GRAIN TRADE AUSTRALIA

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Wheat Industry Advisory Taskforce Secretariat
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wheattaskforce@daff.gov.au

Dear Sir/Madam,

Re: A preliminary assessment of wheat export quality management practices

I refer to the abovementioned discussion paper and provide comments on behalf of Grain Trade Australia.

1. About Grain Trade Australia

Grain Trade Australia (GTA) is the focal point for the commercial grains industry within Australia. It facilitates trade and works to provide an efficient, equitable and open trading environment by providing leadership, advocacy and commercial services to the Australian grain value chain.

GTA members are responsible for over 95% of all grain storage and freight movements made each year in Australia. Over 95% of the grain contracts executed in Australia each year refer to GTA grain standards and/or trade rules.

GTA members are drawn from all sectors of the grain value chain from production to domestic end users and exporters. GTA members are involved in grain trading activities, grain storage, grain for human consumption and stock feed milling.

Within this context, GTA provides comment on the discussion paper.

2. General Comments

2.1 Role of the Taskforce

In regards to the role of the taskforce "*is not to identify if there are opportunities to improve the quality of Australian export wheat. The role of the taskforce is to determine if the recent concerns expressed about Australian export wheat quality are part of the normal activities of the market and able to be resolved between buyers and sellers (where there are real problems)*".

The Australian grains industry seeks to continually improve on its ability to supply customers with the desired quality grain.

GTA believes that its role of providing services, advocacy and products support industry to continually improve its commercial practices. Through use and continual review of common trade contracts, dispute rules and standards, the Australian grains industry uses these tools to reflect the contemporary nature of grain trading and for its activities to be open and transparent. The development of the Code of Practice, as referred to in the Taskforce discussion paper, reflects that intent and direction of industry.

2.2 Pre-Shipping Assessment

Many of the discussion points in the pre-shipping section focus on chemicals. The GTA standards require that chemicals are applied to grain as per legislation and market requirements. However the

major focus of the GTA standards is meeting customer quality requirements per se. Hence the Code of Practice requires that industry determine the grain quality of wheat received and stored prior to outturn in order to meet customer requirements.

This focus on "knowledge of the grain quality" is an essential element of pre-shipping testing. The majority of this section in the discussion paper deals with testing "during loading" such as for quarantine aspects by DA or chemicals by the NRS. It could be argued that per se is not truly effective or industry defined pre-shipping testing.

As outline in the GTA Code of Practice, industry undertakes a range of testing at receival, while grain is in storage and prior to loading to ensure the correct grain is selected for the market. Sampling and testing at or post-loading is only the final check to ensure that the appropriate supply chain management process has occurred. Unfortunately this does not appear to be discussed to any extent in this section of the discussion paper.

3. Specific Comments

3.1 The Wheat Quality Management Process - Figure 1: The five stages of wheat quality management

- Storage & Handling - GTA are not aware of any containers being used to store or load grain for export on-farm. Hence the reference to "containers on-farm" is potentially irrelevant.
- Storage & Handling – very little test equipment used as part of the grain sampling and assessment process is "controlled by the National Measurement Institute". The majority of the quality parameters listed in standards are assessed according to industry controls through the use of GTA standards and procedures.
- Pre-Shipping Assessment – Wheat is tested according to industry standards (GTA Trading Standards) or customer requirements. This generally does not involve "ISO standards".
- Pre-shipping Assessment – similarly, testing by recognised independent inspection agencies is generally not done prior to loading. Results are frequently generated post-shipment, based on the sample provided by the port operator/container packer. Testing is done according to contract requirements, industry standards or using inspector affiliation methods (e.g., GAFTA, IFIA), not necessarily those of "ISO".
- Pre-shipping Assessment – similarly, testing by the National Residue Survey is only done post-ship loading, using the sample collected during loading. Note also that the NRS is part of the Department of Agriculture and thus should be referenced below the line.

