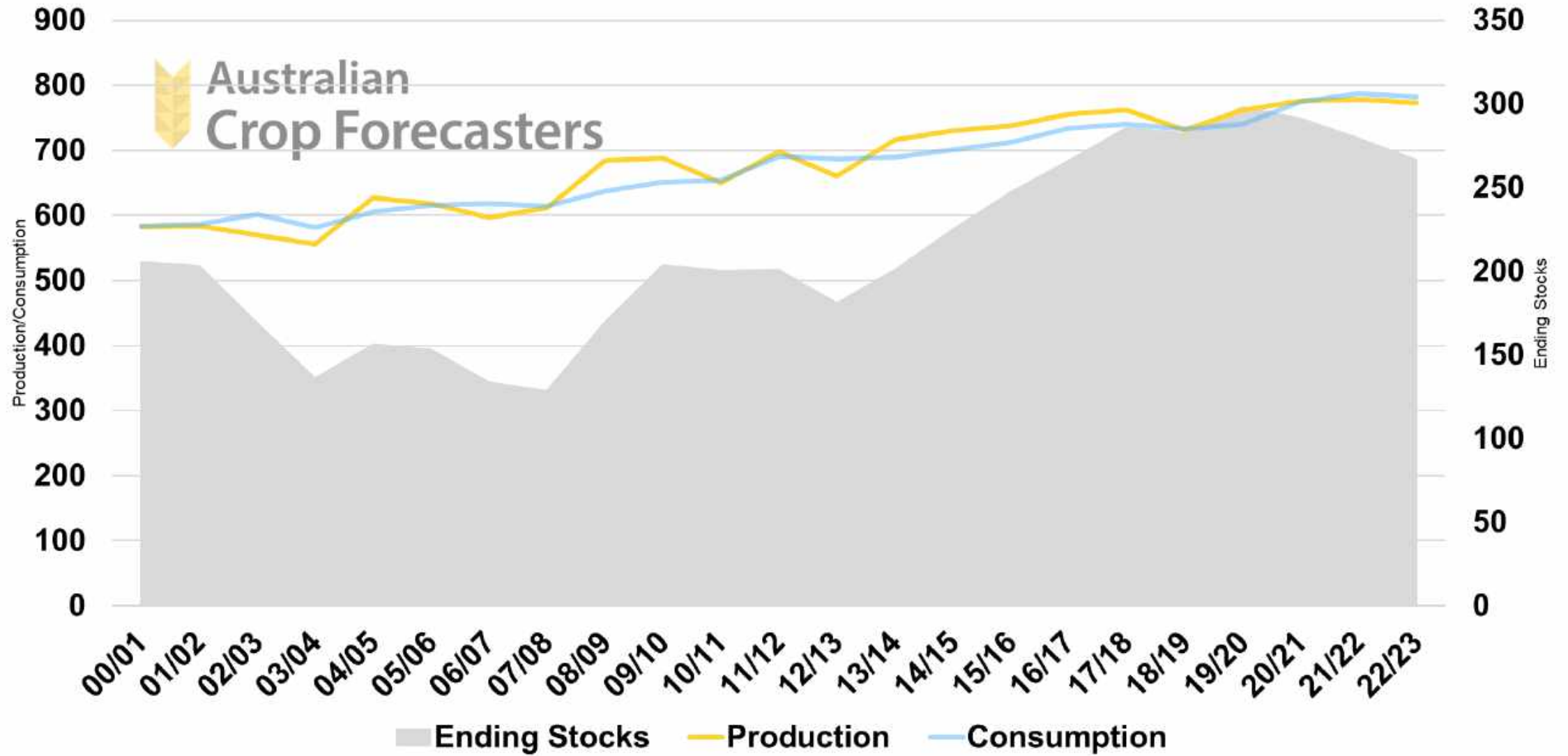
Source: ACF

2022/23 Australian Wheat Supply

2022/23	Carry In	Production	IST	Import	Supply
QLD	300,000	1,700,000	1,500,000	-	3,500,000
NSW	1,600,000	9,800,000 -	2,800,000	-	8,700,000
VIC	200,000	4,100,000	1,300,000	-	5,600,000
SA	600,000	4,600,000	-	-	5,200,000
WA	2,000,000	10,100,000	-	-	12,200,000
National	4,800,000	30,300,000	-	-	35,100,000

Source: ACF

World Wheat Production



Source: USDA

Wheat Ending Stocks in Major Exporting Countries (‘000Mt)

Exports ('000 mt)				
	2021/22	2022/23	% Change	Tonnes Change
Russia	33,000	40,000	21%	7,000
European Union	29,500	36,000	22%	6,500
United States	21,909	21,092	-4%	-817
Canada	15,500	24,000	55%	8,500
Ukraine	19,000	10,000	-47%	-9,000
Argentina	16,500	14,000	-15%	-2,500
Total	135,409	145,092		9,683

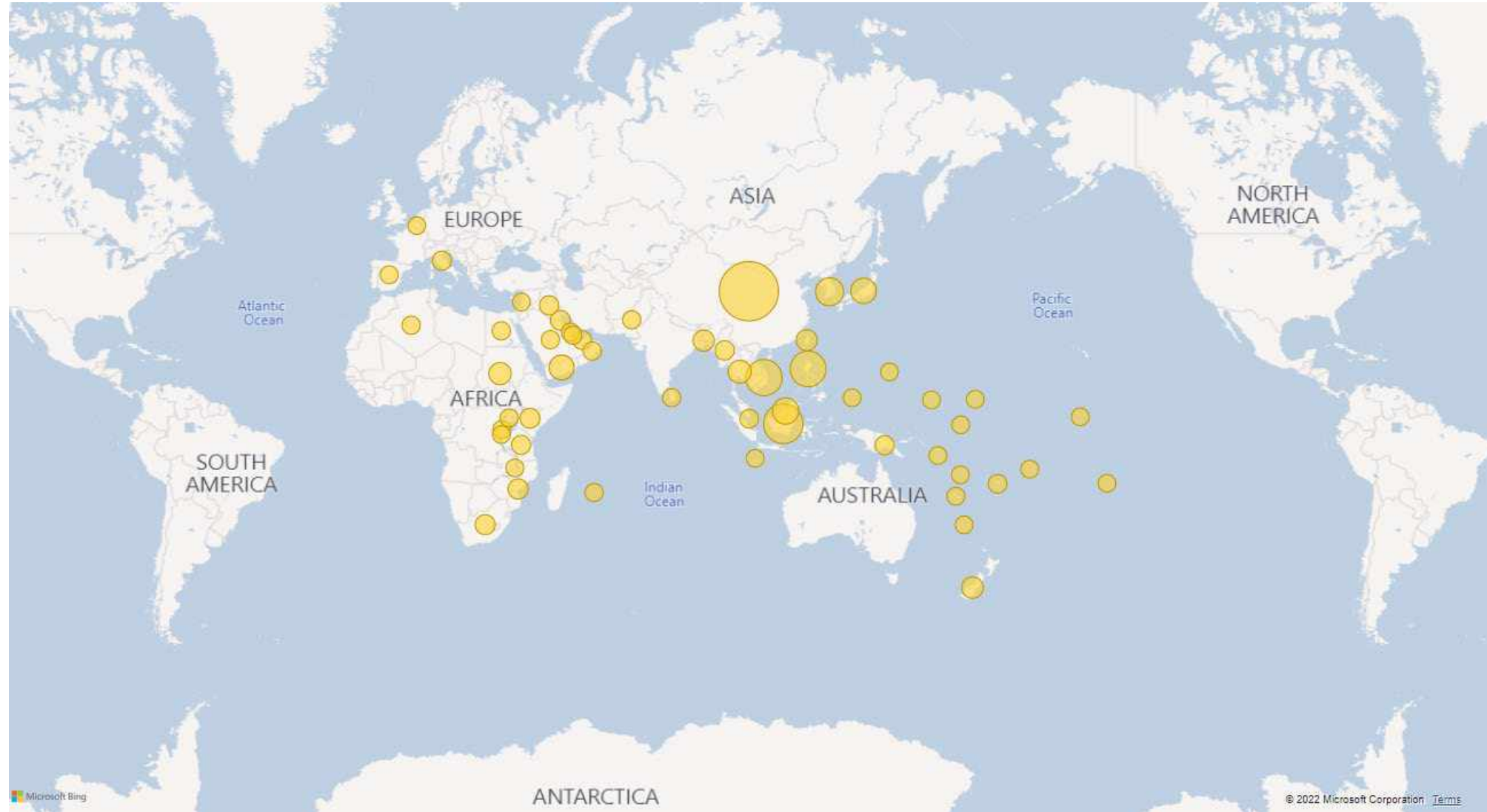
Australia	27,500	24,000	-13%	-3,500
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Ending Stocks ('000 mt)				
	2021/22	2022/23	% Change	Tonnes Change
Russia	12,088	11,138	-8%	-950
European Union	14,361	10,961	-24%	-3,400
United States	17,824	17,051	-4%	-773
Canada	2,918	3,418	17%	500
Ukraine	5,612	6,012	7%	400
Argentina	1,426	1,081	-24%	-345
Total	54,229	49,661	-8%	-4,568

Australia	4,832	3,482	-28%	-1,350
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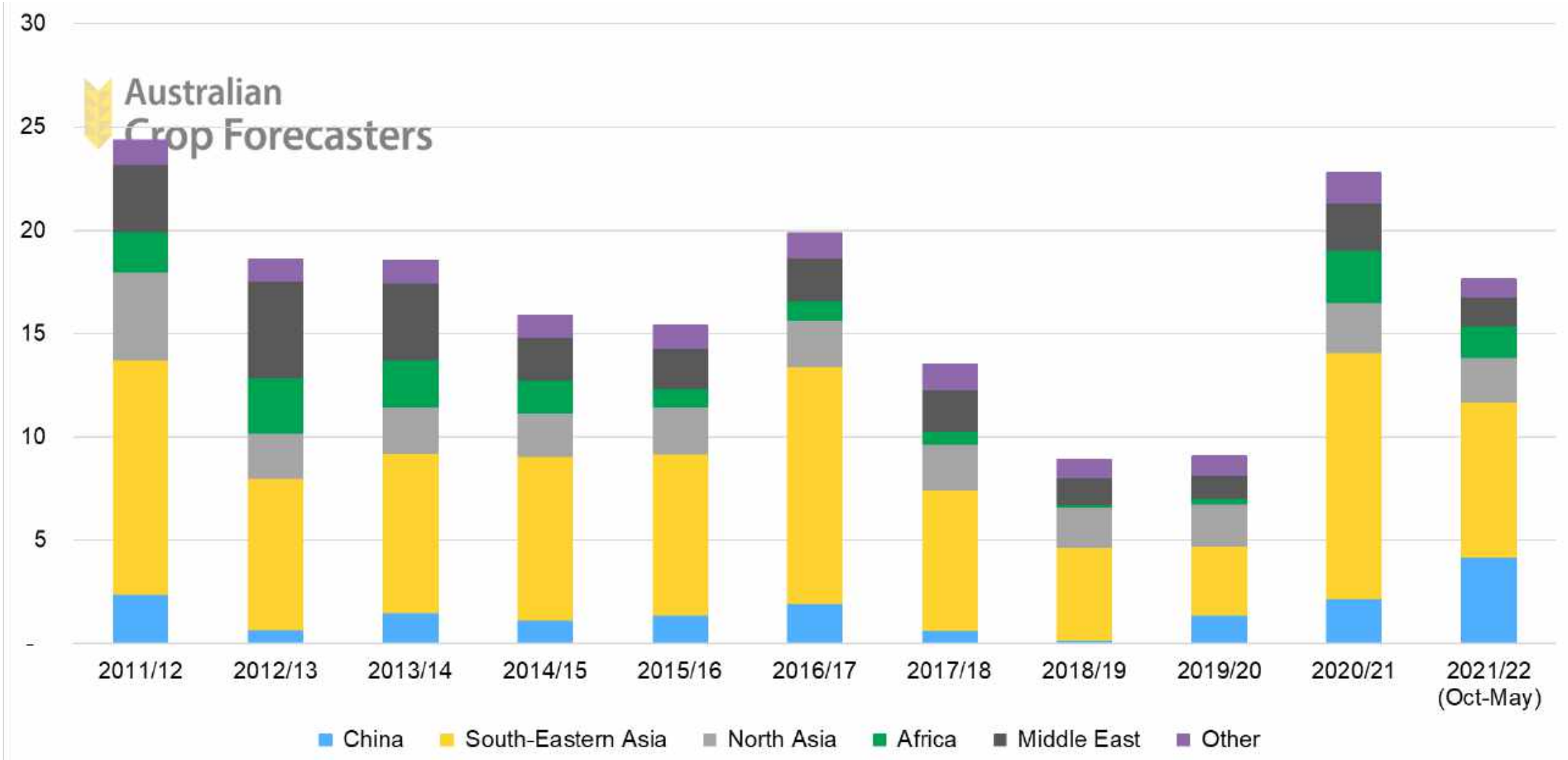
Source: United States Department of Agriculture

Where is it going?



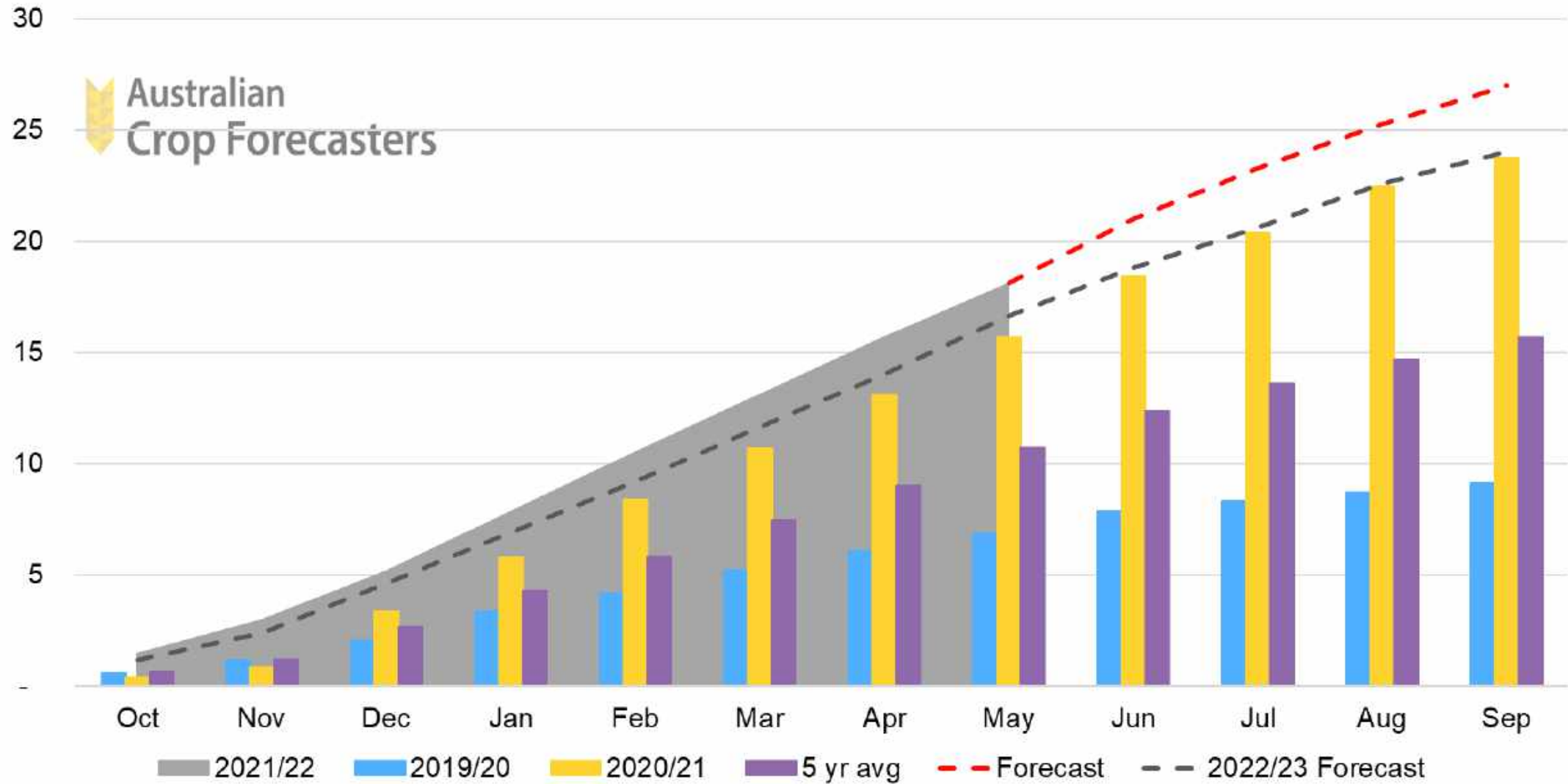
Source: Australian Bureau of Statistics

Wheat Exports by Region (Mmt)



