

NewsInGrain

ISSUE 2, NOVEMBER 2009

News from the Board

At GTA's **Annual General Meeting** held on 12 October 2009 two Directors retired and a new Director was appointed:

Rod Wolski

The Australian grain industry and GTA members owe Rod Wolski an enormous debt of gratitude upon his retirement as a GTA Director. Rod has been actively involved with GTA since 1991 and has served as a Director since 2004.

During this period there have been changes to regulatory controls coupled with increased commercial activity and an awareness by industry participants that they must be responsible for their actions. In response, Rod enthusiastically supported GTA to meet the changing needs of the commercial grain industry – his input regularly assisted GTA in responding to challenges. As a result GTA has grown in stature and is now recognised as a major grain industry organisation.

As Chairman of the Transport, Storage & Handling Committee, Rod displayed sound leadership at a critical time when major changes to the development process of location differentials (LDs) were being introduced. Rod willingly accepted this challenging and not always popular GTA role. His understanding of industry's needs in this area and his commitment to providing industry with workable LDs resulted in a logical methodology being developed. Industry is reminded that without these numbers and a genuine respect for them, the entire grain commercial/logistics chain would stall.

Rod's contribution to GTA has brought about positive changes and helped to create an environment in which there are benefits for the whole industry. His work, drive and vision accelerated GTA's maturity and his involvement at Board level was critical to ensuring GTA upheld its core values and retained a grass roots approach.

GTA members and the Board thank Rod for his dedication, passion and genuine friendship over many years.

Stuart Richardson

In comparative terms, 2007 is not long ago, yet over this period the grain industry evolved more than in the previous ten years. Stuart Richardson's tenure as a Director of GTA spanned this formative period. As a GTA Director, Stuart provided constructive and open commentary. At all times his approach was to work for the betterment of the organisation and its ideals.

Stuart participated in decisions leading to the release in July 2008 of the "Grain Trade Australia – Adding value to the Grain Chain" document. This document was a real step change for GTA and required action and involvement from a harmonious and aligned Board.

As Chair of the recently formed GTA Biotechnology Committee, Stuart and his Committee have put this topic firmly at the top of the list of major issues facing GTA and the grain industry as a whole. This area of industry activity will increase as Australia's GM production increases. This issue will also affect more organisations as more Australian based companies and marketers trade GM grain from other origins.

GTA members and the Board extend their appreciation for the valuable work Stuart has carried out and thank him for his honesty, integrity and his unfailing commitment to bettering the Australian grain industry.

Phil Holmes

GTA is pleased to welcome Phil Holmes of PAH Consulting Pty Ltd. Phil has over 37 years experience in the Australian and international grain and oilseed markets. His experience includes:

- managing producer commodity marketing pools
- management of an international company trading desk
- commodity processing
- the writing and presentation of commodity marketing training manuals for producers, manufacturers and traders
- management of his own commodity marketing consulting company
- representation on State and Federal Government advisory committees

During his career he has conducted consultancy contracts with major Australian banks, trading companies, State and Federal Government institutions, manufacturers and producer groups on marketing strategy development, trading techniques and commodity price risk management.

Following the 2009 Annual General Meeting, GTA is pleased to announce its Board of Directors:

- Neil Johns (GrainCorp Operations Limited) – Level A
- Geoff Barker (Cargill Australia Ltd) – Level A
- Robert Parkes (Ridley Agri-Products) – Level B
- Michael Chaseling (Emerald Group) – Level B
- Chris Kelly (KM & WM Kelly & Sons) – Level C
- Phillip Holmes (Queensland Agricultural Merchants Inc) – Merchant Association
- Patrick Haire (Woodside Rural Brokers Pty Ltd) – Merchant Association
- Jim Riordan (Riordan Group Pty Ltd) – Merchant Association

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- Malcolm Finlayson (Finesse Solutions) – Special Qualifications
- Tom Keene (GTA Chairman) – Special Qualifications

Board Sub Committee members:

Audit & Finance Committee

Chair: Malcolm Finlayson – Finesse Solutions

- Chris Kelly – KM & WM Kelly & Sons
- Geoff Barker – Cargill Australia
- Tom Keene – GTA Chairman

Business Development Committee

Chair: Neil Johns – GrainCorp Operations Limited

- Josh Roberts – CBH Group
- Malcolm Finlayson – Finesse Solutions

Membership Committee

Chair: Geoff Farnsworth – M+K Lawyers

- Chris Kelly – KM & WM Kelly & Sons
- Geoff Barker – Cargill Australia
- Jim Riordan – Riordan Grain

National Trade Measurement Regulations 2009

There are changes to the system of trade measurement – previously trade measurement was administered by State Governments whereas now this process comes under Commonwealth control. These changes will potentially impact on members who operate equipment such as weighbridges and analyse wheat and barley for protein and moisture content for the purposes of trade.