3.2 Breeding: Discussion of Issues - The Role of WQA

"*The taskforce also notes that there is no legislated requirement for WQA to fill the role. The function could be performed by other providers but multiple systems may not be as efficient. It is important that Australia has an internationally recognised standard to provide certainty and comfort to all customers...*"

As noted in the discussion paper, GTA is a co-founder and supporter of WQA. While there is no legislated requirement for WQA (nor for development and adoption of grain standards such as the GTA Trading Standards), industry self-regulates in this area. GTA sets grain standards that include the classification of varieties by WQA, as noted in their Masterlist. The industry Code of Practice requires that a reference to GTA standards must meet all elements of those standards. That includes the classification of each variety into a grade. Thus by default anyone using GTA standards is "industry regulated".

The above comments also apply to other references throughout the discussion paper relating to WQA, classification and declaration of the variety at the point of delivery.

3.3 Production: Chemical usage and Maximum Residue Limit information - Role of the APVMA

"Farmers are legally required to use chemicals that are consistent with Australian Pesticides and Veterinary Medicines Authority (APVMA) regulations, state and territory control of use legislation and importing country requirements".

In relation to farmers, infield use of chemicals is generally not driven by importing country requirements. In most instances, the farmer is not aware of the destination market of their grain. This is also a common situation when grain is harvested and subsequently stored on farm. It may also be the situation during receival of the grain at the storage provider premises, especially under situations where the grain is warehoused.

Commodity Vendor Declaration (CVD) forms have been developed by industry to determine chemicals used on grain. The GTA CVD or similar versions are commonly used by the industry to gather information on chemical use and hence whether the grain is suitable for shipment to a particular market. Note that in many instances these CVDs are focussed on post-harvest chemicals and not pre-harvest chemicals.

The above comments are also relevant to other sections of the discussion paper that infers farmers, storage providers and others in the supply chain have this knowledge of the "importing country requirements".

3.4 Production: Chemical usage and Maximum Residue Limit information - The National Residue Survey

"*The National Residue Survey (NRS), in collaboration with representatives from the Australian grain industry, maintains a single document that details the chemical restrictions and MRLs applicable to wheat and other grains according to export destination. The Australian Grains Industry Post Harvest Chemical Usage Recommendations and Outturn Tolerances document is updated and released annually*."

The inference in this section and several other areas of the report is that the NRS is relevant to all chemicals used on grain. That is not the case. The NRS testing program is mainly focussed on post-harvest chemicals, although some pre-harvest chemicals, heavy metals and mycotoxins are also assessed on grain. As stated previously these results are made available after loading/marketing of the grain and are generally used by industry as a final confirmation that grain loaded is compliant with the required MRLs.

3.5 Production: Chemical usage and Maximum Residue Limit information – On-farm Production of Grain

The document states "*The proposed Australian Grain Industry Code of Practice covers on-farm responsibilities in relation to chemical usage, setting out accepted industry practice. All producers are able to utilise the Code although it is not mandatory to do so*".

While that section of the Code relating to on-farm activities is current, it may be replaced in future by a Grain Producers Australia "on-farm stewardship program" once developed and if agreement is reached on adoption by the production sector of industry.

Note also that the "*Australian Grains Industry Post Harvest Chemical Usage Recommendations and Outturn Tolerances*" document referenced in 3.4 above specifically only addresses post-harvest chemicals used by industry. It does not reference the use of any pre-harvest chemicals. Hence the GTA Code of Practice references required practices on-farm in relation to crop production before delivery.

3.6 Production: Question 1

"*Is there any evidence, which the taskforce has not considered, with respect to quality risks and the opportunities to mitigate them at the production stage of the supply chain?*"

Similar to comments relating to growers being unaware of the ultimate market for their grain and thus the MRLs for chemicals that apply, in the production phase, the grower may also not be aware of the market for their grain. Growers and others in the industry rely on receiving signals relating to the quality required by markets. Grade specifications, that is, GTA grades are an example. These signals will continue to be provided and assist to mitigate "quality risks" while industry use and compliance with GTA standards remains at the current high levels.