Source: Australian Bureau of Statistics

Cumulative Bulk Wheat Export Pace (Mmt)



Source: Australian Bureau of Statistics, ACF

Wheat Supply & Demand Balance Sheets

2021/22	Carry In	Production	IST	Import	Supply	Domestic	Export	Demand	Carry Out
QLD	-	2,000,000	2,000,000	-	4,000,000	1,900,000	1,800,000	3,700,000	300,000
NSW	1,700,000	14,000,000 -	3,500,000	-	12,200,000	4,200,000	6,400,000	10,500,000	1,600,000
VIC	900,000	4,500,000	1,000,000	-	6,500,000	1,600,000	4,600,000	6,300,000	200,000
SA	100,000	4,900,000	500,000	-	5,600,000	900,000	4,100,000	5,000,000	600,000
WA	400,000	12,700,000	-	-	13,100,000	1,000,000	10,100,000	11,100,000	2,000,000
National	3,100,000	38,200,000	-	-	41,300,000	9,500,000	27,000,000	36,500,000	4,800,000
2022/23	Carry In	Production	IST	Import	Supply	Domestic	Export	Demand	Carry Out
QLD	300,000	1,700,000	1,500,000	-	3,500,000	1,500,000	1,500,000	3,000,000	500,000
NSW	1,600,000	9,800,000 -	2,800,000	-	8,700,000	3,100,000	4,800,000	8,000,000	700,000
VIC	200,000	4,100,000	1,300,000	-	5,600,000	1,500,000	3,500,000	5,100,000	500,000
SA	600,000	4,600,000	-	-	5,200,000	900,000	3,900,000	4,700,000	500,000
WA	2,000,000	10,100,000	-	-	12,200,000	900,000	10,300,000	11,200,000	1,000,000
National	4,800,000	30,300,000	-	-	35,100,000	8,000,000	24,000,000	32,000,000	3,200,000



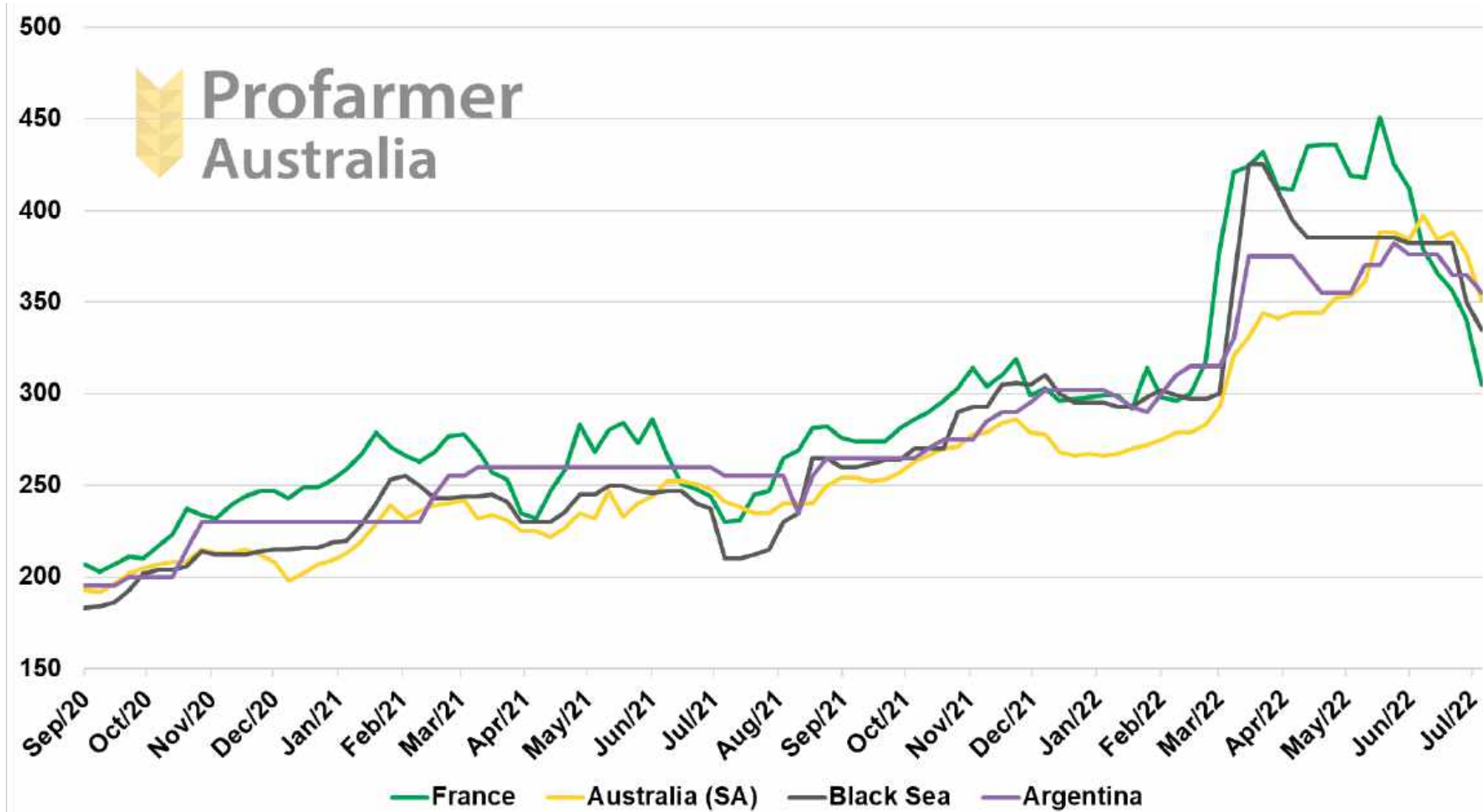
Source: ACF

2022/23 Barley Supply

2022/23	Carry In	Production	IST	Import	Supply
QLD	140,000	300,000	1,000,000	-	1,500,000
NSW	700,000	2,300,000 -	1,500,000	-	1,500,000
VIC	500,000	2,300,000	500,000	-	3,300,000
SA	300,000	2,000,000	-	-	2,300,000
WA	1,400,000	4,100,000	-	-	5,600,000
National	3,100,000	11,100,000	-	-	14,200,000

Source: ACF

Feed Barley FOB prices (US\$/t)



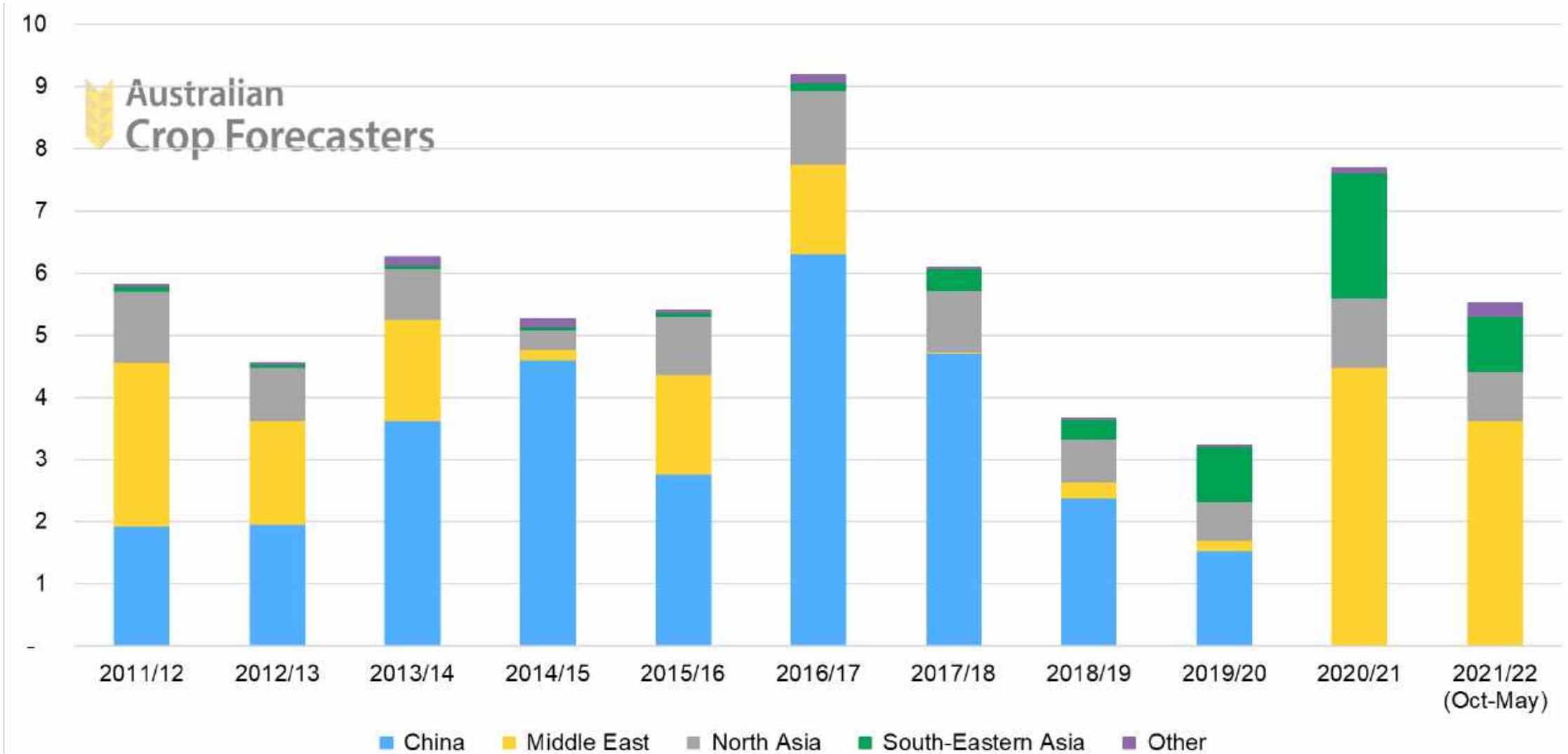
Source: International Grains Council

Where is it going?



Source: Australian Bureau of Statistics

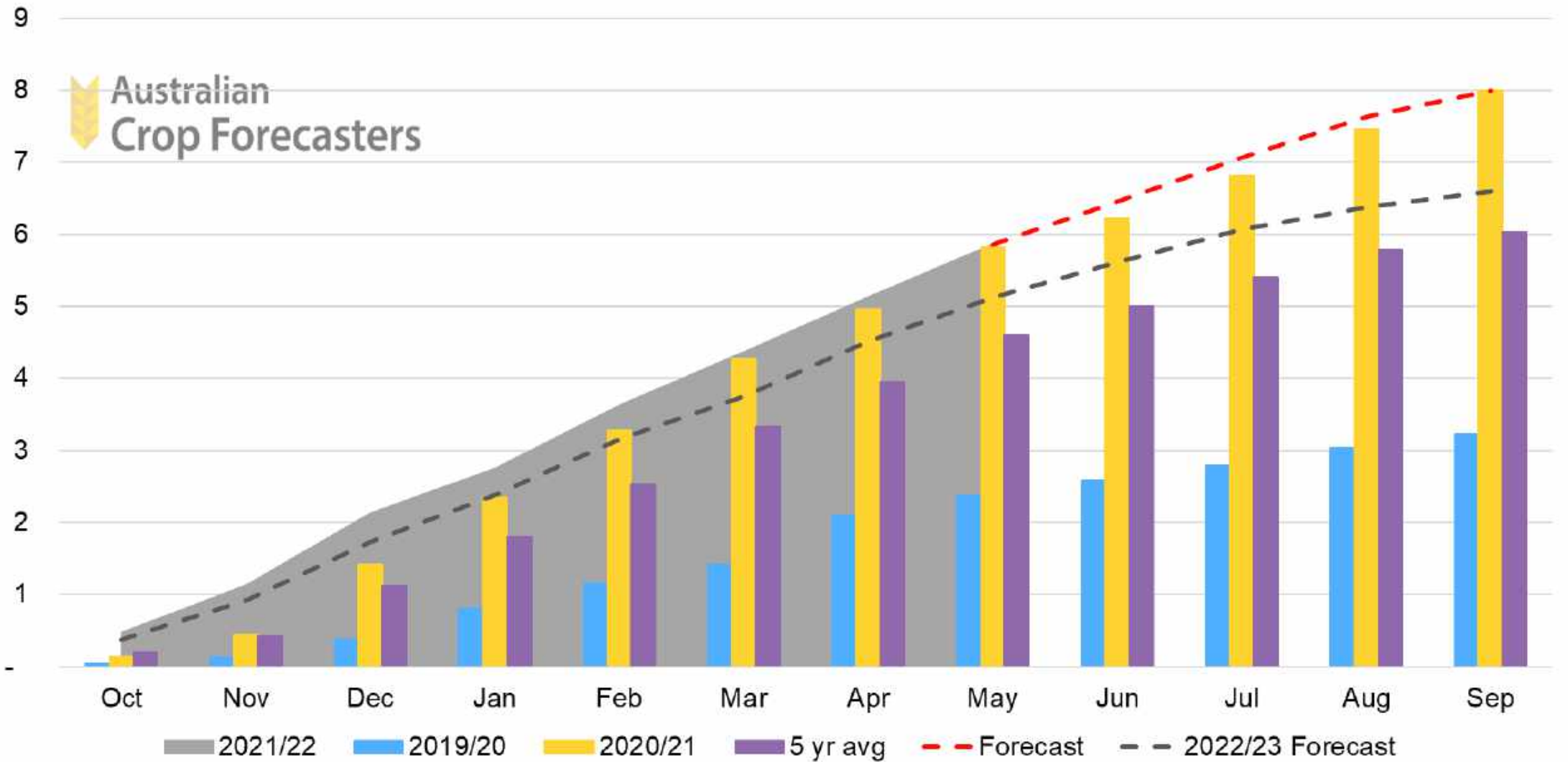
Barley Exports by Region (Mmt)



(Oct-May)

Source: Australian Bureau of Statistics

Cumulative Barley Export Pace (Mmt)



Source: Australian Bureau of Statistics, ACF

Barley Supply & Demand Balance Sheets

2021/22	Carry In	Production	IST	Import	Supply	Domestic	Export	Demand	Carry Out
QLD	200,000	400,000	800,000	-	1,400,000	1,200,000	-	1,200,000	100,000
NSW	800,000	3,200,000 -	1,800,000	-	2,200,000	1,000,000	500,000	1,500,000	700,000
VIC	400,000	2,400,000	1,000,000	-	3,800,000	1,700,000	1,600,000	3,300,000	500,000
SA	300,000	2,200,000	-	-	2,500,000	500,000	1,800,000	2,300,000	300,000
WA	500,000	5,700,000	-	-	6,200,000	600,000	4,100,000	4,800,000	1,400,000
National	2,300,000	13,900,000	-	-	16,200,000	5,000,000	8,000,000	13,000,000	3,100,000

2022/23	Carry In	Production	IST	Import	Supply	Domestic	Export	Demand	Carry Out
QLD	140,000	300,000	1,000,000	-	1,500,000	1,200,000	-	1,200,000	300,000
NSW	700,000	2,300,000 -	1,500,000	-	1,500,000	800,000	300,000	1,100,000	410,000
VIC	500,000	2,300,000	500,000	-	3,300,000	1,700,000	1,100,000	2,800,000	530,000
SA	300,000	2,000,000	-	-	2,300,000	500,000	1,300,000	1,800,000	470,000
WA	1,400,000	4,100,000	-	-	5,600,000	600,000	3,800,000	4,400,000	1,170,000
National	3,100,000	11,100,000	-	-	14,200,000	4,700,000	6,600,000	11,300,000	2,900,000