GTA has received the following advice from the Australian Government that outlines where details of the new regulations can be accessed:

The National Trade Measurement Regulations 2009 (Cth) commenced on 11 September 2009. This is an important step towards implementing a national system of trade measurement. The National Trade Measurement Regulations 2009 (Cth) are available on the Commonwealth Attorney-General's legislation website at www.comlaw.gov.au

The National Measurement Institute (NMI) has also produced a guide to the new regulations which will soon be available from the NMI website: www.measurement.gov.au

In order to introduce industry and other key stakeholders to the new legislation, the NMI will be hosting two information sessions at their Sydney location. The first session will centre on the new arrangements for servicing and public weighbridge licensees (10am to 12pm AEDST). The second session will address the broader trade measurement regulatory issues for industry and business (1-3pm AEDST).

Date: 4 December 2009

Location: Lehany Theatre,
National Measurement Institute,
Bradfield Road, West Lindfield, Sydney

To register, please download the registration form from the NMI website, www.measurement.gov.au fill out the requested details and email it to rsvptm@measurement.gov.au

If you are unable to attend either of these sessions due to your business being located interstate, please use the registration form to indicate in what other capital city you would be able to attend an information session.

Australian Grains Industry Conference (AGIC) 2009



The Australian Grains Industry Conference 2009 was held in Melbourne at Crown Promenade from 28 – 29 July. The theme for the Conference was 'The changing face of the Australian grains industry' and there were excellent numbers of delegate registrations, with just over 700 individuals registered to participate in the Conference over the two days. Again the Conference dinner on 28 July at Crown was very popular – the evening was at capacity, with more than 500 attendees.

AGIC is Australia's premier grain industry conference. The future of this Conference looks bright with the number of delegates attending increasing each year. These delegates represent key high level stakeholders within the grain and associated industries. Highlights of the Conference included the sessions on the global outlook for the

industry, leading agribusiness CEO's, consumer and customer roundtable and the panel discussion on quality. AGIC presentations can be accessed at www.ausgrainsconf.com

This year's Conference attracted a good response from the media – to date, 94 clips have been recorded in the print and broadcast media mentioning the AGIC. A number of stories were published online including FarmOnline, the ABC website and newswire sites such as Dow Jones, Reuters and Bloomberg. ABC TV's Landline program was present at the Conference and interviewed Rebecca Wilson from Cargill, and Peter Malpas from Braemar Seascope. The story also contained conference footage of Tom Keene and Tony Burke, Federal Agriculture Minister speaking. The story aired on Sunday 2 August 2009.

Planning is underway for next year's conference which will again be held in Melbourne on Tuesday 27 and Wednesday 28 July 2010.

GTA'S ELECTRONIC MEMBERSHIP TAG "E-TAG" IS WELL RECEIVED

GTA is delighted to see its members proudly displaying their GTA electronic member tags – on contracts, on agreements and on client/customer notices etc. We've also spotted our "E-Tags" on members' websites and as part of their email signatures!

The inclusion of your E-Tag is a great way to tell organisations and individuals of your genuine support for the Australian grain industry.

GTA welcomes initiatives from members about additional opportunities to display E-Tags.

Have you come up with another place to use your E-Tag? If so, let us know.



2009 – 2010 | Membership No. 0300

GTA's 2010 Professional Development Calendar will be available on the GTA website by end of January 2010 – **LOOK AND BOOK EARLY TO AVOID DISAPPOINTMENT!**

NEW CODE OF CONDUCT FOR THE AUSTRALIAN GRAIN INDUSTRY

An Australian Grain Industry Code of Conduct that will guide Industry to best practice and transparency in transactions along the grain supply chain was launched this month.

GTA, as custodians of the Australian Grain Industry Code of Conduct (The Code), will oversee its release and evaluate its performance on an annual basis.

This voluntary code focuses on the transactions and processes relating to the buying and selling of grain and applies to all commodities and all forms of packaging.

To date, eight grain industry organisations have signed up to The Code with more expected to follow.

GTA Chairman Tom Keene said The Code had been designed to improve the transparency and clarity of transactions regarding the buying and selling of grain as well as enhance the behaviour of Industry participants.

"The Code aims to encourage best practice along the supply chain when it comes to transactions that relate to the buying and selling of grain.

"The Code will also serve to improve stakeholder and customer confidence in the Australian grain industry, a key challenge for Industry following changes to wheat marketing arrangements," Tom said.

Tom added that GTA was well placed to be the custodians of The Code.