3.7 Production: Question 2

"*Is there sufficient information existing to make informed decisions on chemical usage?*"

GTA, as administrator of the Australian Grains Industry Post Harvest Chemical Usage Recommendations and Outturn Tolerances document, will continue to work with the NRS and seek industry input into its refinement to ensure it remains updated and relevant to industry. In recent seasons the question has been asked specifically of industry whether chemicals other than post-harvest chemicals should be included in that document. The response has been that at present, inclusion of pre-harvest chemical MRLs is not required as there are sufficient alternative sources of that information. GTA will continue to question that view when updating the document in future years.

3.8 Storage & Handling: Storage Pathways – Grain in Silos

"*For grain stored in silos, grain quality is assisted by a series of regular checks to ensure that deterioration due to environmental conditions is not occurring. Sufficient airflow and aeration may mitigate the growth of mould, moisture migration and insect infestation*".

The reference to checking grain does not solely relate to silos. Routine industry processes, as outlined in the GTA Code of Practice are that industry conducts routine inspection of grain whilst stored in all types of storages.

Different types of aeration have different impacts on grain quality. Aeration is only suited to particular storage designs. The statement in the discussion paper may be inferred by some that aeration is a commonly used tool to manage quality across the storage sector, or on-farm. This is not the case.

3.9 Storage & Handling: Transportation Protocols – Codes of Transport

"*The transportation of wheat from production sites to storage facilities is an industry self-regulated process, as per the Australian Grain Industry Code of Practice (developed by GTA)*".

Codes of Practice for transport operate along all sectors of the supply chain, not just for grain movement from production sites to storage facilities. One such Grain Transport Code of Practice is a joint initiative between GTA and the Livestock and Bulk Carriers Association (LBCA). There are various other Codes that are used in the industry along all stages of the supply chain, some of which are referred to in the GTA Code of Practice. GTA will continue to work with industry to ensure that all sectors of the supply chain and transport network have access to and implement appropriate industry self-regulated Codes of Transport.

3.10 Storage & Handling: Storage and Handling Protocols – Storage Facilities

"*The Code of Practice also outlines minimum operating guidelines for wheat storage facilities. These guidelines require grain storage facilities to be constructed and maintained so that the condition of wheat passing through the facility is not compromised by quarantine material or other contaminants*".

Ensuring stored grain is not compromised by "quarantine material or other contaminants" is just one element of grain storage. Other important criterion for good storage is to ensure "it is suited to the commodity stored and maintains its quality". Grain quality and pest management programs are vital for grain stored over time. Again, all essential elements of good storage practice are listed in the GTA Code of Practice.

3.11 Storage & Handling: Storage and Handling Protocols – the NWPGP

"*When a parcel of wheat is delivered to a storage or receival point, the grain is managed in accordance with specific storage and handling protocols. These protocols are usually tailored to specific companies or sites, but are consistent with practices endorsed by the National Working Party for Grain Protection (NWPGP). The NWPGP provides information on chemical usage and out-turn tolerances, as well as recommended storage and hygiene practices, market requirements, and regulations. The NWPFGP liaises with APVMA on chemical reviews and makes submissions on behalf of industry, where appropriate.*"

While the National Working Party for Grain Protection (NWPGP) is the industry body that provides advice on "storage and handling protocols", this is limited to grain quality management in relation to pest control techniques for grain stored post-harvest.

The NWPGP only "liaises with the APVMA on chemical reviews and makes submissions" in relation to post-harvest chemicals. It does not make submissions to the APVMA on any pre-harvest chemicals.

3.12 Storage & Handling: Storage and Handling Protocols – Storage and Handling Agreements

"*Under the GTA Code of Practice, storage and handling operators must enter into Storage & Handling Agreements with growers to ensure that the integrity of a grower's wheat is maintained. While the GTA Storage & Handling Agreement (available through the GTA website) provides growers with a template for such an agreement, alternative storage and handling agreements are used to the same effect. These are enforceable under state legislation through contract law*".

The GTA Code of Practice requires storage operators to enter Storage & Handling Contracts with customers of those services. While this may include growers in instances such as warehousing, the major customers are buyers of that grain.

3.13 Storage & Handling: Varietal declaration and receival standards – Testing Equipment

"*The equipment used to test wheat against receival standards must comply with National Measurement Institute regulations and the procedure for testing must follow recognised ISO standards in National Association of Testing Authorities (NATA) accredited laboratories*."