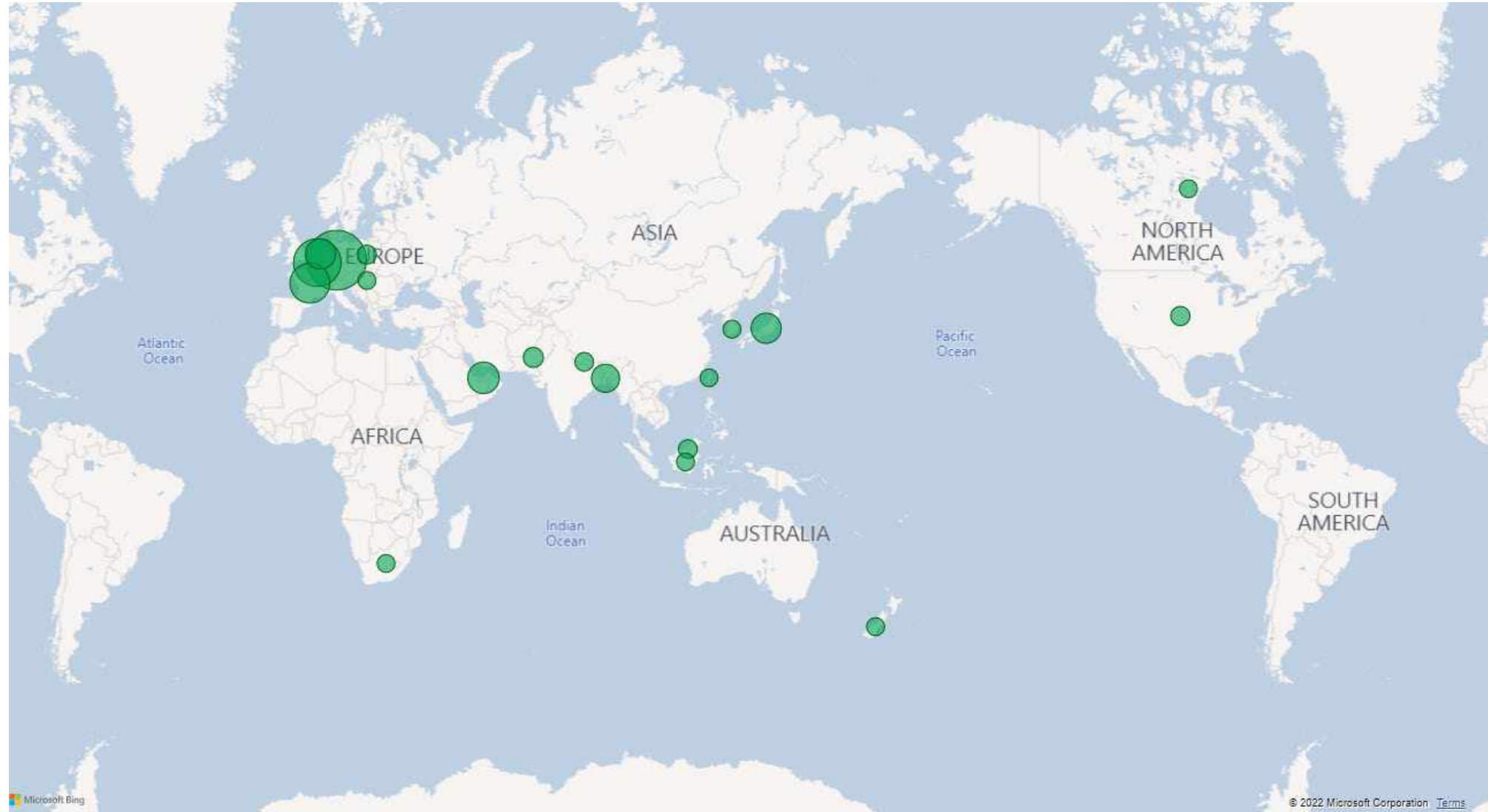
Source: ACF

2021/22 Canola Supply

2022/23	Carry In	Production	IST	Import	Supply
QLD	-	-	-	-	-
NSW	-	1,200,000 -	200,000	-	1,000,000
VIC	-	900,000	200,000	-	1,100,000
SA	-	400,000	-	-	400,000
WA	400,000	2,500,000	-	-	2,900,000
National	500,000	5,000,000	-	-	5,500,000

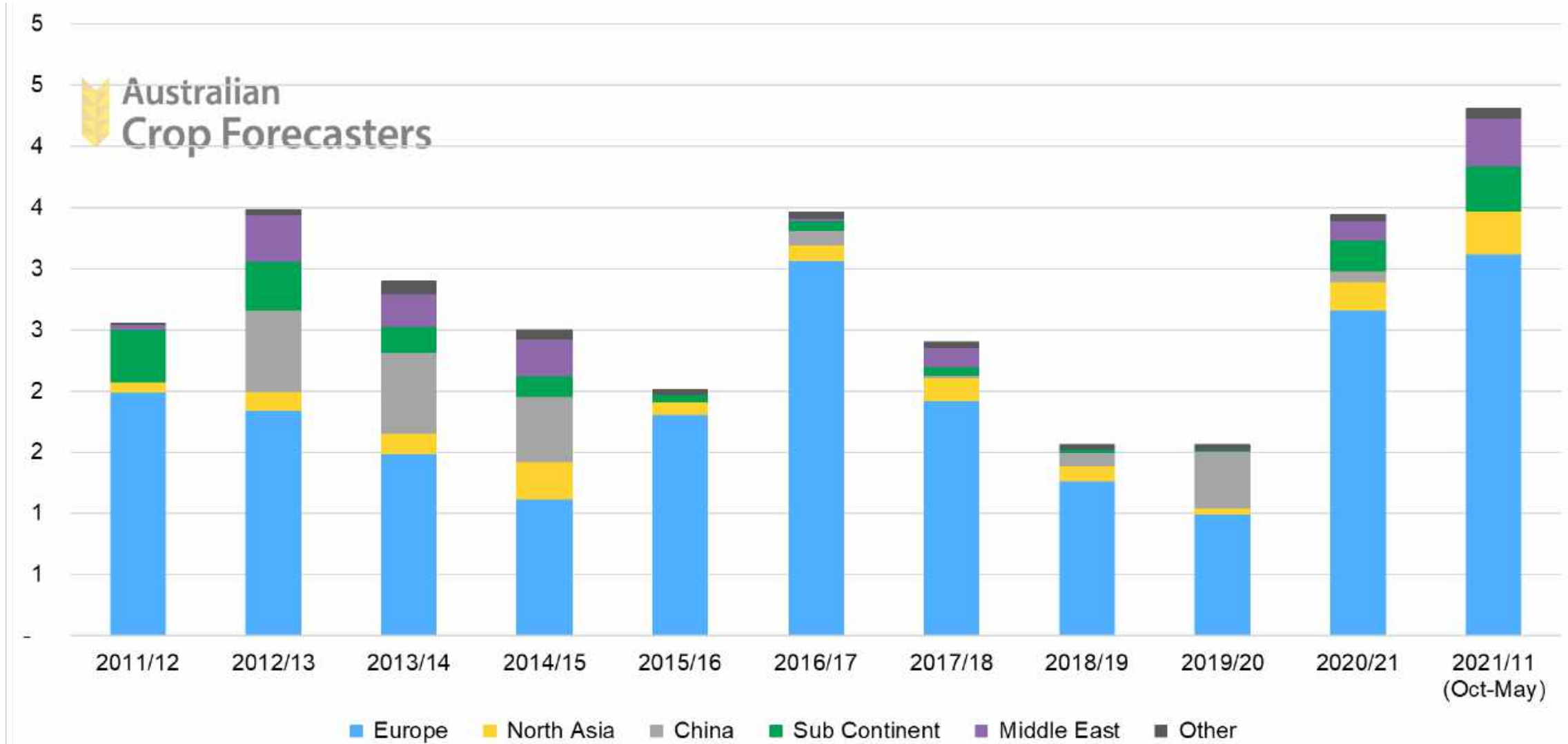
Source: ACF

Where is it going?



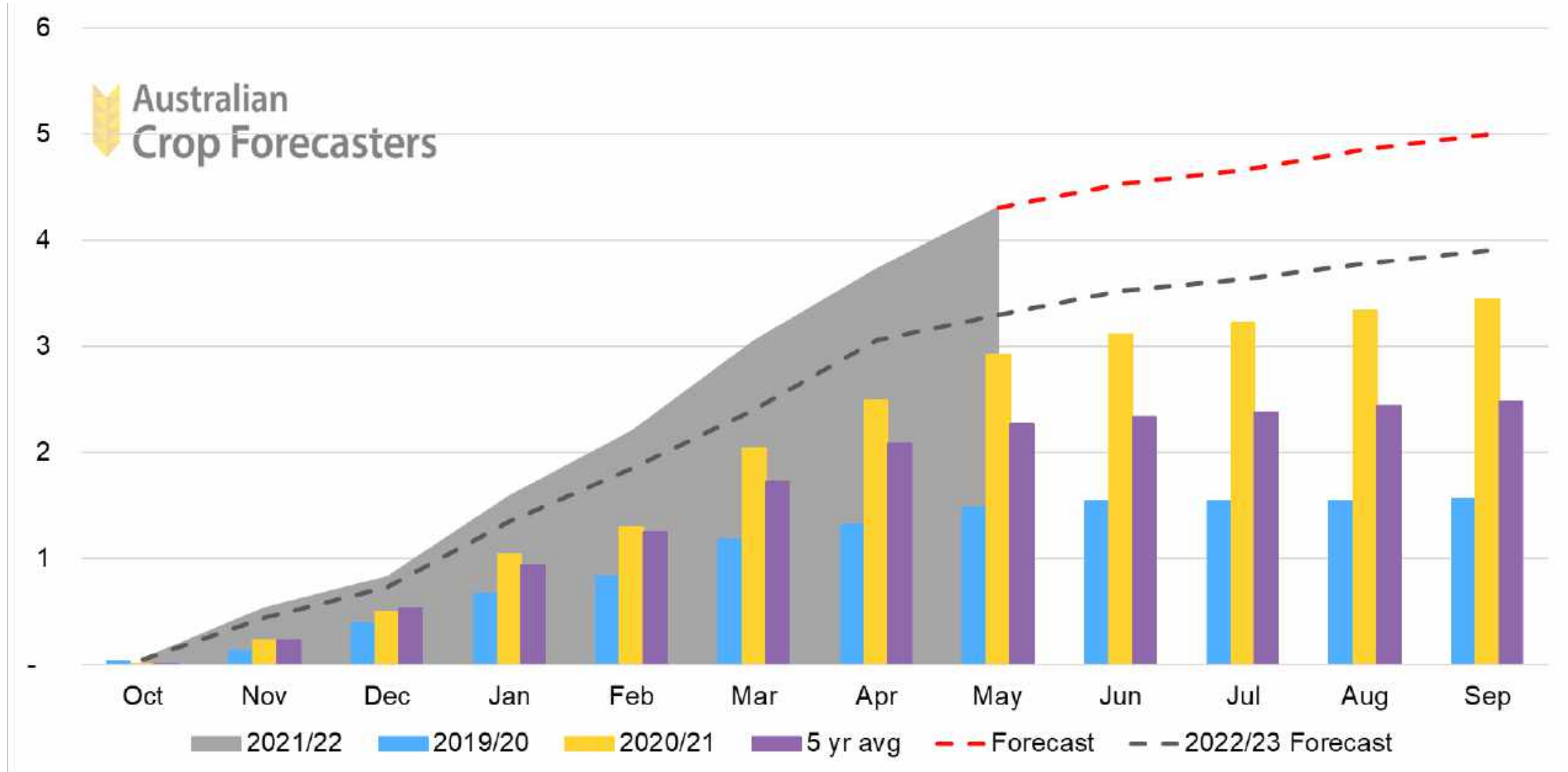
Source: Australian Bureau of Statistics

Canola Exports by Region (Mmt)



Source: Australian Bureau of Statistics

Cumulative Canola Export Pace (Mmt)



Source: Australian Bureau of Statistics, ACF

Canola Supply & Demand Balance Sheets

2021/22	Carry In	Production	IST	Import	Supply	Domestic	Export	Demand	Carry Out
QLD	-	-	-	-	-	-	-	-	-
NSW	-	1,600,000	- 200,000	-	1,400,000	600,000	800,000	1,400,000	-
VIC	-	1,200,000	200,000	-	1,400,000	500,000	900,000	1,400,000	-
SA	-	400,000	-	-	500,000	-	400,000	500,000	-
WA	200,000	3,200,000	-	-	3,400,000	100,000	2,900,000	3,000,000	400,000
National	200,000	6,400,000	-	-	6,600,000	1,200,000	5,000,000	6,200,000	500,000

2022/23	Carry In	Production	IST	Import	Supply	Domestic	Export	Demand	Carry Out
QLD	-	-	-	-	-	-	-	-	-
NSW	-	1,200,000	- 200,000	-	1,000,000	600,000	400,000	1,000,000	50,000
VIC	-	900,000	200,000	-	1,100,000	500,000	600,000	1,100,000	60,000
SA	-	400,000	-	-	400,000	-	300,000	400,000	80,000
WA	400,000	2,500,000	-	-	2,900,000	100,000	2,600,000	2,700,000	210,000
National	500,000	5,000,000	-	-	5,500,000	1,200,000	3,900,000	5,100,000	400,000

Source: ACF




Thank you

 **Profarmer**
Australia

 **Australian**
Crop Forecasters

 james.maxwell@australiancropforecasters.com.au

 www.cropforecasters.com.au

Gerard McMullen



GRAIN TRADE AUSTRALIA

Grain Storage & Assets Management Standard

Raising the Bar - 14 July 2022



INDUSTRY DRIVEN & MANAGED

GRAIN TRADING STANDARDS ~ TRADE RULES & CONTRACTS ~ TRADE & MARKET ACCESS ~ TRAINING & DEVELOPMENT ~ DISPUTE RESOLUTION

Australian Grain Industry

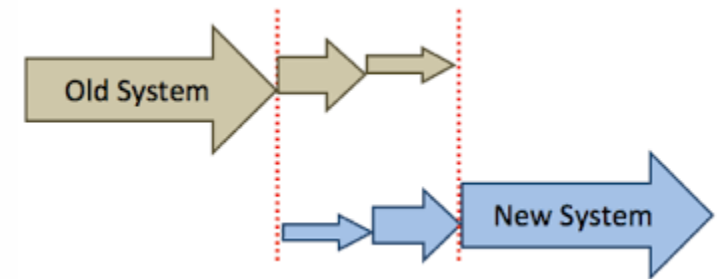
Grain Storage & Assets Management Standard

- ✦ GTA has comprehensive strategy to make the Australian grain industry more competitive through to 2030.
- ✦ A key part of the strategy is to develop a Grain Storage and Assets Management Standard for Australian grain industry participants.
- ✦ Both GTA and the Department of Agriculture, Fisheries and Forestry (DAFF) are pursuing a shared goal to deliver efficiencies to Australian grain industry participants through recognition of the Standard to meet the departments regulatory requirements.

Australian Grain Industry

Grain Storage & Assets Management Standard

- ✧ The Standard will set out how industry will meet the department's regulatory goals.
- ✧ The department must be able to assess the Standard against the Australian Government's legislative export requirements for entities involved in the grain export supply chain.
- ✧ Project runs from 2020-21 to 2023/24, with a pilot in late 2022.
- ✧ Possible staged implementation over time.



Australian Grain Industry

Grain Storage & Assets Management Standard

- ✧ The Standard will recognize the potential for the adoption of new technology in the grain industry.
 - ✧ IT systems
 - ✧ Sampling and testing grain for quality and phytosanitary purposes
- ✧ In the longer term, this will help make assessment more accurate, improve confidence in the inspection process and reduce costs to industry and the department.