"GTA, as the organisation responsible for providing the commercial rules and standards used across the entire Australian grain industry, has a very important role when it comes to supporting and reviewing the progress of The Code," Tom said.

Australian grain industry stakeholders will receive a copy of The Code in the latest edition of GRDC's Ground Cover publication. It can also be downloaded from the GTA website by visiting www.graintrade.org.au

The Code's development has been facilitated by GTA with financial support from the Australian Government Department of Agriculture, Fisheries and Forestry (DAFF) as part of the wheat marketing transitional funding assistance measures.

CHAIRMAN REPORTS TO MEMBERS

GTA's Chairman Tom Keene presented his inaugural report to members at the 2009 GTA Annual General Meeting held at the Marriott Hotel in Sydney on Monday 12 October 2009.

My first year as an independent chairman has been both interesting and rewarding. GTA's move to appoint an independent chairman, change its name and implement its strategic plan sent a clear signal to Industry that GTA firmly accepted its responsibilities in the new environment and would play its part in ensuring the successful growth of the grain industry in Australia.

Last year the GTA Board established its vision and objectives for the business. This year the focus has been on implementation of this vision and ensuring the efficient facilitation of trade.

Some of the highlights of this year include:

- GTA reaffirmed the core principles of adding value to the industry through trade facilitation;
- GTA made positive contributions to leadership, advocacy and commercial resources across the Australian grain supply chain;
- GTA provided arbitration services to meet the enormous demand – an outstanding achievement. Achieving this feat required an increased workload for staff and all our voluntary arbitrators. The challenge was met without hesitation;
- GTA's ongoing efforts to engage its members in an open and transparent way providing forums for direct input and contribution;
- GTA's provision of education through professional development programs and specialised training courses that provided members and Industry with opportunities to grow their knowledge and their business. This fills an important industry gap in the transition to a deregulated wheat market; and
- GTA made a surplus for the year of more than \$200,000 which resulted in its equity reaching over \$700,000.

GTA's continued strong financial performance reflects the extent of the activities being undertaken and the depth of Industry's involvement. We have now established a sound financial base to launch products and services that can enhance our members' business and grow opportunities for everyone. This year it is a clear objective of the Board to ensure this value is delivered.

As we become increasingly involved with all sectors of the supply chain, we have an objective to broaden our membership base to include both large and small participants; financiers and brokers; as well as traders and producers. Within the shifting landscape of the grain industry, it is critical to have a rock, like GTA, to provide essential commercial services. This service provider has to belong to the whole of Industry. Irrespective of whether the benefits are direct or indirect, tangible or intangible, the outcomes of GTA's services ensure the smooth enactment of trade.

We have all heard concerns being expressed by overseas customers following the deregulation of



export wheat. This is understandable as they also feel their way in this new environment. GTA, together with other organisations, has assisted in building confidence through its independence and its role in the supply chain. A specific example of this is the development of an Australian Grain Industry Code of Conduct. GTA's leadership role helps build market access and directly benefits members.

The role of building confidence is also important domestically. GTA, by providing efficient commercial services, clearly demonstrates the future of our industry can and should be built on strong self regulation – an essential element in any market based environment. We have a key role to demonstrate to Government and the broader industry that the leadership and resources are in place to deliver commercial services. GTA's role adds value to the whole sector.

Our role in education is an important one. Linked with this is communication and access to information. GTA continues to seek new and effective ways of engaging with members and Industry so everyone can benefit from the education programs and the stream of information being disseminated.

For many, the highlight for the year was the Australian Grain Industry Conference. The event brought together a maximum cross section of those involved in the Australian grain industry in one location. With more than 700 delegates, it was a large scale logistics exercise that was successfully planned and implemented by a number of people including the staff of GTA. This annual conference is financially successful and is the peak industry grain conference held in this region of the world. A challenge for GTA's Board is how to continue to grow the role and function of this conference for Industry.

Looking to the future, GTA has a specific and critical task, to maintain and build relationships right across the sector – from producers and the smallest of merchants to large corporate grain companies and financiers. By doing this the real services we provide are identified and valued. Trade is efficiently facilitated, demand for Australian grain increases and all participants within the Industry benefit.

During the past year the workload has fallen, as it usually does, heavily on our staff. Geoff, Shane and Sheryl have risen to the challenges and I thank them on behalf of all our members for their enthusiasm and commitment. Also, I extend a big thanks to our many committee members and arbitrators. These individuals have given generously of their time to efficiently perform their very valuable roles. Finally, I thank the GTA Board for their patience as I came to grips with the business. I value their ongoing support and involvement. Thank you.

PROTOCOL ON BIOSAFETY (BSP) – TO RATIFY OR NOT?

