

29 April 2011

Mr David Pegram
The Secretary
Select Committee on Grain Handling Industry
Parliament House
North Terrace
Adelaide SA 5000

Dear Mr Pegram,

Re: Select Committee Inquiry on the Grain Handling Industry

Grain Trade Australia welcomes the opportunity to comment on the Commissions Draft Report on Wheat Export Marketing Arrangements.

Please contact Grain Trade Australia should you require further information.

Yours sincerely



Geoff Honey
CEO

Contents

Terms of Reference.....	3
Introduction	4
Executive Summary	5
GTA response to Select Committee Terms of Reference	6
GTA will attempt to address, where appropriate, the issues outlined in the Select Committee's specific terms of reference point by point.	6
(a) the capacity of the market to ensure a vigorous and competitive marketplace for grain growers;	6
(b) grain classification and standards, and whether internationally approved grain testing options should be available to growers on request;	7
(c) service delivery, including human resources, operating hours and storage capacity of grain handling points;	8
(d) export and shipping arrangements, including port access and associated costs;	8
(e) grain quality management, including receiving and out-turn;	8
(f) open and transparent information on all grains, including stock disclosures;	8
(g) adequacy of road and transport infrastructure for the Grain Industry; and	8
Conclusion.....	9



SELECT COMMITTEE ON THE GRAIN HANDLING INDUSTRY

Terms of Reference

That the Select Committee investigate the Grain Handling Industry, in particular:

- (a) the capacity of the market to ensure a vigorous and competitive marketplace for grain growers;
- (b) grain classification and standards, and whether internationally approved grain testing options should be available to growers on request;
- (c) service delivery, including human resources, operating hours and storage capacity of grain handling points;
- (d) export and shipping arrangements, including port access and associated costs;
- (e) grain quality management, including receiving and out-turn;
- (f) open and transparent information on all grains, including stock disclosures;
- (g) adequacy of road and transport infrastructure for the Grain Industry; and
- (h) any other related matter.

That the Committee have power to send for persons, papers and records and to adjourn from place to place and to report on 14 September 2011.

That Standing Order 339 be and remain so far suspended as to enable the Select Committee on the Grain Handling Industry to authorise the disclosure or publication, as it thinks fit, of any evidence presented to the Committee prior to such evidence being reported to the House.

Introduction

Grain Trade Australia, GTA (formerly NACMA) was formed in 1991 to standardise grain standards, trade rules and grain contracts across the Australian grain industry to enable the efficient facilitation of trade across the grain supply chain.

GTA has over 240 member organisations ranging from regional family businesses to large national and international trading/storage and handling companies.

Its members are responsible for over 95% of all grain storage and freight movements made each year in Australia. More than 90% of all grain contracts executed annually within the country refer to GTA's Grain Standards and/or Trade Rules.

In March 2009, NACMA changed its name to Grain Trade Australia Ltd. This name change better reflects the position of the organisation within the industry.

GTA's role is to ensure the efficient facilitation of commercial activities across the grain supply chain. To achieve this, GTA develops and provides the industry with some key tools.

GTA develops and distributes the wheat and coarse grain standards. It also distributes the standards for oilseeds (developed by Australian Oilseeds Federation), pulses (developed by Pulse Australia) and birdseed (developed by Queensland Agricultural Merchants) across the Australian grain industry. These grain standards are the basis of trade for domestic and export contracts.

Executive Summary

Grain Trade Australia strongly supports and engages in the facilitation of “a vigorous and competitive market place”. GTA’s role is to facilitate an efficient, equitable and open trading environment by providing leadership, advocacy and commercial services to the entire Australian grain value chain.”

GTA believes one of the most essential factors of a vigorous and competitive market place is cultivation of healthy competition amongst commercial players. The introduction of prescriptive regulation, either statutory or industry imposed, has the potential to negatively affect the ability of commercial organisations to facilitate trade on an efficient, equitable and open environment.

It needs to be stressed that any GTA process, be it a standard, trade rule or contract must not and does not advantage one industry sector over another. GTA is tasked with “facilitation of trade” and such actions would be in opposition to this role.

GTA standards and trade rules are widely used by the entire grain industry in all states throughout Australia and are highly regarded amongst our major grain export customers.

The standards are reviewed annually by the GTA Standards Committee and presented to industry at the GTA Grain Industry Common Interest Forum, where all members are able to tender their final comments to the Standards Committee before the standards are adopted for the applicable season.

Grain Trade Australia is responsible for the establishment of grain receival standards whilst storage agents across the country are responsible for the application of receival standards.

On the 1 January 2011, GTA and GRDC formed Wheat Quality Australia Limited to assume the responsibility of wheat variety classification and wheat receival standards for Australian wheat in the wake of deregulation. The formation of Wheat Quality Australia aims to ensure that the industry has a sustainable wheat classification system that works to improve the value of Australian wheat for producers, marketers, processors and customers of Australian wheat; and to enhance the competitiveness of the Australian wheat industry.

GTA response to Select Committee Terms of Reference

GTA will attempt to address, where appropriate, the issues outlined in the Select Committee's specific Terms of Reference, point by point.

(a) the capacity of the market to ensure a vigorous and competitive marketplace for grain growers;

Grain Trade Australian strongly support and engages in the facilitation of "a vigorous and competitive marketplace". GTA's role is to help facilitate an efficient, equitable and open trading environment by providing leadership, advocacy and commercial services to the entire Australian grain value chain."