Australian Grain Industry

Grain Storage & Assets Management Standard

Objective

- List and describe the common component steps and processes relevant to operating a grain business in Australia
 - Provide confidence to customers of Australian grain
 - Support all domestic supply chain participants and exporters

Scope

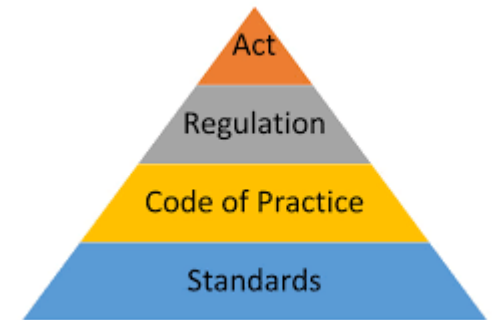
- The Standard applies to any Australian grain industry stakeholder who chooses to apply it for the purposes of managing grain along the domestic or export supply chain.
- The Standard is voluntary
- All grains



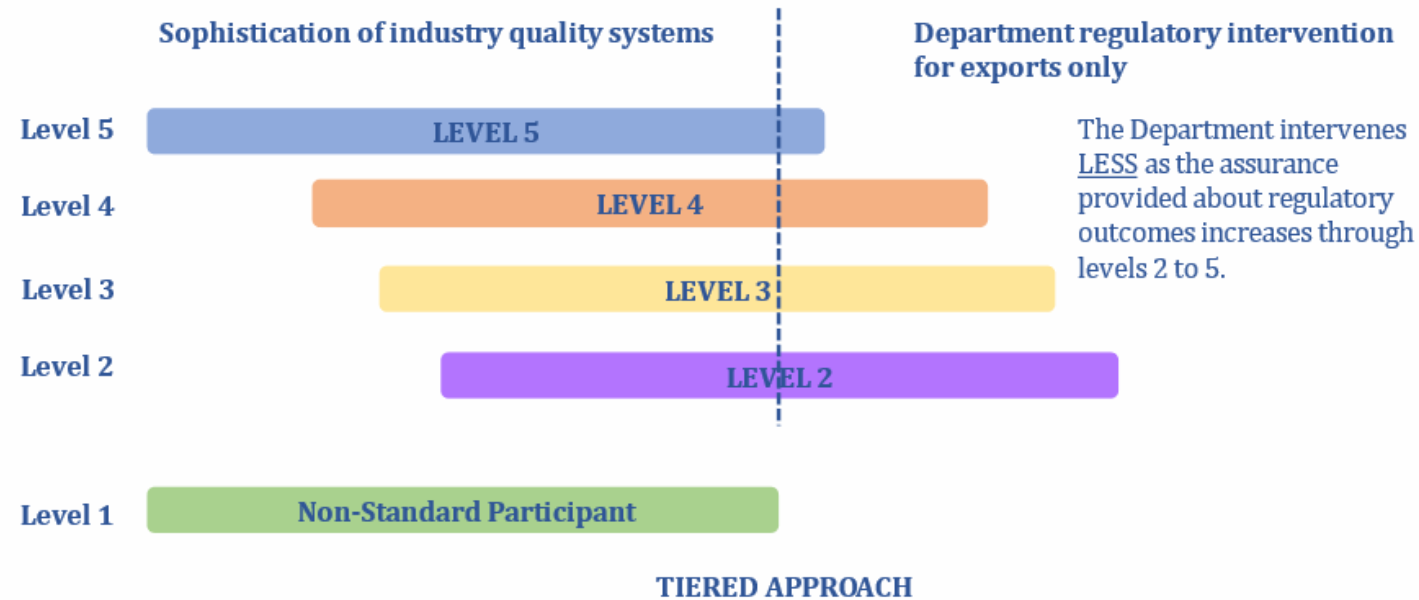
Australian Grains Industry

Grain Storage & Assets Management Standard

- Standard outlines the minimum requirements for various procedures that must be met in order to attain the level as listed. The minimum being level 2, through to the highest being level 5.
- Entities must meet all requirements at a level.
- Many elements as outlined in the Code of Practice are included:
 - Industry management systems
 - Legal / food safety
 - Export regulations



Proposed industry & regulatory approach

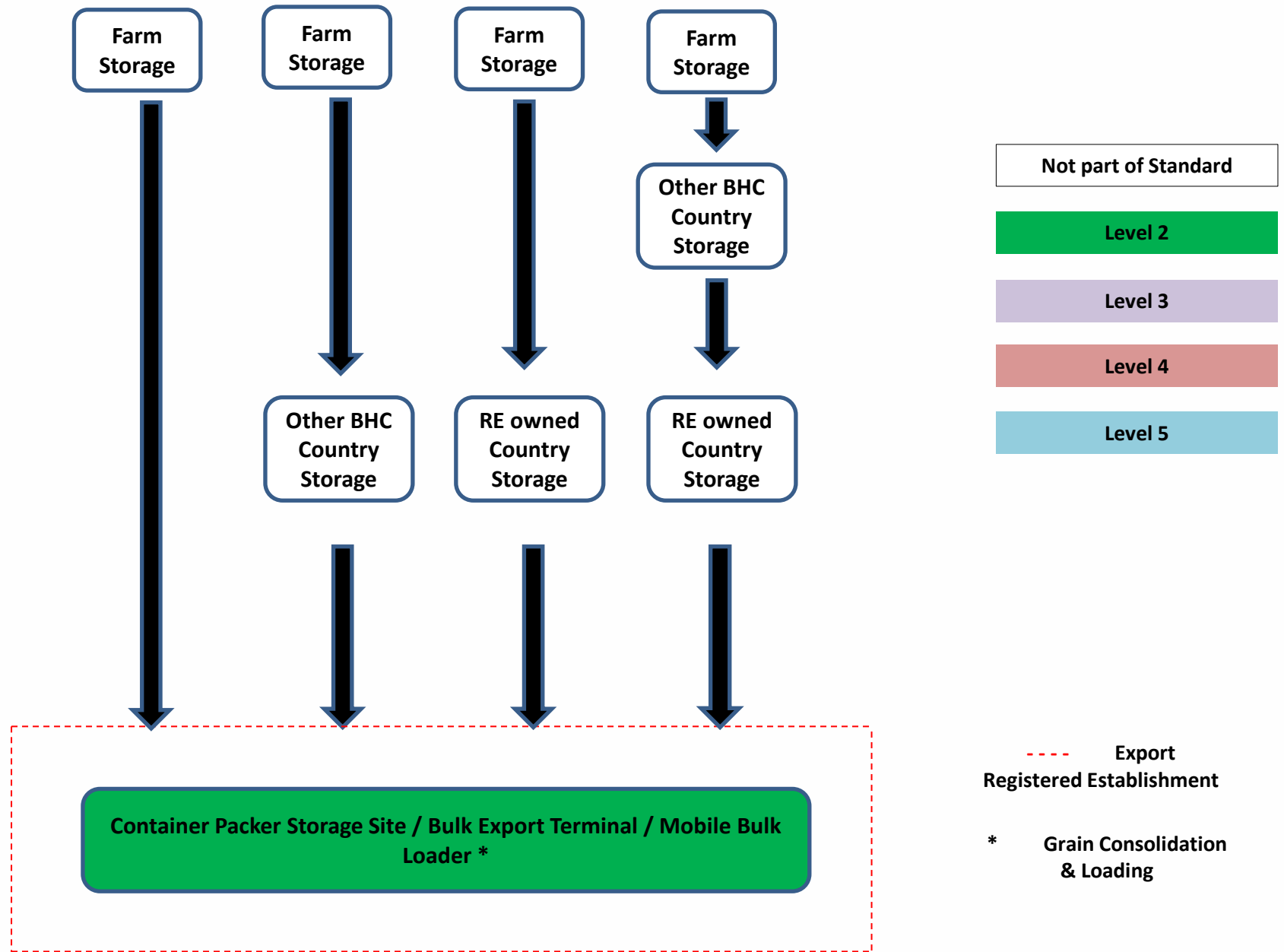


Scenario 1 ERE - Level 2

Current: Minimum requirement as per industry CoP & DAFF regulations

Note:

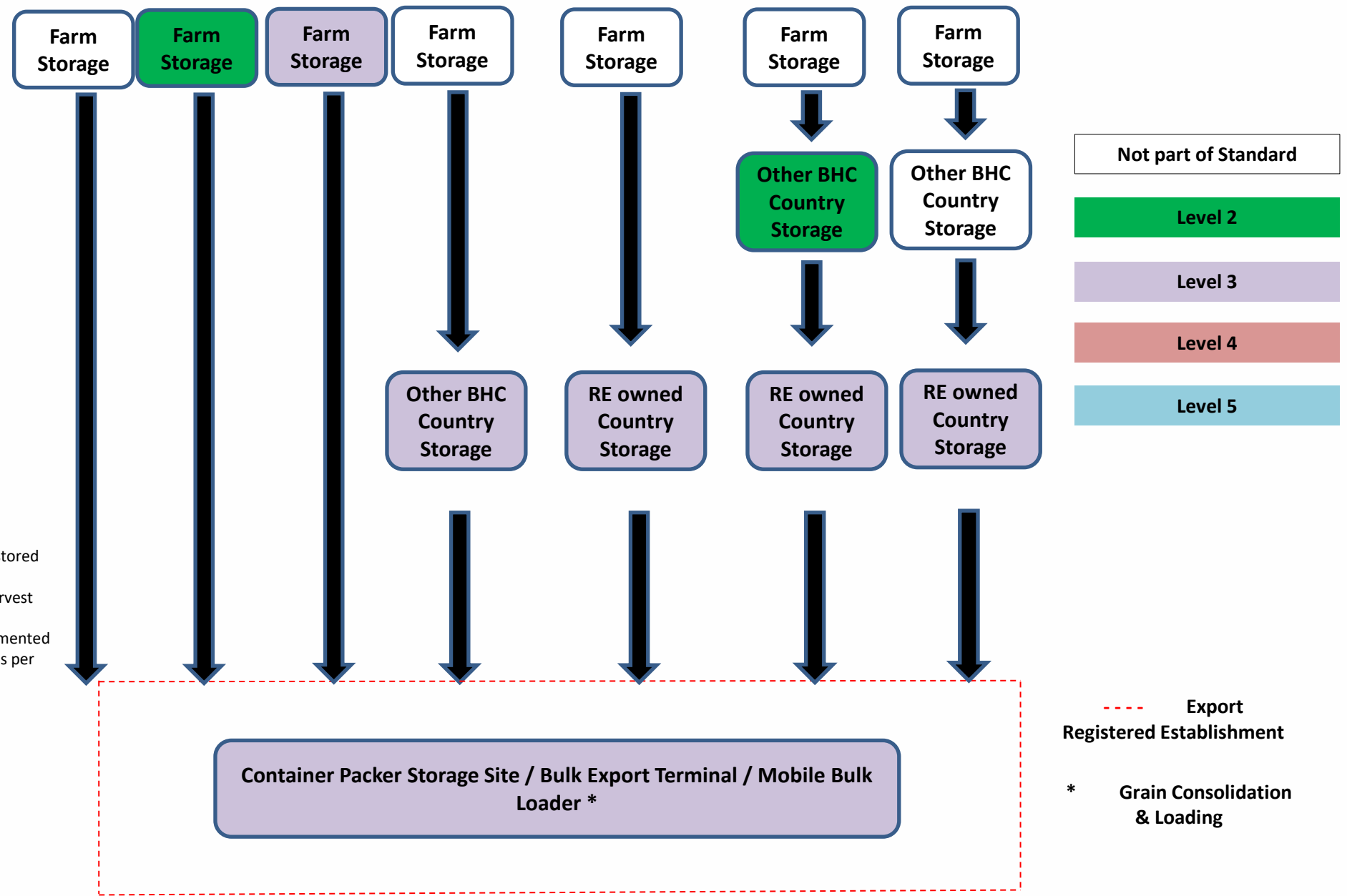
1. Grain delivered direct ex farm header at harvest or stored on-farm and delivered post-harvest – must have increased QA possibly as per GPP
2. JIT receivals may occur at RE from all grain sources
3. If industry in country not a GTA member then does not meet CoP requirements and offers no increased confidence
4. Level 2 is more confidence for industry than DAFF



**Scenario 8
ERE - Level 3**

Future: Possible scenario to
exceed industry CoP & DAFF
regulations
**Provides increased industry
& DAFF confidence**

- Note:
- 1. Grain delivered direct ex farm header at harvest or stored on-farm and delivered post-harvest
 - 2. Only sources from Level 3 suppliers except direct harvest ex-farm
 - 3. If sourcing from ex farm, additional measures implemented over and above industry CoP and DAFF regulations as per GPP



Standard Elements and Design







- ↻ Operational Procedures
- ↻ Training
- ↻ Documentation
- ↻ Sampling & Testing
- ↻ Hygiene & Pest Control
- ↻ Grain Preparation
- ↻ Monitoring, Audit & Compliance



Grain Preparation

Standard Element	Standard Level				Export Regs.
	2 (B)	3	4	5 (T)	
Grain Quality Management					
Understand market requirements	Y	—————→			
Assess on-site as received for quality	Y	—————→			
Assess on outturn		Y	—————→		
Documentation supplied with grain parcel			Y	————→	

Grain Preparation

Standard Element	Standard Level				Export Regs.
	2 (B)	3	4	5 (T)	
Grain Food Safety Management					
Understand market requirements (e.g., chemicals, heavy metals, mycotoxins, other contaminants)	Y 				
Understand regulatory requirements	Y 				
Assess grain based on requirements		Y 			
Actively manage grain supplied			Y 		
Documentation supplied with grain parcel			Y 		
NRS participation	Y 				

Monitoring, Audit & Compliance

⌘ Need 2 types of monitoring:

- ⌘ GTA for non-exporters, as per Code elements
- ⌘ DAFF for exporters, as per regulations

⌘ Agreement between both parties:

- ⌘ Sets out responsibilities
- ⌘ Assessment of applications, approval, ongoing review, industry liaison
- ⌘ Monitoring details & is adequate to meet both needs
- ⌘ Changes in industry Standard level status



Monitoring, Audit & Compliance

- ☞ Rely on industry systems:
 - ☞ Internal audits for certain tasks, suitably trained/qualified
 - ☞ External audits where relevant, specific certifications
- ☞ DAFF may continue to audit but the type and reduced frequency is yet to be determined
- ☞ Industry may have:
 - ☞ Standard as a Scheme developed by a Certification body
 - ☞ System e.g., SGA under ISCC
 - ☞ QA scheme
 - ☞ Compliance with Standard



Monitoring, Audit & Compliance

- ☼ Training key to elements in Standard
- ☼ GTA will offer training
 - ☼ Elements of the Standard
 - ☼ For those involved in monitoring, audit & compliance activities



Monitoring, Audit & Compliance

Findings from audit:

Minor

- Fix

Major

- ERE then advise DAFF
- Under Code, timeframe for resolution
- If not resolved, then current Code compliance procedures adopted



Monitoring, Audit & Compliance

🌀 Opportunity for industry under Standard:

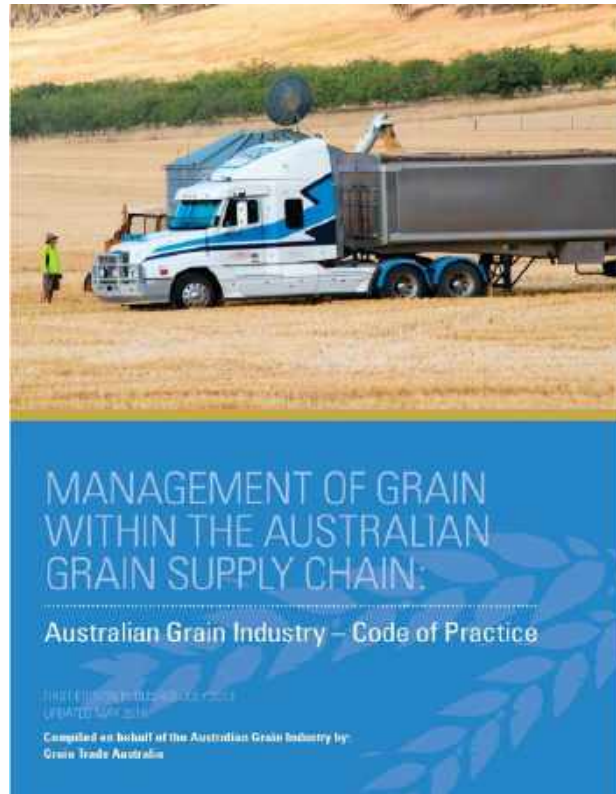
- 🌀 Show compliance with Code obligations
- 🌀 Show application & support for industry responsibilities
- 🌀 All industry have same rigour in Standard process

🌀 Results in GTA adopting a systems audit v task process audit

Greater confidence to industry, customers/consumers, DAFF
Forward thinking on changing attitudes



Thank you!!!



 **GRAIN TRADE AUSTRALIA**

 **GRAIN TRADE AUSTRALIA**

Compliance Update

Alicia Pevely

July 2022

Key Issues

- FASEA changes
- Complaints Management Regime
- Retail v Wholesale Clients
- Recent ASIC Enforcement
- Breach Reporting Regime

FASEA Update

- Transition from FASEA to ASIC and Treasury
- All professional standards remain in place:
 - Education standard
 - Exam
 - Code of Ethics
 - Ongoing CPD
 - New advisers: professional year

Financial Adviser Exam

- Now administered by ASIC
- New and existing providers must pass the exam
- The exam tests:
 - Knowledge in financial advice regulatory and legal standards
 - Financial advice construction
 - Applied ethical and professional reasoning and communication
- Resources ASIC's [website](#)
- Available sitting dates are listed on ASIC's website
- Exam Results

Education Requirements

- Qualification
 - *Corporations (Relevant Providers Degrees, Qualifications and Courses Standard) Determination 2021*
- CPD
- New advisers: Professional year

Retail v Wholesale

- Wholesale tests
- Benefits of wholesale only
- AFSL Variation?

Update: Complaints Regime

- Commenced in October 2021
- Applies to all retail licensees
- New definition of complaint
- Enforceable provisions of RG271

Responding to Complaints

- **Acknowledgement:** within 24 hours (or one business day) or as soon as reasonably practicable
- **IDR Response:** within 30 calendar days of receiving the complaint
- **IDR Delay Notification:** provided before the 30 calendar days expires to notify client of the reasons for the delay.

IDR Response

- **Not** required where:
 - Complaint resolved within 5 business days
 - Licensee has given an explanation or apology
 - Licensee has provided an IDR Delay Notification
- Must be provided where the client has requested one

Complaint Data

- Commences for all retail licensees in August 2023
- Data Reporting [Handbook](#)
- Reporting requirements

Action Items

- Is your Complaints Management Policy publicly available?
- Do you track your complaints data?
- IDR link to AFCA
- Consider your resourcing

Recent ASIC Enforcement

- [Cancellation of Quattro Group's AFSL](#) and banning order for the Director:
 - failed to maintain the necessary competence;
 - failed to supervise representatives;
 - didn't have adequate financial and human resources;
 - failed to lodge their annual financial statements.
- [Limebrook Corporation](#) prosecution on foot:
 - Failed to lodge financial statements;
 - Failed to have necessary number of officeholders.
- [Financial adviser Ezzat-Daniel Nesseim](#) sentenced to a 3-year Intensive Correction Order and 1 year of home detention:
 - providing forged wholesale client certificates to ASIC.