GTA has prepared a discussion paper to inform grain industry participants, Government departments and agencies on specific aspects of the Protocol on Biosafety, also called the Cartagena Protocol (BSP). There are aspects within the BSP that could impact on current and future commercial activities within the Australian grain trade. The full paper is available on the GTA website www.graintrade.org.au

The BSP is an international treaty governing the movement of living modified organisms (LMOs) resulting from modern biotechnology from one country to another. It was adopted on 29 January 2000 as a supplementary agreement to the Convention on Biological Diversity and entered into force on 11 September 2003.

The Australian Government, as part of its preparation for the next BSP meeting in October 2010, will, as a matter of course, review its current position to determine if it is still advantageous to Australia's interests.

A central issue regarding Australian ratification is once a country has signed they will be required to implement the provisions of the BSP. This has major implications for the grain trade which include:

1. Australia would have to be compliant to the BSP within a "reasonable" time at a yet to be determined cost. Currently the Australian grain industry is on the same footing as its major competitors, particularly the United States and Canada.

However, if Australia ratifies the Protocol, then it is reasonable to assume Australia's regulations would soon be compliant with the Protocol and it follows that the Australian grain industry must comply with Australian regulations. Therefore Australian grain exports would no longer be on the same commercial footing as exports from the United States, Canada or Argentina.

2. Australia would be signing a protocol with key Articles that substantially affect trade still to be finalised.

2.1 Documentation requirements – Article 18.2 (a)

This Article details the documentation requirements that identify the LMOs present in a shipment. The central issue is whether exporters need to declare the shipment CONTAINS LMOs (prohibitively expensive and disables potential trade) or MAY CONTAIN LMOs (the wording supported by the international grain trade).

2.2 Standards – Article 18.3

The BSP will consider the development of "standards". The reference is vague and does not hint at the direction this Article may take. All global commercial activity relating to the export/import of grain is totally reliant on existing and well understood grain standards. Major exporting countries have long established, well understood (by exporters and importers) and most importantly, globally respected grain standards.

The grain trade would be concerned that a push for the introduction of new grain standards would:

- be expensive to develop, let alone the long term administrative considerations;
- would not be able to consider regional/national variances; and
- cause confusion to the existing market place resulting in a loss of confidence in contractual obligations.

2.3 Liability & Redress (L&R) – Article 27

To be somewhat colloquial "whose gonna pay" if there is damage to biodiversity. Obviously a central issue of the BSP. The major issue currently being debated is the definition of "operator", as the current documentation identifies the "operator" as the organisation responsible for the L&R.

If members of the grain trade were held partially or fully responsible for L&R they would have to decide whether to engage in some or any GM trade depending on their assessment of the risks involved in regards to the commodity, the event and the country of import.

GTA believes if damage to biodiversity is caused by the inherent nature of the trait introduced into the seed, then the liability should be directed to the technology developers who developed the trait not the trade who moved an approved seed from a point of surplus to a point of deficit.

Advantage of ratification

The major advantage for Australia to ratify prior to the next meeting in October 2010 is that as an exporting country it would have input into the direction the BSP takes. At the moment Australia has negligible input into the deliberations.

Joint (Grain) Industry / AQIS Ministerial Taskforce on Export Certification Reforms

Minister for Agriculture, Fisheries and Forestry, The Hon. Tony Burke MP, implemented a joint grain industry/AQIS taskforce to review and implement changes as appropriate to the delivery arrangements for the AQIS grain exports service.

This project was an outcome of the Beale Panel Report One Biosecurity – A Working Partnership, which was released in December 2008. Key findings of the Beale Report were:

1. AQIS operate on a cost recovery basis and therefore the 40% subsidy should be dropped; and
2. There needs to be a full review of AQIS/key stakeholder relations to promote efficiencies and improve productivity.

The Minister agreed on the formation of a joint industry – AQIS taskforce (taskforces) to review AQIS export processes, with the aim of developing more efficient, streamlined ways of working to offset the cost increases due to the removal of the Government subsidy.

The taskforces were formed around the commodity specific AQIS consultative committees. In the case of grain this is the AQIS Grain Industry Consultative Committee (AGICC). This taskforce has formed work groups which are addressing the Grain Export Certification Reform Package.

The legislation to enable these reforms to proceed was challenged in the Senate by the Opposition parties in a Disallowance Motion. The Motion was successful and hence the reform package has stalled and AQIS faces a shortfall of around \$5 to \$6 million due to the withdrawal of the Government subsidy.

This is an untenable situation and GTA has written to both the Minister and the Opposition Senators detailing the issues and encouraging them to reach a swift resolution of the impasse.