Again, as noted previously, little of the test equipment used by industry to assess grain in the field comes under "official control" of the NMI in relation to verification and accreditation. In addition, the procedures for testing are listed in the GTA standards for wheat. These procedures generally do not follow ISO. Testing is done at receival sampling standards for most wheat loads tendered for delivery and these facilities are generally not NATA accredited or officially designated as or are "accredited laboratories".

3.14 Storage & Handling: Blending – Standards & WQA

"*It should be noted that WQA bin grades are voluntarily adopted by storage providers in most instances with GTA determining trading standards. In effect the industry 'self regulates' around the adoption of these WQA bin grades and standards*".

As stated previously, adopting the varietal classification of each variety as determined by WQA and listed by GTA in the GTA Standards is a requirement of using GTA Standards. In addition, WQA does not develop bin grades. As outlined in the wheat standards "Wheat classification is the categorisation of a wheat variety into a Class based on processing and end product quality and determines the highest Grade that a variety can be accepted into at delivery". The bin grades per Class and subsequent cascade rules are developed by GTA taking into account the WQA classification.

3.15Storage & Handling: Blending – Obligations

"*Grain is blended within segregation at the risk of the storage provider, given that the obligation remains with the provider to out-turn to the standard agreed with the owners of the grain in each segregation*".

Note that this guarantee does not always apply. While negotiations may occur, there are various terms in some Storage and Handling Contracts where the storage provider does not guarantee the quality of grain outturned in relation to particular quality parameters.

3.16 Storage & Handling: Discussion of Issues – Varietal Declarations and Guarantees

"*Blending segregations need to take into account the varietal composition of the segregations and therefore the risk of co-mingling unsuitable varieties that may not meet the purpose of the exporter or buyer. Incorrect variety declaration at receival, and/or point of sale, can threaten the integrity of the system and allow varieties with 'poor 'functional properties to be stored and mixed with those with 'good' properties, thereby degrading the overall quality of the stack and compromising its marketability. However, it is also important to note that while there are risks of contractual defaults; buyers have sufficient recourse to obtain rectification*."

As noted above, there are clauses in Storage & Handling Contracts that list particular quality parameters that are not guaranteed on outturn. For the majority of deliveries, while a varietal declaration is taken, limited auditing of those declarations is conducted. In addition, this testing may be some time after receival. Under the limits of that process determining the responsible party for violation of the GTA Standards may be problematic.

The discussion paper goes on to discuss the opportunities for developing varietal assessment procedures at the point of delivery. Industry acknowledges there is currently no commercially available rapid test for assessing varieties at receival. This places a greater emphasis on the correct declaration of variety, as stressed in the GTA Code of Practice. Even with an adequate test developed, there remains a key education and enforcement role to ensure industry not only understands the importance of correct varietal declaration, but also the importance of maintaining grade segregations throughout the supply chain. Over-riding these elements will be commercial aspects and risks of implementing and guaranteeing quality stored and outturned, as noted previously.

3.17 Pre-Shipping Assessment: Verification against receival standards – Testing at Port

"*On arrival at port, terminal operators assess the physical characteristics of wheat according to receival standards. If the bulk wheat passed through a commercial storage facility prior to arriving at port, this is the second time it has been assessed against these standards. If an overseas customer wants to ensure that that out-turned grain meets contract specifications and functionality requirements, they can request independent testing from internationally accredited service providers*."

It should be noted that grain delivered to port ex commercial operators (i.e., Bulk Handling Companies that do not own port facilities) has generally been stored in a commingled situation and will be a mix of varieties.

Independent testing generally relies on the sample provided by the export terminal operator and as stated previously, is generally not done pre-shipment.

Frequently there are no guarantees for functionality, only that the grain meets the minimum standards or standards as outlined in the contract.

3.18 Pre-Shipping assessment: Testing for chemical residues and pests – MRL Compliance

"*The impact of using chemicals and/or pesticides that have not been approved, or applying them in a manner which is inconsistent with the recommended usage, could lead to rejection of shipments. However, the MRLs for these chemicals/pesticides are set at levels, which are not likely to be exceeded if the agricultural or veterinary chemicals are used in accordance with approved label instructions*."