Update: Breaches Regime

- Commenced October 2021
- Applies to all licensees (retail or wholesale)
- New definitions and categorisation of breaches:
 - Reportable Situation
 - Core Obligations
 - Significant Breaches: deemed and assessed

Significance

- Reportable Situations include those breaches which are significant
 - Deemed Significant (objective test)
 - Assessed as Significant (subjective test)
- Both need to be reported to ASIC

Reporting to ASIC

- In relation to the licensee itself:
 - Where a Reportable Situation has arisen;
 - Where an investigation has lasted more than 30 days;
 - Gross negligence;
 - Serious fraud
- In relation to another licensee:
 - Where the other licensee provides personal advice to retail clients
 - Where a Reportable Situation has arisen
- Timeframe for reporting is 30 days

Notify,
investigate
and
remediate

- Triggered where:
 - Personal advice to retail clients has been provided;
 - Significant breach of a Core Obligation, gross negligence or serious fraud;
 - Client has suffered loss as a result of the breach;
and
 - Legally enforceable right to recover the loss.

Notification to Clients

- Must occur within 30 days of having knowledge or being reckless to whether circumstances exist to trigger the obligations.
- Notify of:
 - The breach
 - The basis for the suspicion that the client has suffered loss
 - The outcome investigation
- ASIC [Info Sheet 259](#)

Investigations

- Investigations are required by legislation where:
 - Personal advice to retail clients has been provided;
 - Significant breach of a Core Obligation, gross negligence or serious fraud;
 - Client has suffered loss as a result of the breach; and
 - Legally enforceable right to recover the loss.
- Commence within 30 days
- ASIC [Info Sheet 259](#)

Remediating Clients

- Payment required within 30 days of completing the investigation.
- Required where:
 - Client has suffered (or will suffer a loss);
 - Legally enforceable right to recover
- ASIC [Info Sheet 259](#)
- ASIC [Regulatory Guide 256](#)

Impacts of the new regime

- Recent survey found two-thirds of respondents have found the new obligations distracting.
- Lawcadia co-founder Sacha Kirk: *“there is an eye-watering amount of work to determine if something is a breach or not”*.
- Article: <https://www.afr.com/companies/financial-services/banks-credit-licensees-overwhelmed-by-new-asic-breach-reporting-laws-20220429-p5ah93>.

Questions?

ADVISORY & COMPLIANCE DAY



Tim Ross - Grain Trade Australia

AFSL – Issues and GTA Working Group Progress

☞ The Problem

- ☞ AFSL Royal Commission 2017 – Over Correction
- ☞ FASEA established – education Stds and ethics
 - ☞ Existing advisors
 - ☞ Must pass the Financial Advisor Exam
 - ☞ And complete a FASEA approved degree by 2026.
 - ☞ New entrants in Financial Advice sector must:
 - ☞ Have completed a FASEA approved university degree
 - ☞ Undertaken a professional year; and
 - ☞ Passed the Financial Advisor Exam.

☞ The Result - Advisors will leave the industry & new recruiting be challenging

AFSL – Issues and GTA Working Group Progress

☞ Discussion

- ☞ Requests from members led to Board discussion
- ☞ Working Group formed and a letter to ASIC (copied to relevant Ministers) was sent calling for:
 - ☞ Financial Advice is broader than Financial Planning
 - ☞ Realignment of FASEA educational requirements
 - ☞ Extend the relevant degrees to include Commerce and Ag Science
 - ☞ Grandfather existing qualifications
 - ☞ Tailor requirements to the specific needs and circumstances of industry
- ☞ Letter resulted in a meeting with John Longo – Chair ASIC

AFSL – Issues and GTA Working Group Progress

- Meeting with ASIC Chair - Joseph Longo & Leah Sciacca (Senior Exec Fin Serv)
 - Complimentary of the approach
 - Unintended consequences as a result of regulatory changes
 - Out of scope for ASIC to create major change –
 - focus on upcoming Treasury Review
 - Agreed to continue discussion and provided contacts in Treasury.



AFSL – Issues and GTA Working Group Progress

🌀 Treasury Review Process - QUALITY OF ADVICE Review

🌀 Two Part Process

1. Terms of Reference – Opportunity to comment on the ToR (March)
2. Quality of Advice Review - Opportunity to comment on the Q of A

🌀 Process

🌀 Independent Reviewer – Michelle Levy

🌀 Engagement across industry and public

🌀 Reviewer will provide a report to the Government by 16 Dec 2022



AFSL – Issues and GTA Working Group Progress

- ✧ Treasury Review Process
 - ✧ GTA – Submissions – ToR & Quality of Advice
 - ✧ Recognise financial advice is broader than financial planning
 - ✧ Educational requirements are aligned with each sector
 - ✧ Extend the degrees that are applicable & grandfather existing advisors qualifications
 - ✧ Industry experience is recognised
 - ✧ Flexible and tailored approach to each specific industry sector



AFSL – Issues and GTA Working Group Progress

☞ Treasury Review Process

☞ 113 Submissions received into the Quality of Advice

☞ One size does not fit all

☞ Risk based and proportionate (exempt low risk products)

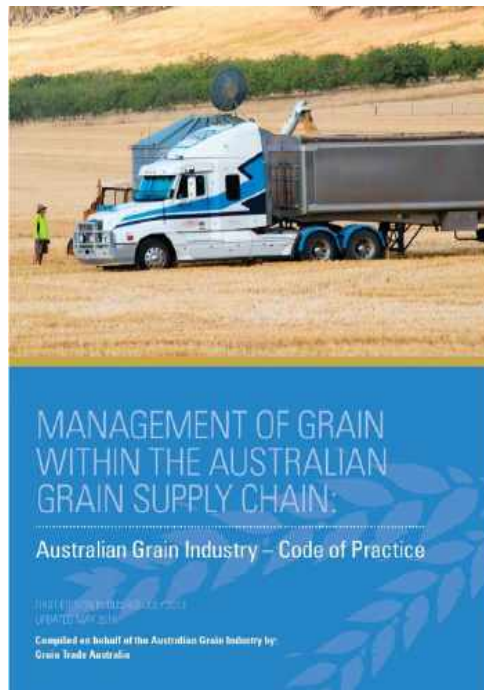
☞ Heavy focus - Demarcation of General Advice from Personal Advice

☞ Too complex and all encompassing

☞ Next Steps – Continue to engage when opportunities arise



Thank you!!!





Stockbrokers and Investment
Advisers Association

Serving the interests of investors

A stockbroker and investment adviser's perspective on financial advisory regulation

Judith Fox
CEO

Stockbrokers and Investment Advisers
Association



Current state of financial advice

- Policy makers and regulators have applied a financial planning lens to the financial advice process, to the disadvantage of specialist advisers.
- This includes stockbrokers and investment advisers, risk advisers, accountants providing advice to small businesses and SMSFs and commodity marketing and advisory services
- The current regulatory regime takes a 'one-size-fits-all' approach - ill-suited to specialisations.



Current state of financial advice

- Consumers want different advice for different needs, yet the regulatory environment does not accommodate consumer preferences and requirements.
- Adviser numbers have fallen from 25, 484 in 2017 to 16,545 as of 10 June 2022.
- The precipitous decline in adviser numbers is impacting the number of clients able to access financial advice with less than 10% of the Australian population currently having access.



Current state of financial advice

- The approach taken by policy makers towards the education and exam standards is a key reason for the decline in adviser numbers and illustrates why a 'one-size-fits-all' model can have disastrous consequences.
- The only approved degrees are in financial planning or with financial planning majors.
- Degrees in economics, finance, commerce and business – qualifications most suitable to a profession in investing – are not approved.



Current state of financial advice

- Ironically, a degree in financial planning is a specialist degree, while a degree in commerce, economics, finance or business is a generalist degree.
- Financial planning is just one of many specialised areas of advice.
- This reverses the will of Parliament that wanted advisers to complete a generalist degree before specialising.



Stockbroking differs from financial planning

- Stockbrokers raise public capital for the Australian economy by means of the listing and trading of the securities of corporate entities on Australia's securities exchanges.
- They evaluate such securities and identify the investment opportunities they present to institutional, wholesale and retail investors.



Stockbroking differs from financial planning

- Financial planners provide a holistic general financial advice service covering an individual's superannuation, life insurance, welfare entitlements and aged care arrangements, with the provision of investment advice in relation to the securities markets largely contracted out to specialists in the form of fund managers (managed funds) and stockbrokers (personal and SMSF portfolios).



Stockbroking differs from financial planning

- ‘Stockbroker’ is a defined term in the Corporations Act, as is ‘Financial Planner’, which clearly distinguishes them.
- Stockbrokers are subject to the Market, Clearing and Settlement Operating Rules of the ASX and Cboe markets of which they are a Participant and to ASIC’s Market Integrity Rules, neither of which apply to financial planners.
- The Market Integrity Rules cover the operation of Market Participants and their representatives, client relationships, trading and capital requirements.



Stockbroking differs from financial planning

- ASIC has a dedicated ASX Participant Market Supervisory Division.
- Stockbrokers are also required to fund the National Guarantee Fund (NGF) to compensate clients for failures by stockbrokers. The NGF holds in the order of \$100 million.
- The Anti-Money Laundering and Counter Terrorism Financing Act also distinguishes stockbrokers from financial planners.



Stockbroking differs from financial planning

- Stockbrokers and investment advisers provide scaled advice.
- Clients seek advice on particular investments to buy or sell.
- This does not require 'holistic' or 'comprehensive' advice on the client's full financial situation, but discreet advice in relation to a client's portfolio of investments.
- Where stockbrokers and investment advisers provide personal advice to retail clients, this advice is limited advice: it is scaled and specific to the client's needs. It is also often episodic.



Impact on investment advice

- Many experienced stockbrokers who have never had a complaint lodged against them, and with longstanding, happy clients, made a choice to retire from providing personal advice to retail clients by the end of 2026
- Why? They saw no value in undertaking years of unrelated financial planning tertiary study.
- At the other end, top graduate talent is being deterred from entering the profession, to the detriment of investors.



Impact on investment advice

- A graduate with a finance, economics, commerce or business degree essentially has to 'start from scratch' - complete an unrelated second degree or graduate diploma in financial planning - before they can remain in the industry.
- Current lack of Professional Year provisional advisers - in our most recent survey only nine new entrants.
- We have desk and dealer assistants with background in research/corporate advisory ready to move into advice but not willing given the current requirements.



Government action required

- The Government recognises that the current state of the financial advice industry is not sustainable.
- We are losing more advisers than gaining new entrants.
- Retaining our experienced advisers is key to fulfilling the desire of the financial advice industry to provide affordable and accessible advice to more.
- The narrow scope of current approved degrees means the pipeline of new entrants is not functioning.



Government action required

- Minister Stephen Jones announced on 7 June 2022 that he has instructed Treasury to advise him on the process that needs to take place to implement:
 - the experience pathway (10 years' experience and a clean record is the equivalent of a degree) and
 - an expanded education qualification pathway.
- This will help keep experienced advisers in the industry, but they must have passed the national adviser exam to qualify.



Government action required

- The national adviser exam must be passed by 30 September 2022 (if advisers have qualified for the extension).
- BUT the exam is also tailored to financial planning and discriminates against stockbrokers and investment advisers
- Majority of the questions are on insurance, Centrelink benefits and aged care – matters on which stockbrokers and investment advisers do not provide advice.



Government action required

- SIAA has asked for the exam to be recalibrated to the spectrum of advice services so that it is relevant for our members.
- If the exam is not changed from its current form, adviser numbers on the FAR will suffer another decline.
- In a recent report on a mental health survey conducted of financial advisers, the FASEA exam was rated as one of the highest causes of stress and anxiety for 84% of the respondents .



Government action required

- The Minister says he understands that the experience pathway is something that needs addressing urgently and he wants to act on that quickly.
- He wants to retain experienced advisers.
- But he does not see the same urgency attached to the expanded qualification pathway.
- In our meetings with him we have recommended urgency, in order to ensure a pipeline of new entrants to the industry.



Government action required

- The Minister also says he will look at the exam, but he has made no commitment to changing it.
- SIAA has recommended practical improvements that would help retain experienced stockbrokers without causing inequity in relation to those who have passed.
- We are at the pointy end – the last exam sitting for those who qualified for the extension is this month.



SIAA's recommendations exam

- exam questions be reviewed in advance by someone with experience in retail stockbroking and investment advice
- someone with experience in retail stockbroking and investment advice be involved in marking the exam papers that had been completed by stockbrokers
- get rid of questions that have two correct answers requiring the candidate to guess the FASEA-preferred answer
- provide more tailored feedback to unsuccessful candidates.



Reform education standards

- The experience pathway will be introduced.
- Concern about timeliness of an expanded education qualification pathway. The Policy Paper put out late 2021 by former government has the solution and it could also be implemented quickly.
- However, financial planners disagree with this approach.
- Grave concern that the exam will not be amended in time to retain experienced stockbrokers and other specialists.



Other regulatory issues

- Quality of Advice Review – 12 advice associations representing more than 90% of advisers on the FAR did a joint submission opposing the ‘one-size-fits-all’ model
- Among other things, called for
 - consumers to be able to seek advice at a point in time for a response to a specific requirement
 - engagement letter aligned with client need, instead of multiple documents (e.g. FSG, SOA, Annual Advice Agreement, etc).



Other regulatory issues

Recommendations of joint group includes regulatory framework that provides for:

- provision of shorter Statements of Advice
- definition and efficient delivery of limited or scoped advice
- increased use of Records of Advice
- increased use of professional judgement
- rationalisation, standardisation and automation of the Annual Renewal and Consent process and Fee Disclosure Statements.



Other regulatory issues

- Quality of Advice Review - final report end 2022. Hope that on areas where there is consensus, we will see change.
- The Minister advises he intends to act on the recommendations from the Review in 2023.
- Unknown when the Compensation Scheme of Last Resort will be re-introduced to parliament or in what form.
- ASIC funding levy under review
- ALRC review of Chapter 7



The Disconnect

cash and basis

Robert Imray
14 July 2022

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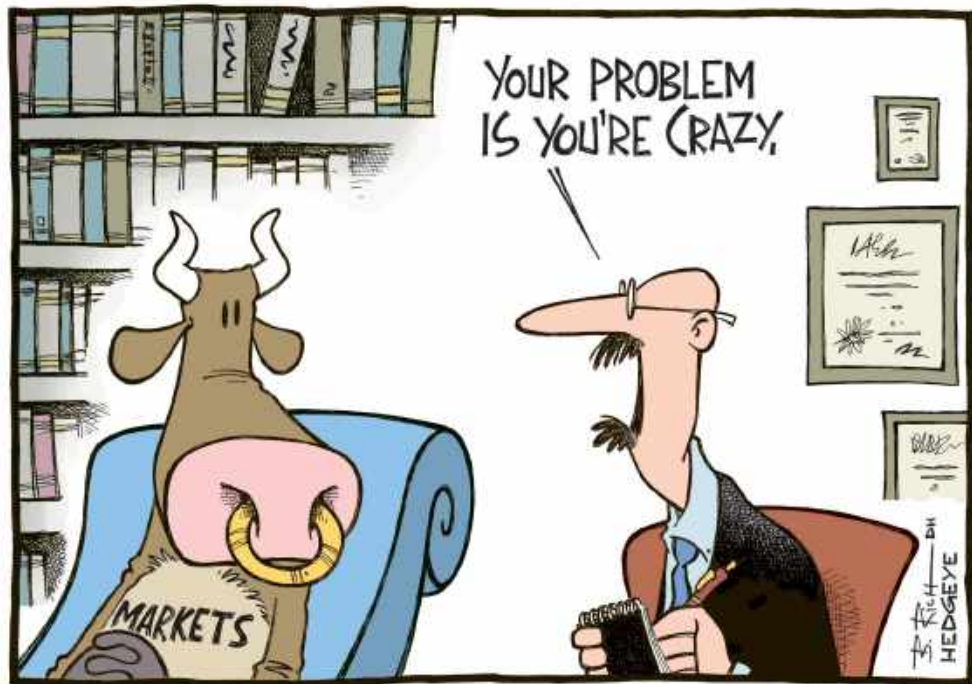


Disconnect and/or Decouple

- A disconnect is when the trading dynamic diverges from the historical pattern
- There are a myriad of reasons for markets to disconnect periodically
 - Ad Hoc Government Policy
 - Wars and insurrections
 - Weather
 - Supply and demand for futures vrs supply and demand for the physical
 - Margin calls / increased initial margins / lack of financial liquidity / insolvency
 - Logistical Issues / Bottlenecks
 - Illiquidity
- It is not the new normal – we have been here before – it will be transient

Note that the focus here is on short/medium term disconnection and not longer term issues related to say Central Banks's policy = not getting into that debate.