GTA MEMBERS... UPSKILL YOUR CUSTOMERS

Understanding Grain Markets workshops for GROWERS

Partner with GTA to offer your clients training in the area of marketing grain.

Growers need to be aware of their responsibilities and the challenges that now exist in deregulated domestic and export markets – they need to know how the process works and everyone's obligations!

Contact GTA for details of how you can present GTA's new course *Understanding Grain Markets (UGM)* to your growers simply and economically.

Phone Sheryl Brown today at GTA on **02 9247 6408**.



Recent Awards at Arbitration

It should never be inferred that the commencement of an arbitration will always lead to a successful award in favour of the Claimant initiating the matter – reference the following cases.

Repudiatory breach successfully challenged (DCT contract) – Arbitration 63

Arbitration Committee – John Orr, Peter Howard and Ole Houe (Chairman).

Claim – This dispute relates to performance of a contract between the parties for the supply of 2000 metric tonnes of gritting maize DCT (“the Contract”).

Issues for determination:

1. Whether the Respondent's words and conduct constituted a repudiatory breach of the Contract?
2. In the event that the Respondent did not breach the Contract, did the Claimant's alteration of the shipping schedule constitute a breach of contract?

Details

The Claimant submits that the Respondent committed an anticipatory breach of the contract, whereby “before performance is due, a party renounces the contract.” This renunciation need not be express, but can be inferred from conduct where the party in breach has, “acted in such a way as to lead a reasonable man to conclude that [he] did not intend to fulfil [his] part of the contract”.

In the alternative, the Claimant submitted that its actions in failing to provide 21 calendar days pre-advice as to the vessel cut-off date constituted only a minor breach of the contract whereas the Respondent's failure to deliver constituted a breach of an “overriding obligation”.

Award findings

The AC found that:

- The Respondent clearly proved that it has been neither silent nor inactive in relation to the contract with the Claimant. On the contrary, it has provided evidence of clearly responding to each communication initiated by the Claimant.
- Whilst there may have been some indications throughout the negotiations that the Respondent was having difficulties fulfilling the contract, the Claimant's failure to accept the containers within the nominated period and the attempts to change the packing company and location were clear breaches of this contract.

Award

1. **The Claimant was unsuccessful** and instructed to pay the Respondent's reasonable arbitration and legal fees; and
2. payment of AUD 70,000, being the balance of the purchase price of the first 1000 metric tonnes delivered by the Respondent.

Take out

Confirm your position prior to taking further action, especially in anticipatory situations.

Ignorance is no defense – Arbitration 69

Arbitration Committee – Chris Heinjus, Angus McLaren, Greg Carroll (Chairman).

Claim – This dispute concerns the terms of a contract entered into between the parties. While the Respondent signed contractual documents presented by the Claimant, it now says that:

1. It did not read those documents before signing;
2. It does not reflect the prior oral understanding of the parties; and
3. The effect of the documents was misstated by the Claimant prior to signature by the Respondent.

Details

There was uncertainty about precisely what was said by the parties at a meeting to discuss the contract, but the arbitrators made the point that there must be strong and compelling evidence of misrepresentation in order to vitiate the contractual effect of documents signed willingly by a party.

On balance, they were not satisfied that such evidence exists in this case. Similarly they did not find any compelling evidence of “special disadvantage”, particularly in light of the previous trading history between the Claimant and Respondent.

Award findings

Accordingly, the AC found:

- That the parties concluded a valid contract; and
- That the parties concluded a valid washout agreement.

Award

The Claimant was successful and the Respondent was ordered to pay damages, arbitration and legal fees.

Take out

Ignorance is no defence. Understand the terms and conditions before entering into a contract.

GTA jurisdiction challenged unsuccessfully (Fast Track Arbitration) – Arbitration 78

Sole Arbitrator – Colin Peace.

Claim

This dispute relates to a claim for \$X claimed to be outstanding under a contract between the parties for the sale of a grain type. The issues which fall for determination are:

1. Was the contract between the parties wholly oral or wholly written, or partly oral and partly written?
2. Did the contract contain a pool agreement with a “guaranteed” base price of \$X per tonne?

Details

The Claimant commenced proceedings against the Respondent in the Local Court of New South Wales in Griffith. The Respondent successfully brought an application to stay the proceedings on the basis that the Contract contained a GTA arbitration agreement.

The Court directed the parties to GTA due to incorporation of the GTA Dispute Resolution clause.

The Claimant submits that they entered into a Purchase Contract for a guaranteed price, whereas the Respondent countered that they had entered into a Pool Contract with the Claimant.

Award findings

The Arbitrator found that:

- A contract was in existence; and
- The contract was a pool contract.

Award

The Claimant was unsuccessful and instructed to pay the Respondent's reasonable arbitration and legal fees.