It must be stressed that even if chemicals are applied and grain withholding periods are as per label requirements, this does not mean that market MRLs will be met. Market requirements are independent of MRLs that apply in Australia. Knowledge of the market requirements is required to ensure compliance for each consignment. A combination of use of CVDs for all delivered grain by the storage agent and pre-shipping testing by the storage agent/marketer is then done to ensure the shipment complies with the chemical restrictions imposed by the market.

3.19 Pre-Shipping assessment: Testing for chemical residues and pests – Residue Levels

"*Residue monitoring is part of an overall strategy of the DA to minimise chemical residues in agricultural produce*".
It is noted that residue levels of post-harvest grain protectants are relatively low in recent years due to the reliance on the use of fumigants such as phosphine. While minimising residue levels on grain may be a goal of DA, the grains industry focuses on meeting market requirements for each chemical.

3.20 Pre-Shipping assessment: Testing for chemical residues and pests – Violations

"*If a sample is found to contain a residue above the relevant Australian Standard, a traceback investigation is undertaken to establish the cause. The responsible state or territory agency then provides advice to the producer to prevent recurrence. In circumstances that are more serious regulatory action may also be taken*."

It should be highlighted that the NRS reports violations and tracebacks are undertaken for chemicals above Australian MRLs only. As noted previously, the consignment may meet the Australian MRL but not the importing country MRL.

In addition, while the NRS may advise the exporter that the consignment does not meet the importing country MRL, it cannot dictate to the exporter than remedial action must occur to that consignment. Hence the GTA Code of Practice provides guidance to industry on the need for appropriate pre-shipment testing to ensure market compliance. Part of that strategy is to only outturn grain when the quality (i.e., chemical residue status) is known.
Note that Appendix 4 lists violations of Australian MRLs in export cargoes, not individual country violations of shipments.

3.21 Pre-shipping Assessment - Question 2

"*Are there sufficient numbers of AO's? Is this voluntary approach effective? What else is required to add rigour to monitoring the quality of export wheat leaving Australia, if anything?*"

As noted previously DA inspection is for quarantine purposes to ensure the product loaded meets the importing country quarantine requirements. The inherent quality of the grain loaded, and its grade classification according to a standard, is not within the role of DA. Hence a more appropriate focus for industry feedback should not be on DA inspection but the industry role in loading a quality product, as outlined in the GTA Code of Practice.

3.22 Pre-shipping Assessment - Question 3

"*Should all wheat exporters be required to participate in the NRS as a condition of export?*"

This issued is referenced in the GTA Code of Practice as follows:

The Australian National Residue Survey (NRS) gathers information on chemical residues and environmental contaminants in the products of participating industries such as grain. Samples are taken from a range of domestic grain products, container exports and all bulk exports of prescribed grains and assessed for levels of a range of chemical compounds.

Where MRL violations are detected, the NRS initiates a trace-back system to determine the cause. That trace-back system is done by the relevant regulatory authority in each State and Territory as required by legislation. As required by legislation, NRS reports on those violations.

- *All grain organisations outturning on the domestic market to an end-processor (who is not defined as a primary producer) are required to participate in the NRS grains residue monitoring program;*
- *All bulk grain exporters are required to participate in the NRS; and*
- *All container exporters are required to participate in the NRS.*

3.23 End User - Obtaining feedback from importers and consumers – Feedback Capture

"*Based on the volumes of wheat being sold and the lack of evidence to suggest that market share is being lost in premium markets, it is difficult to sustain the argument that there has been deterioration in quality since deregulation*".

GTA is not aware of any central repository and reporting to industry/Government of market intelligence relating to non-compliance of shipments with contracts or importing country regulations for quality, chemicals, quarantine measures etc. Collecting such information and reporting thereof may provide further guidance to industry on measures to assist improving the reputation of Australian wheat in the international marketplace.

Thank you for consideration of this response.

Geoff Honey
Chief Executive Officer