It is more Complicated and Nuanced than it appears



- There are issues within issues.
- Here we will look at only 2-3 aspects
- Futures market disconnect (international)
- Domestic supply/demand – logistical issues
- Rising execution costs

“Disconnecting from reality” – Agrimer 2022

“We don’t have a shortage of wheat in this country. We have a shortage of futures contracts,” – Anon Mar 2022

In the Chicago wheat market, the result has been wheat futures prices that are increasingly disconnected from wheat cash prices – US Senate Inquiry 2009

“In the past, volatility in markets has commonly occurred at the onset of conflict, particularly in commodities where the conflict has involved major producers,” – Citi 2022

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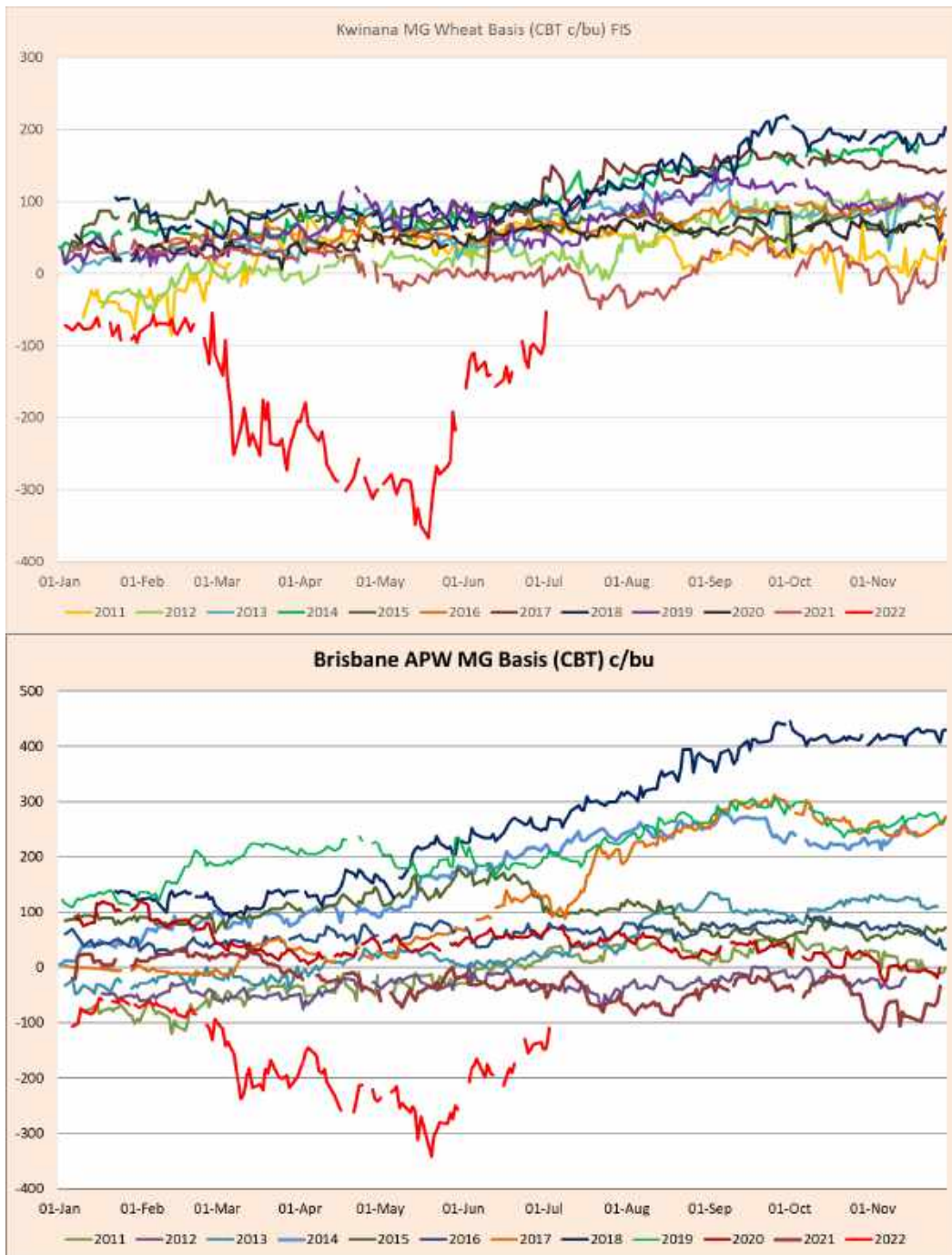
A Previous Local Example

- Sorghum through the SH 2011 and FH 2012 traded for a period well below nominal export parity.
- A large supply of feed wheat from both rain impacted winter crop harvests in 2010 and 2011, a strong 2011 sorghum crop and another in 2012 let to an abundance of feed grain for a period.
- Wheat more in demand for the domestic consumer. Export interest in sorghum more limited. Grower selling outweighing market appetite.
- Led to a market temporarily disconnected from the historical pattern.
- In Southern Queensland it is rare for a domestic market to trade below export parity – it is very common for it to trade above export parity due to tight domestic supply/demand.
- This situation turned on its head in 2013 with China stepping in as a major importer.



The current discourse

- This time around there are a host of factors intermittently or otherwise at play
- **Internationally**
 - Inflationary themes, tighter available global grain stocks, drought (think Canada and South America), increased Chinese demand and cheap money.
 - War – Russia (19% global wheat exports) invades Ukraine (5% of global wheat exports and 12% of global coarse grain exports).
 - Extreme volatility/velocity in futures markets leading to a period of high demand for futures
- **Domestically**
 - Huge Grain Surplus to move
 - Logistical Issues / Bottlenecks / Floods / Capacity limitations along supply chain / Staff issues
 - Sizable portion of the 2021 Crop sold prior March 22
 - Trading limits / lack of a good hedge / Executed v Implied trade margin

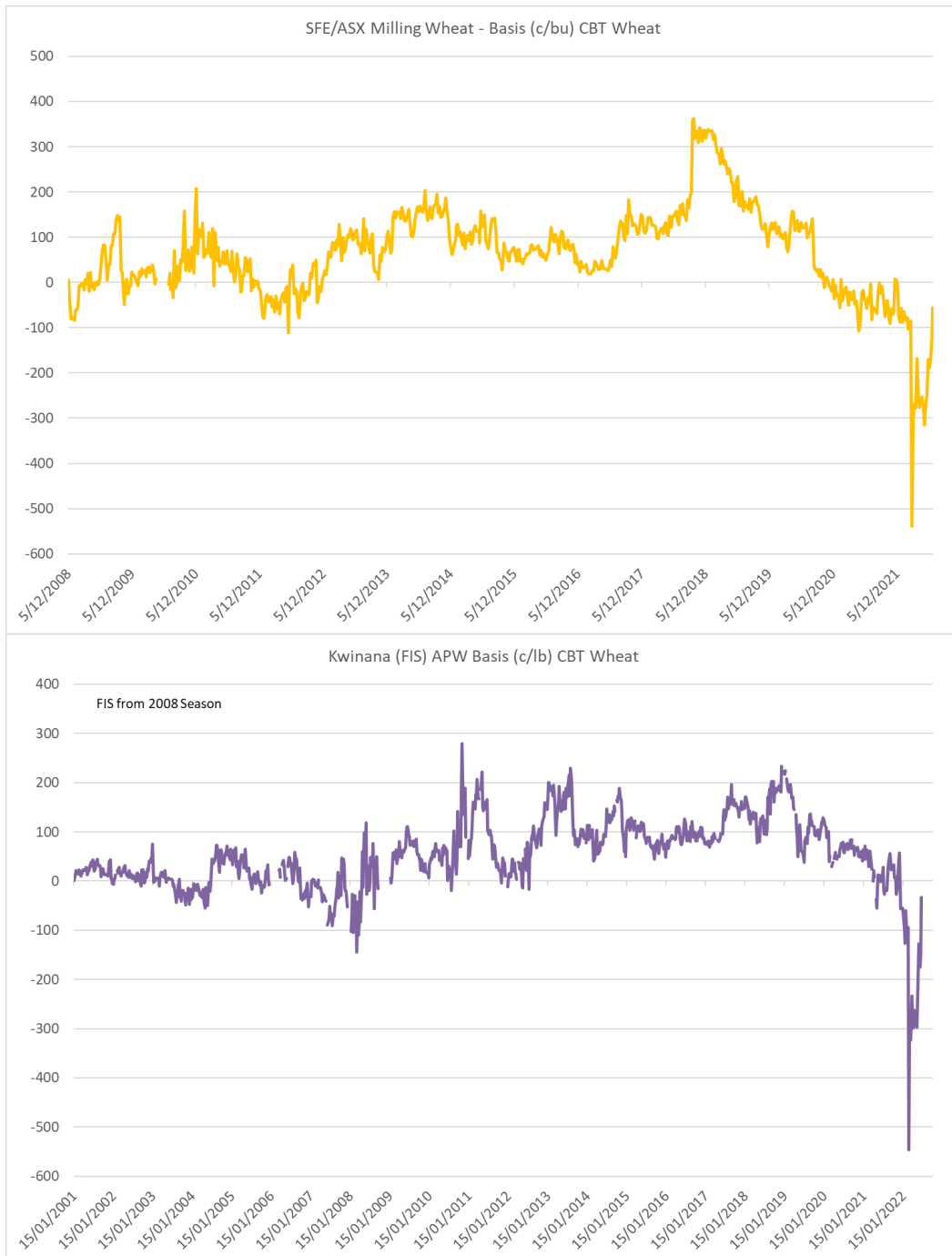


Disconnect evident in Basis v CBT

- Note the charts to the left are **forward new crop prices** (ie from January prior plant to harvest).
- Top chart is a Kwinana (WA) APW MG v CBT – Season
- Bottom chart is Brisbane NTP AWP MG v CBT
- Due to both International and Domestic Factors
- CBT wheat is not an ideal benchmark to use for the East Coast (in particular the North). Arguably its usefulness for WA is also questionable (out side of perhaps an economic hedge).



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Disconnect evident in Basis v CBT

- Note the charts are **nearby values as opposed to forward**.
- First – East Coast Milling Wheat v CBT
- Second is a KWA nearby price series (weekly)
- Last period of successive large crops on the East Coast (2010 and 2021) witnessed basis pressure.
- The basis pressure this time around was more extreme (due to parabolic CBT futures and brief cash/futures breakdown) but in reality before that extreme it was only historically weak (similar to 11/12) and since CBT futures have corrected basis has returned to being historically weak.



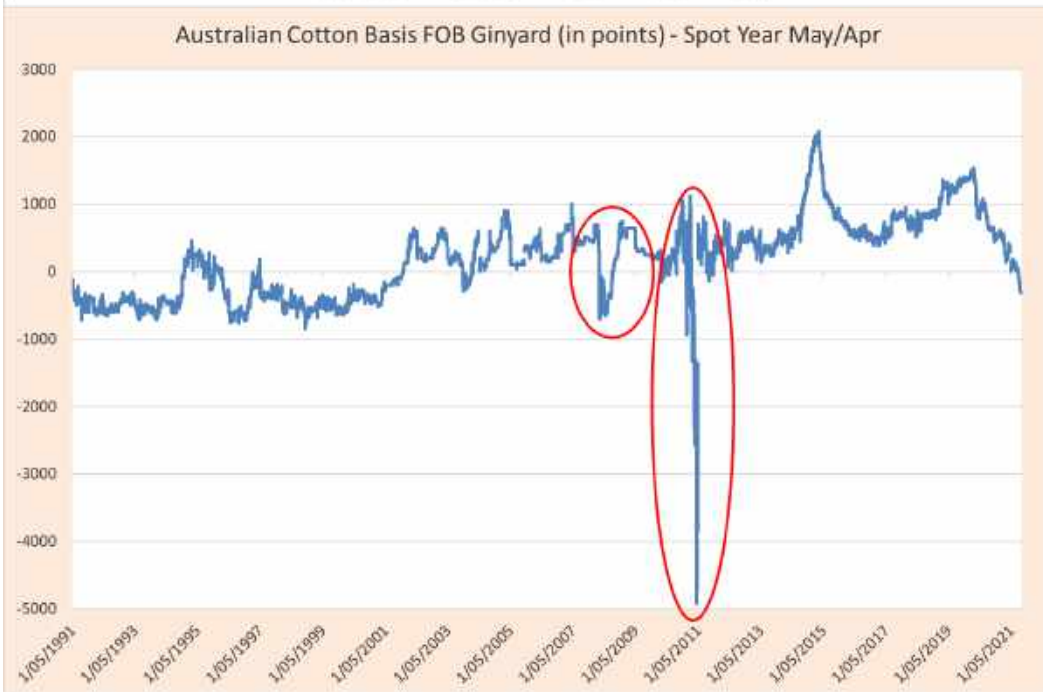
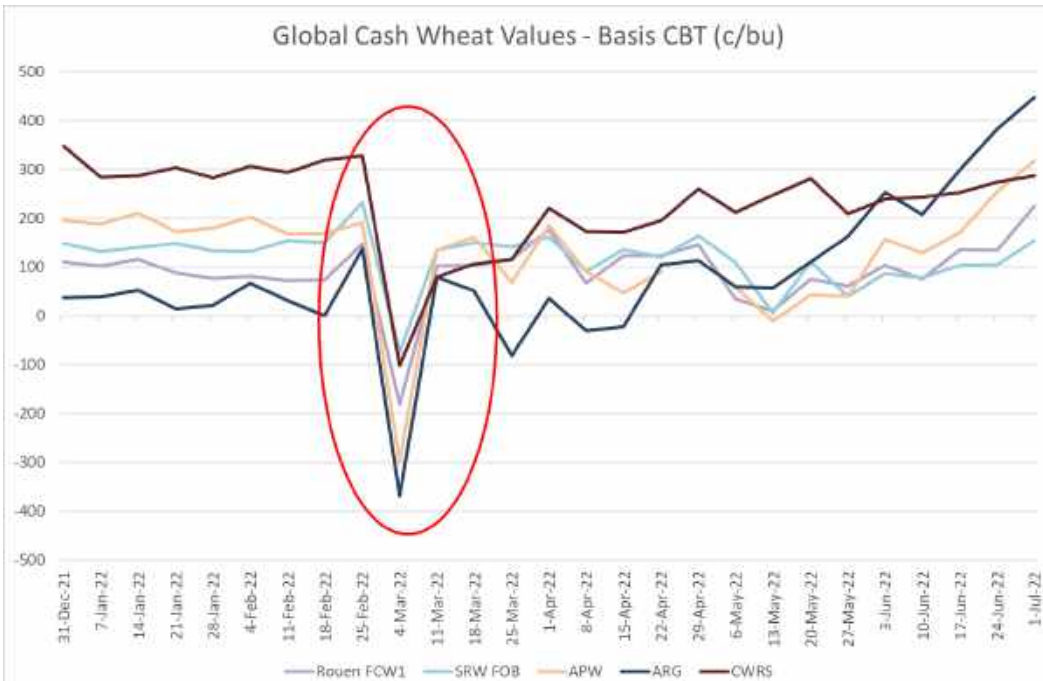
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Evident Internationally – it Happens!