Take out

Where GTA Dispute Resolution Rules are incorporated into a contract the first point of contact to resolve a dispute is GTA.

Existence of contract not proved – Arbitration 45

Arbitration Committee – Alick Osborne, Andrew Wilsdon, Henry Wells (Chairman).

Claim – The main issue for determination in this dispute is whether or not a contract between the parties came into existence and if so what are its terms.

Details

The Claimant submitted that it entered into a contract with the Respondent by telephone. The Claimant submits that a contemporaneous entry in its agent's day book confirms this. The Claimant submits that the contract was entered into its system by its agent's assistant who was to post the contract to the Respondent by regular mail.

The Respondent submits that it did not enter into a contract on 18 July 2006 with the Claimant's agent. The Respondent submits that the Claimant has failed to establish the content of that alleged conversation and therefore cannot demonstrate that both parties agreed on the terms of any such contract.

Award findings

The AC found that:

- A conversation did take place between the parties;
- They cannot be satisfied of the contents of that conversation; and
- The Claimant has failed to prove that the conversation resulted in offer and acceptance of the key terms to form a contract.

Award

The Claimant was unsuccessful and instructed to pay the Respondent's reasonable arbitration and legal fees.

Take out

Should a verbal contract be entered into, the buyer must keep comprehensive records of the entire conversation and follow up with a written confirmation that can be proven as being received by the seller.

World Wheat Trends and the Effect on Australian Prices

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Last year was characterised by extremely high wheat prices, with spot values reaching an unprecedented peak of AUD515 per tonne, delivered Newcastle for APW, on 26 February 2008.

These prices were driven largely by a sharp drawdown in global wheat stocks, combined with depleted carryover stocks in Australia due to the 2007 drought.

World Wheat Prices

Figure 1 shows world wheat prices (as indicated by Chicago Board of Trade (CBOT) Wheat Swaps) fell sharply after a March 2008 peak and have continued to decline from a high of AUD456 per tonne to a recent low of AUD186 per tonne (a fall of \$270 per tonne or 68%).

Figure 1 also shows that in this same period, Australian wheat prices fell. The Newcastle APW price fell AUD334 per tonne between late February 2008 and early October 2009, from AUD515 to AUD181, as the market reflected offshore weakness and the removal of the drought premium.

Due to the historically high wheat prices in 2007/08, the world wheat area planted increased by 3% year-on-year from the 2006/07 crop to the 2007/08 crop and then a further 3% to the 2008/09 crop. The planting for the 2009/10 season consolidated during 2009, increasing just 0.6% to 226.7 million hectares.

The production response in terms of output has been even more dramatic, possibly due to more productive land moving into wheat production. In 2007/08, world production increased 15.4 million tonnes (2.6%) to 611 million tonnes, and then in 2008/09 increased 71.3 million tonnes (11.7%) to 682.3 million tonnes. Recent estimates place the 2009/10 wheat crop at 664 million tonnes, 18.3 million (2.7%) down on last years bumper crop but still the second largest in history.

World Wheat Stocks

While consumption has also continued to rise, ending stocks have rebounded to 169 million tonnes last year and are projected at 186.6 million tonnes for the 2009/10 crop, a level not seen since the 2001/02 crop. This has happened after endings stocks fell to 30 year lows of 122.6 million tonnes in 2007/08.

As a proportion of consumption, stocks have increased from 20% of annual consumption in 2007/08 (a very low level not previously witnessed in modern times), to 27% last year and are projected

Figure 1. – Fremantle APW, Newcastle APW and CBOT Swaps – October 2004 to October 2009