GTA believes one of the most essential factors of a vigorous and competitive market place is cultivation of healthy competition amongst commercial players. The introduction of prescriptive regulation either statutory or industry imposed has the potential to negatively affect the ability of commercial organisations to facilitate trade on an efficient, equitable and open environment.

GTA strive to promote this view through the development and carriage of products once seen as "industry good functions".

Such products include; numerous industry based contracts, supported by explanatory notes, terms and conditions and trade rules. GTA also offers a dispute resolution service for all our contracts. GTA annually reviews and sets the commodity standards and testing procedures relevant to the industry. This also includes the development, review and publication of wheat and coarse grains standards, reference methods for wheat, barley and sorghum. Publishing of all grain, oilseed and pulse standards developed by associated grain organisations, the coordination of ongoing industry participation in the development of ISO bulk grain sampling protocol and commodity vendor declarations.

In 2009, GTA agreed to facilitate the compilation and publication of "The Australian Grain Industry Code of Conduct" and remains the custodian of the Code to ensure that it is maintained and reviewed on behalf of the industry. The Code was financed by the Australian Government Department of Agriculture, Fisheries and Forestry (DAFF).

The Code has been designed to promote 'best practice' and continually enhance behaviour of industry participants.

Industry participants who abide by the Australian Grain Industry Code of Conduct will:

- comply with laws and regulations relating to the merchandising, inspection, grading, weighing, storing and handling of grain and other commodities;
- maintain and promote the highest ethical standards and procedures in the transaction of business;
- act fairly and honestly with the public and employees ;

- consider the best interests of the Australian grain, and broader rural, industry and the public in their activities;
- ensure that export grain meets importing countries maximum residue limits (MRLs) and other import requirements; and
- work towards improving the standards of practice and service in the Australian grain industry.

The Australian Grain Industry Code of Conduct is intended to cover all industry participants in the Australian grain industry. The Code is a voluntary code and does not imply any contractual obligations.

(b) grain classification and standards, and whether internationally approved grain testing options should be available to growers on request;

GTA develops grain standards for use by industry; such standards being subject to annual review.

The process is as follows:

- GTA develops an Issues Paper for distribution to industry and which is also placed on the GTA website
- GTA encourages submissions from members and the broader grains industry.
- The GTA Standards Committee, which incidentally has production sector representation, considers all submissions
- The Standards Committee develop a DRAFT set of Standards which are then subject to another review round.

This process is repeated as required until there is industry consensus.

It needs to be stressed that any GTA process, be it a standard, trade rule or contract must not and does not advantage one industry sector over another. GTA is tasked with “facilitation of trade” and such actions would be in opposition to this role.

The comment that the standards may disadvantage producers is countered by:

- the representation of the production sector on the GTA Standards Committee, as are all other market sectors;
- the ability of organisations to either use the standards set by GTA or modify these standards to suit their own needs; and
- a reliance on the incorrect assumption that growers are the only sellers in the market. The primary buyer of grain quite often will on sell the grain and thereby they in turn will be subject to the same grain standards that they bought on. If the standards were to the advantage of the buyer, which is denied, then they (the buyer) would in turn be disadvantaged as they are now the seller.

(c) service delivery, including human resources, operating hours and storage capacity of grain handling points;

GTA does not believe it is in a position nor has the authority to comment on issue (c).

(d) export and shipping arrangements, including port access and associated costs;

GTA does not believe it is in a position nor has the authority to comment on issue (d).

(e) grain quality management, including receiving and out-turn;

Grain Trade Australia is responsible for the establishment of wheat receival standards whilst storage agents across the country are responsible for the application of receival standards.

GTA standards and trade rules are widely used by the entire grain industry in all states throughout Australia and are highly regarded amongst our major grain export customers.

The standards are reviewed annually by the GTA Standards Committee and presented to industry at the GTA Grain Industry Common Interest Forum, where all members are able to tender their final comments to the Standards Committee before the standards are adopted for the applicable season.

Whilst there are many competitive organisations vying for the grain producers' tonnes of grain either to store, trade or both, when it comes to standards it is critical that there is a uniform approach by all grain industry participants. This would ensure the quality, and therefore the price competitiveness, of the Australian crop is not compromised.

It is also critical that anyone who becomes a party to a contract that refers to GTA standards has a clear understanding of what the standards mean in practical and theoretical terms and how to apply those standards. For this reason GTA produces a grain standards manual and offers the industry training in this area through the GTA Professional Development Programs.

Furthermore, on the 1 January 2011, through the combined funding of GTA and GRDC, Wheat Quality Australia Limited was formed to assume the responsibility of wheat variety classification and wheat receival standards for Australian wheat in the wake of deregulation. The formation of Wheat Quality Australia aims to ensure that the industry has a sustainable wheat classification system that works to improve the value of Australian wheat for producers, marketers, processors and customers of Australian wheat; and to enhance the competitiveness of the Australian wheat industry.

(f) open and transparent information on all grains, including stock disclosures;

GTA does not believe it is in a position nor has the authority to comment on issue (f).

(g) adequacy of road and transport infrastructure for the Grain Industry; and

GTA does not believe it is in a position nor has the authority to comment on issue (G).

Conclusion

GTA believes that the area of grain classification, standards, testing procedures and grain quality management, including receival and outturn, is extensively regulated by the grain industry and comprehensively reviewed annually.

Further prescriptive regulation of these procedures should be a decision for the industry and should not involve government intervention.

GTA would appreciate the opportunity to address the Select Committee on The Grain Handling Industry.