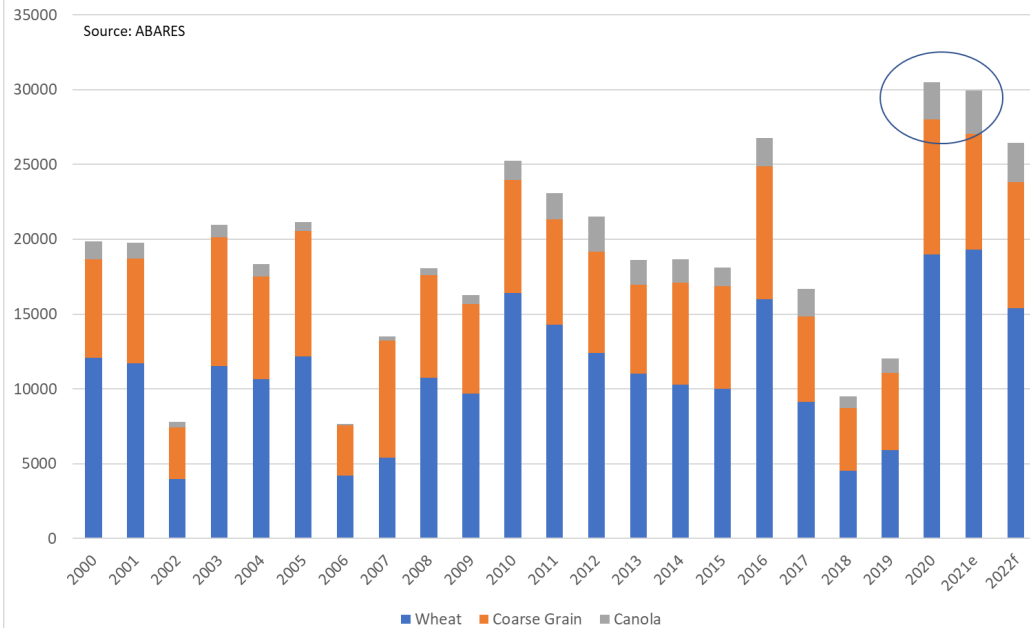
- CBT spike – global phenomena – short term impact on FOB
- Market dislocation happens more often than we think.
- Cotton example below.
- Think Texas Natural Gas trading for several weeks below \$0 back in 2019.
- US crude oil trading below \$0 in 2020



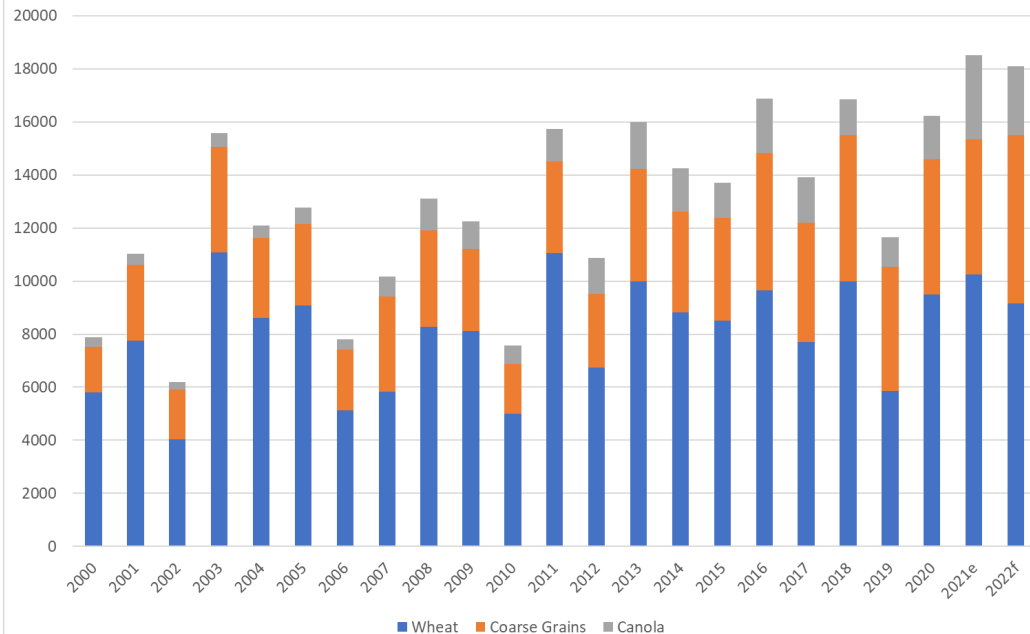
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East Coast - Wheat/Coarse Grain and Canola Production ('000)



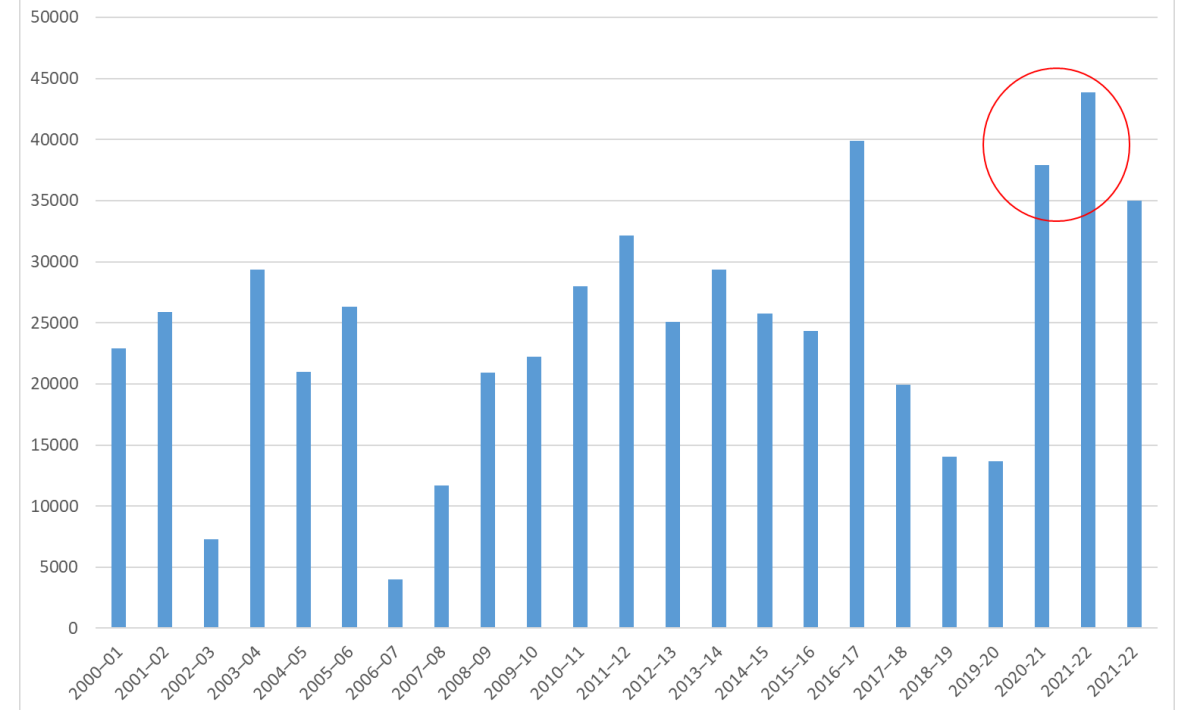
Western Australia Grain and Oilseed Production ('000)



It is Domestic - a Large Surplus to Move

- It is rare for Australia to post consecutive high production years.
- Consecutive years builds available exportable surplus (building up country stocks) which can pressure the market if sellers are more willing than buyers in NTP and delivered markets.

Australian Grains and Oilseeds - Available Exportable Surplus ('000)





Weight on shore not off shore

- Weight of grain upcountry
- Sellers NTP, ex-farm and delivered Port.
- Buyers more delivered Port (NTP, ex plus execution cost)
- Dislocation between FOB and NTP evident in the charts.
- Occurring on both the East and West Coast (less so in SA)
- Factors
 - Higher margin for risk in execution
 - Port capacity utilisation for execution of prior commitments (timing)
 - Volume of funding required to carry stocks
 - Carried stocks shipping into new crop Northern Hemisphere sellers
 - Capacity limitations in getting grain to port (for various reasons)
 - Higher freight costs (in particular road)
 - Higher overall actual execution costs (actual v theoretical margin)
 - Yes some higher trade margins
- Think of the supply chain like a funnel with a huge crop upcountry cramming into a funnel like supply chain with restrictions (the neck) being capacity to move the grain in a timely manner (either to/from port).

A longer perspective

- Just FYI.



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Consider higher local freight (execution cost)

- It is simple to compare NTP to FOB and deduce a problem
- But what is the actual cost of moving that grain.
- For example in the Brisbane Port Zone – Thallon depot has an LD of \$50. Train capacity is limited and hence Road Transport is heavily relied on (in fact in many port zones).
- Rise in road freight from circa 12 c/km to over 20 c/km in the past six months has seen road freight from Thallon at \$110+ (fuel surcharge to contend with as well)
- In simple terms what might have been \$400 Thallon depot or \$450 NTP becomes potentially an actual \$510 delivered Port by Road OR an equivalent \$510 NTP.
- Top chart – compare NTP (Blue line) with Road Port (red diamond) and you have a more realistic price for at least the marginal tonnage required at port.
- Bottom chart uses Goondiwindi as an example.

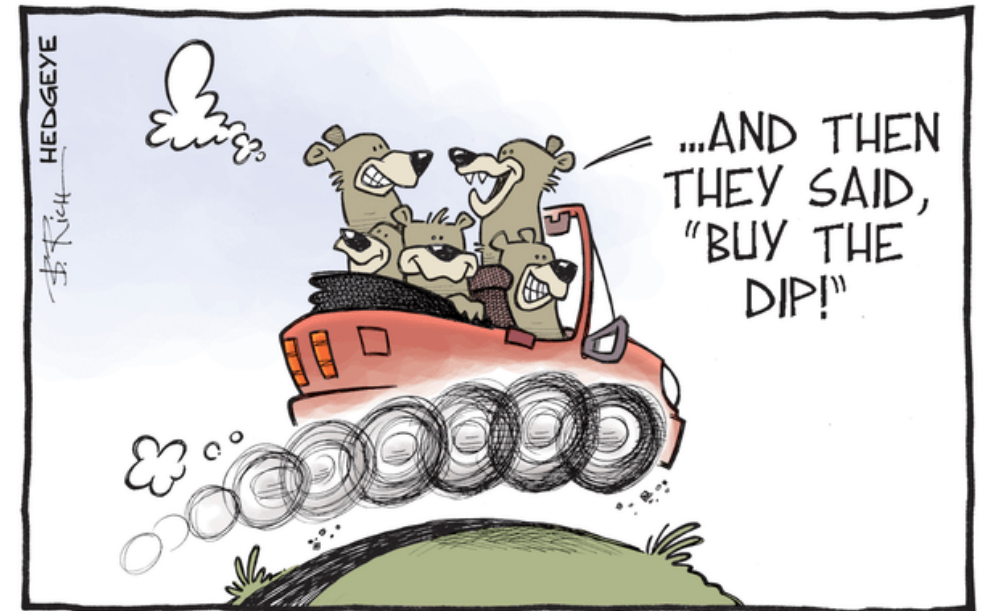
Its Complicated within two main issues

- First – disconnect between cash and futures (usually due to huge volatility/velocity in futures)
 - Supply and demand for futures becomes asymmetric to the supply and demand for physical
 - Driven by funding costs of futures while possibly at the same time reducing cash market exposure.
 - Leads to lack of liquidity, a breakdown in correction between cash and futures (basis)
 - Usually brief, very uncomfortable, but transient
- Second – large supply trapped in a geographic area
 - Supply and demand in one region becomes somewhat disconnected with another (ie ex-farm to FOB)
 - Driven by bottlenecks (of various kinds)
 - Can lead to a lack of liquidity in parts of the supply chain
 - Takes a longer period of time of correct to historical norms.
 - But it will not be the new normal





Thank you



FARMARCO

TT Club Insurance Market Update GTA Advisory and Compliance Day

14/7/2022

Henry Steindl, Underwriter, Thomas Miller Australasia

Rhys Richards, Underwriter, Thomas Miller Australasia

- **Introduction**
- **Market Update**
- **TT's Grain Specific Offering**
- **Q&A**



TT Club

TT Club is the leading provider of insurance and related risk management services to the international transport and logistics industry.

- Mutual insurer established in 1968
- Members include transport and logistics operators, terminals, handling facilities, and ports.
- Owned by Members – non for profit
- Policy determined by Club Board – comprised of Members
- Provide insurance and related risk management services





2022 Floods and Impact on Property Premiums

- **“Insured losses from the Queensland and NSW floods have risen to \$4.8 billion, making the disaster Australia's third costliest extreme weather event on record, as claim assessments continue to be completed”¹**
- **Catastrophe events impact reinsurers and this combined with an increase in the frequency of losses experienced by reinsurers along with inflationary pressures has lead to primary insurers taking larger risk retention. This emphasises risk selection and risk rating.**
- **Insurer's continue to seek real rate rises across the board, with reductions in premiums generally not possible.**
 - **Emphasis on risk assessment and mitigation increasing.**

Professional Indemnity, Directors and Officers, & Cyber

- **Professional Indemnity premium increases appear to be increasing again as both insurers and reinsurers reduce capacity.**
 - Increases fell from near 18% to 10% for Q1, '22
- **After significant increases, D&O pricing increases appear to be levelling out.**
- **The Cyber market remains challenging with frequent severe claims (mostly ransomware) impacting pricing, deductibles and key coverages being reduced**
 - Global cyber increases at 110% with many clients taking higher deductibles to reduce premium increases

Liability

- **Rate increases continue at around 15% (steady when compared to previous quarter)**
 - Increases driven by claims inflation
- **Some insurance providers altering their risk appetite resulting in restructuring of major programs and re-emphasised risk selection.**

General

- **War in the Ukraine**
 - Increased screening for sanctioned entities/territories (particularly for importers/exporters)
 - Marine, War, Property, Aviation classes most affected.
- **COVID/BI**
 - Two year industry test case before the High Court
 - Class action hearings disputing business interruption covers wait to be heard in the High Court
 - JobKeeper to be factored in?
 - Insurer's need to reserve/stockpile premiums pending outcomes of cases before the courts
- **Inflation and Interest Rates**
 - Continue to impact insurer's investment returns

Financial highlights for the year ended 31 December 2020

A-

(excellent)

AM Best financial strength rating

Balance sheet strength at "very strong" as measured by the AM Best capital adequacy model

108.7

Gross paid claims / US\$ million (2019 = 117.2)

3.2%

Underlying investment return / % (2019 = 5.5)

85%

Financial year combined ratio / %

(2019 = 89) Total claims and expenses divided by net earned premiums, excluding exchange movements, quota share reinsurance and exceptional items

220.4

Gross earned premiums / US\$ million (2019 = 206.2)

21.5

Net result / US\$ million (2019 = 16.0)

247.1

Total surplus and reserves / US\$ million (2019 = 225.5)

523.5

Cash and investments / US\$ million (2019 = 487.8)

97%

Member retention / % (2019 = 96) Based on gross written premium

Grain specific offering

- **Liability** - Cargo Handling Facility and/or Transport Operator
- **Property** – first party physical loss / damage to insured assets
- **Business Interruption** – Loss of Profits & Increased Cost of Working
- **Grain Cargo Stock Throughput** – first party loss / damage in storage and/or transit



Thank you
Any questions?

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A black and white close-up photograph of a metal chain link, showing its texture and the way it connects to another link. The background is blurred.

2021 – 2022 SUPPLY CHAIN CAPACITY, FREIGHT AND DELIVERY ISSUES

Jock Carter - Director



GRAIN INDUSTRY THIS YEAR CHARACTERIZED BY

- Unheralded record production east & west
- Great prices
- Unprecedented global demand

What could possibly go wrong?

“IT WAS THE BEST OF TIMES IT WAS THE WORST OF TIMES” DICKENS

- **Mouse plagues**
- **Insect infestations**
- **Shortage of trucks**
- **Shortage of trains**
- **Shortage of containers**
- **Fuel prices**
- **Track closures**
- **Port closures**
- **Equipment prices**
- **Shortage of labour**
- **Vessel delays**
 - **Demurrage**
 - **GAFTA penalties**



UNDERLYING CAUSES - “UNPRECEDENTED TIMES”

Confluence of Supply chain disruptions and challenges never experienced in recent times

- Climate catastrophes
- War Ukraine
- COVID19
 - Lockdowns and pandemic management implications
 - Migration and shortage of skilled labour
 - Drive for increased safety stock and inventory

CLIMATE CATASTROPHES

- intensity and the frequency of extreme environmental events
- Estimate that floods and extreme weather have wiped over half million tonnes of potential grain export capacity in NSW alone this year
 - Main grain corridor to Port Kembla has closed for over 6 months pushing all export trains via Sydney
 - Newcastle has been cutoff by flood, swell and track closures
- Short and long term climate issues
 - Variability in production causes significant underlying supply chain challenges

BULK SHIPPING

- Record volumes across the country
- Major disruptions to vessel accumulations
- Significant demurrage
- GAFTA contract issues



CONTAINER EXPORTS

- Massive – 5-10 fold+ increase in freight rates
- Availability of empty containers
- Shortage of food grade containers
- Challenges vessel schedules
- Overall disruption to efficiency of the global market

UPCOUNTRY

- Labour shortages
- Quality management
- Storage capacity
- Road infrastructure



TRUCKS

- Significant increases in rates
- Chain of Responsibility
- Capacity shortages
- Fuel prices
- Driver retirements & migration disruption
- Spiraling equipment costs

TRAINS

- Weather weather weather - Significant capacity implications
 - Track closures
 - Site loading
- Inland rail construction
- Covid labour implications

THE CONCEPT OF 'RISK'

Risk involves uncertainty about the effects/implications of an activity

- “Great success always comes at the risk of enormous failure.”
- “Victory is only wrested by running risks.”
- “To improve is to change, so to be perfect is to change often.”
- “You have to run risks. There are no certainties in war. There is a precipice on either side of you - a precipice of caution and a precipice of over-daring”

Winston Churchill

SUPPLY CHAIN RISK OFTEN OVERLOOKED.....