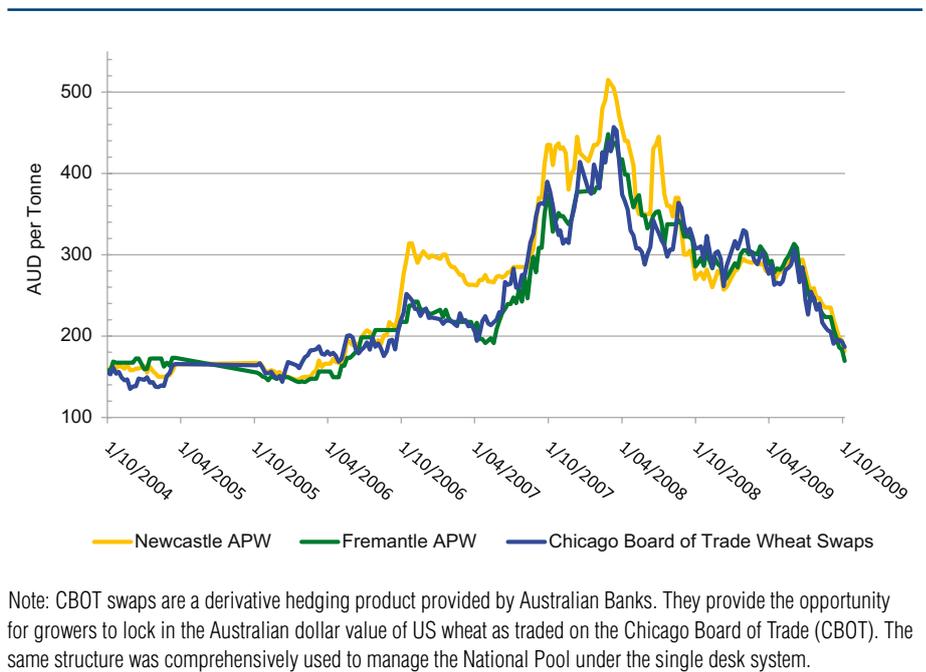
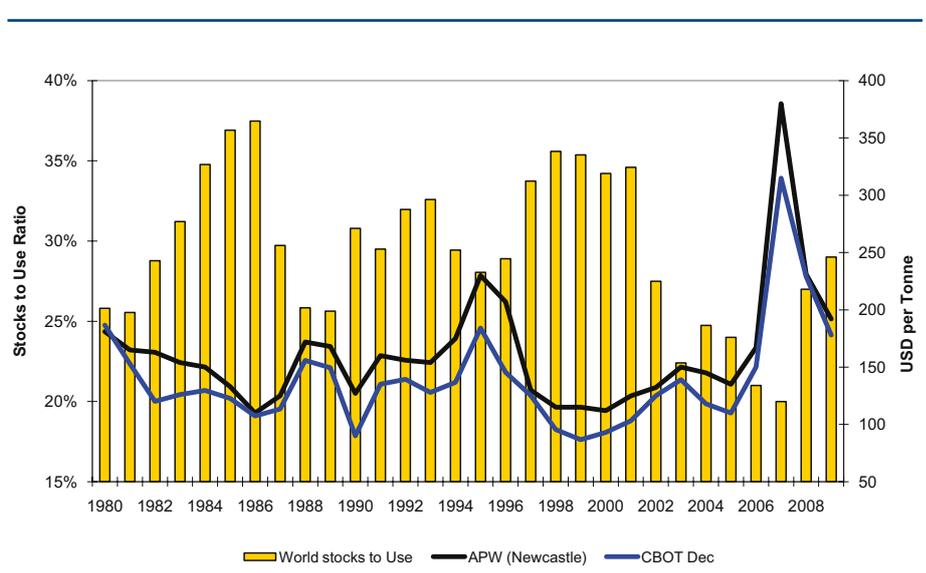


Figure 2. – World Stocks to Use Ratio compared to CBOT and Australian APW (Newcastle) (USD per Tonne)



to be 29% at the end of this marketing year. This is as comfortable as levels back in 2001/02, according to figures from the United States Department of Agriculture Foreign Agricultural Service.

One of the main reasons for the fall in Australian and world wheat prices is the significant rebound in production and world wheat stocks.

Figure 2 shows the rise and fall in stocks from 1980 to 2009 and puts the 'tightness' of the Stocks to Use Ratio (a ratio showing stocks as a percentage of consumption) into historical perspective.

Figure 2 also shows the correlation between world Stocks to Use Ratio, the price of CBOT December wheat futures and Australian wheat grade APW (Newcastle) in USD per tonne. As can be seen, price rises and falls are counter cyclical to the world Stocks to Use Ratio. The Australian APW price has kept pace with the Chicago futures and shows a strong correlation.

International markets

The effect of this rebound in wheat production has influenced all world prices as can be seen in Figure 3 (A sample of wheat values in four countries).

Figure 3. – World wheat cash values (USD per Tonne)