1. Production (weather, disease/pests, field loss, spoilage)
2. Price/Market (reduced premiums, high input prices, etc.)
3. Casualty (fire, weather and theft)
4. Technology (performance failure, obsolete machinery)
5. Relationship (landlord, lender, supplier and buyer)
6. Legal/Regulatory (non-compliance with regulations contract rules or other laws)
7. Human (underperforming managers, injured employees)

*Purdue University – Understanding Risk Types when managing Farm Risk

THE BROADER INDUSTRY RISKS



- Social licence to operate
- Regulation & Compliance
 - OH&S
 - Environment
 - COR
- Cyber risks



MITIGATING LONG TERM SUPPLY CHAIN RISK

- Planning and organization
- Trust and relationships
 - Confidence
- Investment & research



KEY MESSAGES

- Risk in the supply chain is inherent
- We should not be afraid of risk – its an opportunity as well as a threat
- No-one in the chain can work in isolation
- An effective supply chain the the whole can be greater than the sum of its parts

KEY MESSAGES

- Understand and make proactive efforts to manage your social licence to operate
- Understand and manage your regulatory and compliance obligations
- Both margins and volumes will come under pressure in future years and important the Australian industry remain efficient

*The grain supply chain has performed unbelievably well
under what has been possibly the most challenging
period in history*



DEVELOPMENTS IN AUSTRALIAN CARBON TRADING AND CARBON MARKETS

JO GARLAND

15 JULY 2022



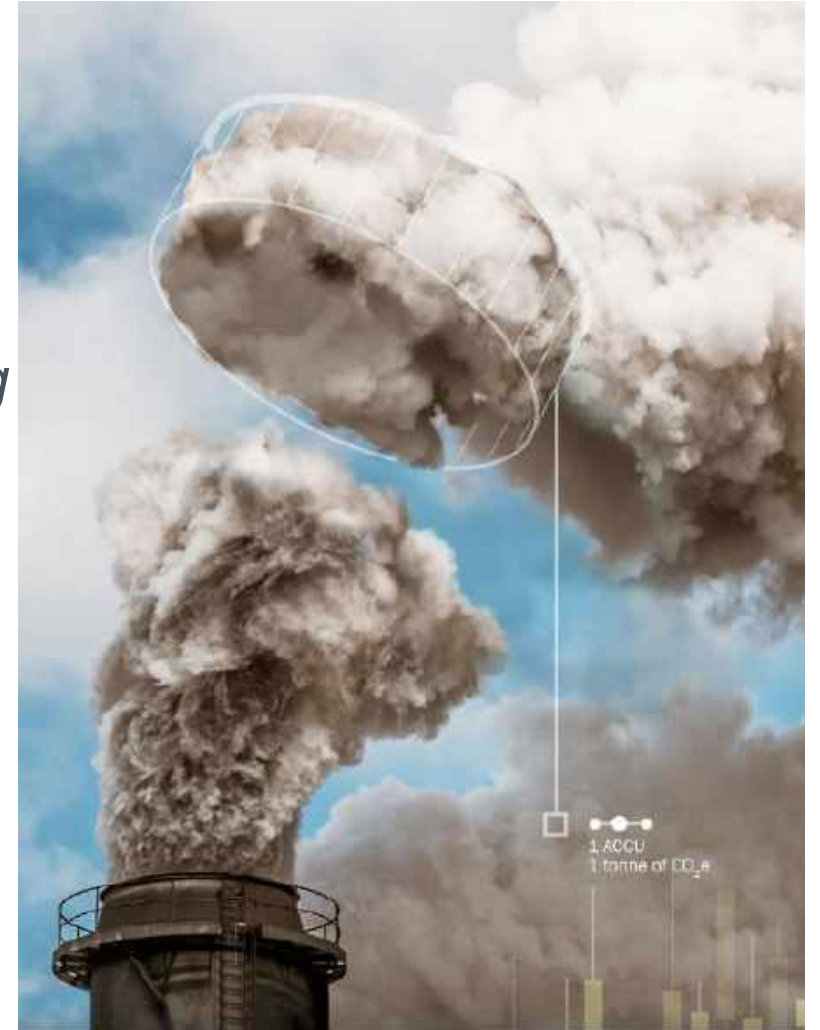
OVERVIEW OF TODAY'S SESSION

1. General overview of carbon markets in Australia
 2. How to participate in the Emissions Reduction Fund as a project proponent
 3. Overview of project methodologies relevant to the agricultural sector
 4. How to participate in the Emissions Reduction Fund as a trader of ACCUs
 5. How to purchase ACCUs
 6. Development of an Australian Carbon Exchange
 7. Proposed review of the Emissions Reduction Fund
-



OVERVIEW OF CARBON MARKETS IN AUSTRALIA

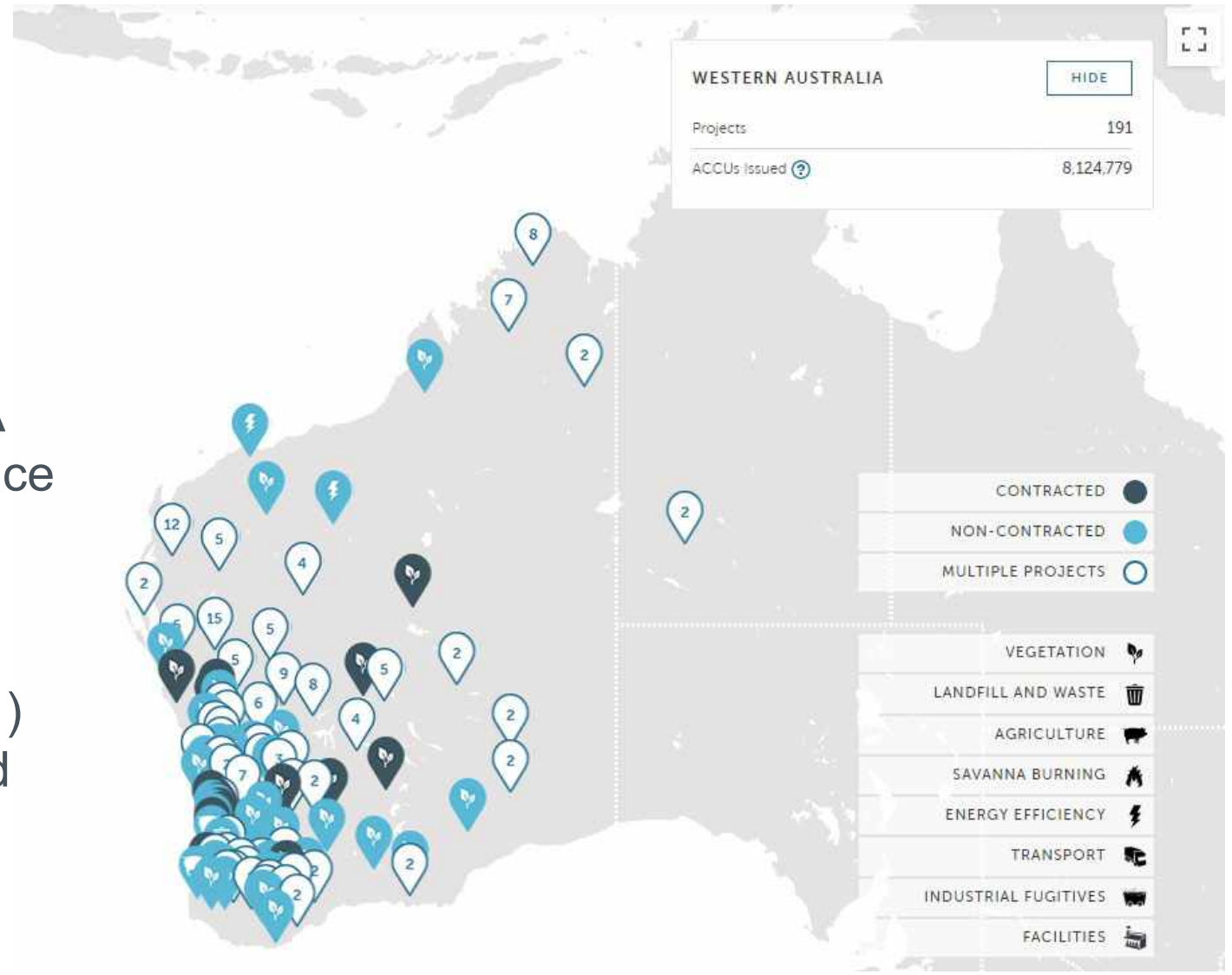
- Federally, the Clean Energy Regulator Administers the national carbon market for the emissions reduction fund (**ERF**)
- Australian Carbon Credit Units (**ACCUs**) are generated under the *Carbon Credits (Carbon Farming Initiative) Act 2011* (Cth)
- 1 ACCU = 1 tonne of CO₂ not emitted or sequestered
- ACCUs can then be traded through the ERF
- Historically, the CER purchased ACCUs, but there is increasing demand from the private sector; drive by announcement of net zero targets and the need to offset emissions that cannot be physically eliminated





OVERVIEW OF PROJECTS IN WA

- There are 1,296 projects registered across Australia
- Of that, 191 are located in WA and has resulted in the issuance of ~8.12 million ACCUs
- The largest proportion of projects in WA (134 out of 191) are using a vegetation method





HOW TO PARTICIPATE IN THE ERF: AS A PROJECT PROPONENT

- To participate in the ERF as a project proponent you must:
 - Apply to become an ERF participant; and
 - Register your project to receive ACCUs under the ERF
 - There are a number of projects, known as ‘methods’ that can be used to generate ACCUs, including:
 - in the agricultural sector; and
 - through management of native vegetation.
 - An ERF project must not have started before it has been registered with the ERF (the ‘newness requirement’).
 - You cannot receive ACCUs for projects if they are already required by law i.e. revegetation or planting being carried out to meet the condition of a development approval (the ‘additionality requirement’)
-



HOW TO PARTICIPATE IN THE ERF: AS A PROJECT PROPONENT

Finalised methods in Agriculture:

- Animal effluent management method
- Beef cattle herd management method
- Estimating sequestration of carbon in soil using default values method
- Estimation of soil organic carbon sequestration using measurement and models method
- Fertiliser use efficiency in irrigated cotton method
- Reducing greenhouse gas emissions in beef cattle through feeding nitrate containing supplements method
- Reducing greenhouse gas emissions in milking cows through feeding dietary additives method

Finalised methods for vegetation management:

- Avoided clearing of native regrowth method
- Avoided deforestation 1.1 method
- Designated Verified Carbon Standard projects method
- Human-induced regeneration of a permanent even-aged native forest 1.1 method
- Measurement based methods for new farm forestry plantations method
- Native forest from managed regrowth method
- Plantation forestry method
- Reforestation and afforestation 2.0 method
- Reforestation by Environmental or Mallee Plantings Savanna fire management - emissions avoidance method
- Savanna fire management - sequestration and



HOW TO PARTICIPATE IN THE ERF: AS A TRADER OF ACCUS

- An ACCU is treated as a ‘financial product’ under the *Corporations Act 2001* (Cth)
 - Businesses or individuals that provide financial services in relation to ACCUs (i.e. trade ACCUs on behalf of others) need an Australian Financial Services Licence (**AFSL**) unless exemptions apply
 - This includes activities such as:
 - Providing advice in relation to the trading of ACCUs
 - “dealing” in ACCUs
 - “making a market” for ACCUs
 - Providing a custodial or depository service for carbon units
 - AFSL holders have ongoing reporting requirements under the *Australian Securities and Investment*
-



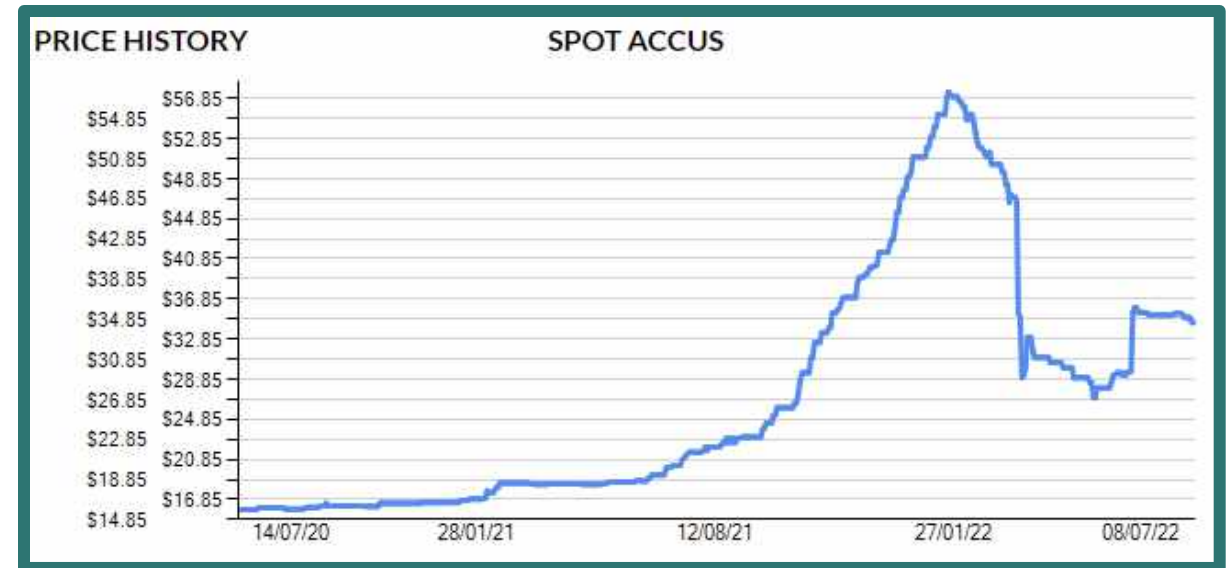
HOW TO PURCHASE ACCUS: THROUGH AN AUTHORISED REPRESENTATIVE

- To purchase an ACCU a buyer must first identify if there are ACCUs for sale. It is possible to purchase ACCUs from a project proponent directly or by appointing an 'authorised representative'
 - Individuals and sole traders – no requirement to have an authorised representative. Can operate the ANREU account themselves.
 - Companies or trusts - require at least one authorised representative who will be the main contact for any ANREU account administrative matters.
 - Authorised representative must be a 'fit and proper person' before they can be appointed.
 - The fit and proper test is set out in Part 4 of the *Carbon Credits (Carbon Farming Initiative) Act 2011* and the events to be disclosed are detailed in Part 4 of the *Carbon Credits (Carbon Farming Initiative) Rule 2015*.
 - *Includes being convicted of a criminal offence or an offence relating to dishonest conduct, the conduct of a business, the environment, work health and safety*
-



HOW TO PURCHASE ACCUS: THE ROLE OF THE ANREU

- A purchased ACCU is placed into the Australian National Registry of Emissions Units (**ANREU**) – administered by CER and underpinned by the *Australian National Registry of Emissions Units Act 2011* (Cth)
- Once purchased, an ACCU becomes ‘personal property’ and the owner of the ACCU can transfer the ACCU within Australia using the ANREU
- The transfer of an ACCU only takes legal effect when CER updates the ANREU to remove ACCU from seller’s account to recipient’s account

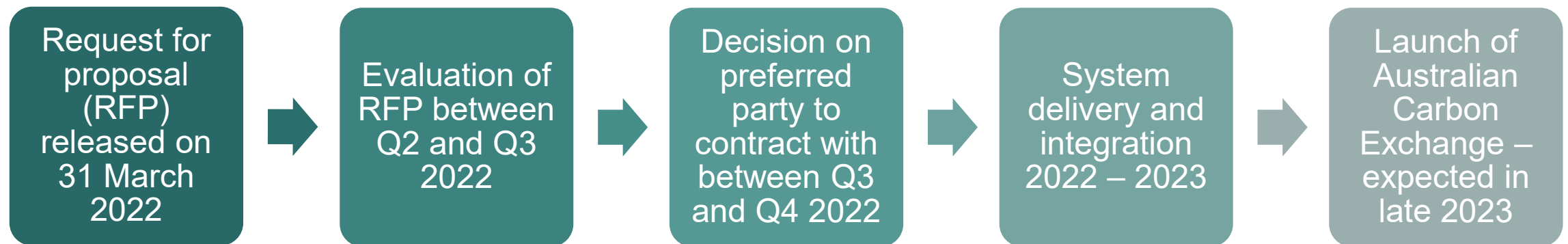




DEVELOPMENT OF AN AUSTRALIAN CARBON EXCHANGE

- CER is developing the Australian Carbon Exchange. Similar to online stock exchange, but just for ACCUs and potentially other environmental credits.
- Intention is to streamline process of buying and selling ACCUs – currently the process involves using a broker and “emissions unit registries”.
- Would also make pricing of ACCUs and other traded environmental credits more transparent, in the same way that the normal stock exchange is.

CURRENT PROJECT TIMELINE





- Labor committing to six month long review of the ERF, after former chair of the ERF integrity commission produced a report claiming that ACCUs did not represent real emissions cuts.
- Will focus on governance arrangements and legislative requirements.
- Will also examine methodologies that apply to human-induced regeneration, carbon capture and storage, avoided deforestation, and landfill waste gas projects.
- Review will be led by Ian Chubb (former Australian Chief Scientist). Rest of panel remains to be appointed.

PROPOSED REVIEW OF THE ERF

Bowen sticks to carbon credit review after regulator clears itself

Jacob Greber *Senior correspondent*



Jun 8, 2022 - 6:37pm



Climate Change Minister Chris Bowen will press ahead with a review of Australia's carbon crediting system even after a Clean Energy Regulator watchdog granted the organisation a [clean bill of health on the credibility](#) of Australian Carbon Credit Units.

ANY QUESTIONS?



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