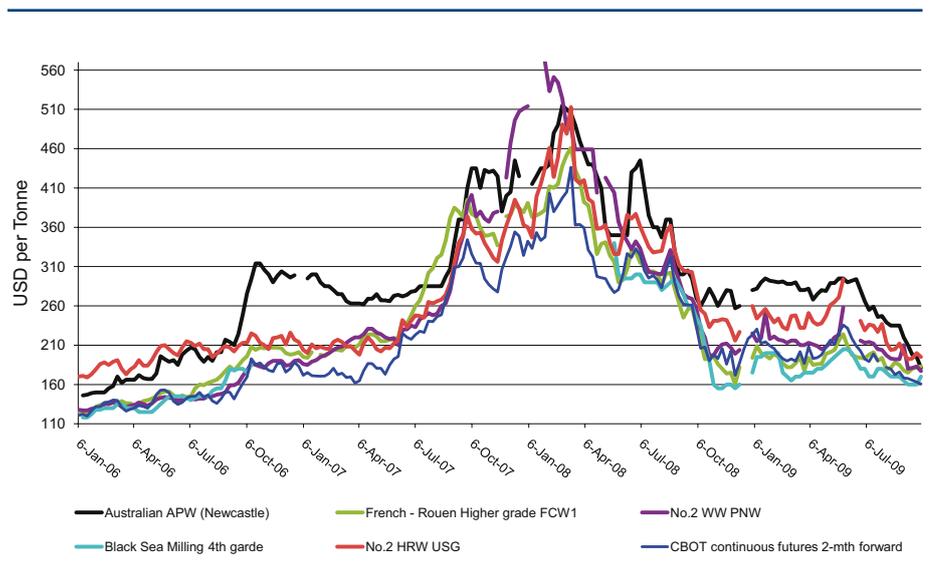


Figure 3 shows a number of selected world cash wheat prices, chosen as these wheats traditionally compete with Australian wheat in the international market. The figure clearly demonstrates the correlation with world cash prices and demonstrates the fall in prices in the past year.

Exchange rate

Exchange rate movements have caused difficulties with international markets over the past three years. The USD has moved dramatically over the past eighteen months against all currencies including the AUD, this has resulted in a similar movement in the AUD exchange rate against the USD. Figure 4 shows the movement in this exchange rate since early 2006.

Since the beginning of 2009 the value of the USD has fallen dramatically. This made US wheat cheaper for foreign buyers which should have increased demand and pushed prices higher. However, the international wheat price in USD (Figure 3) has fallen over this period. This fall, against the cheaper USD, has been due to the increase in global production. Under simple analysis it appears the fall in wheat prices is due to a higher AUD/USD exchange rate, but if this

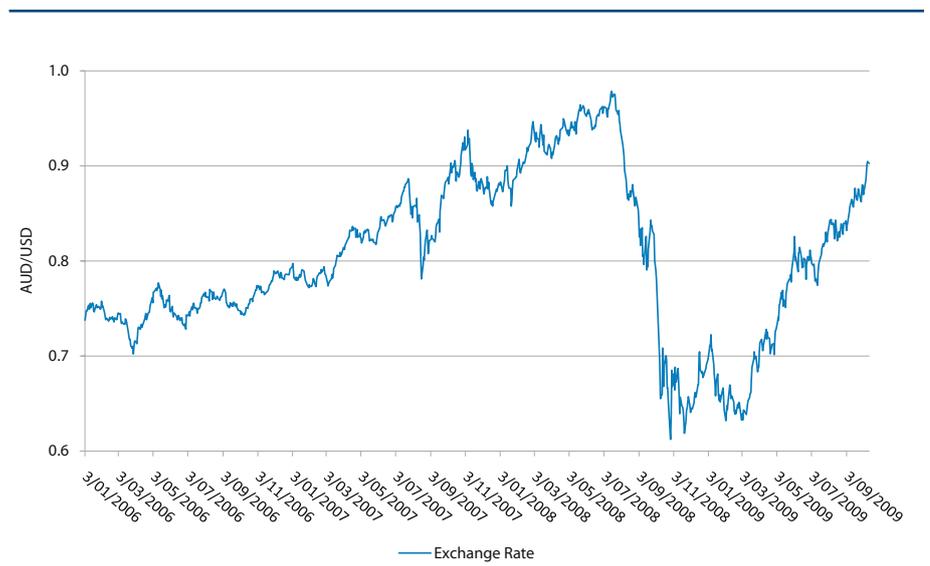
was the case the record high of AUD515 per tonne on 26 February 2008 would not have been achievable when the AUD was trading at 0.9000 against the USD at the time.

In fact the current low Australian wheat price is a result of a combination of both the rise in the AUD/USD exchange rate and increasing world wheat stocks that has led to the fall in international wheat prices.

Pool estimates have fallen to reflect this weakness in international wheat markets and the high AUD/USD exchange rate. Without a drought in Australia and enough wheat to more than satisfy domestic demand, wheat prices in Australia are reflecting the international price environment. Pooled wheat will need to be sold into this market and hence the Pool returns will be a function of the international value of Australian wheat over the Pool sales period.

Source: WEA Analysis United States Department of Agriculture, Foreign Agricultural Service, World Wheat Production, Consumption, and Stocks. States Department of Agriculture, World Agricultural Supply and Demand Estimates.

Figure 4. – AUD to USD exchange rate



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A GOLDEN AGE FOR MODIFIED CROPS?

A new type of soybean will have critics of genetic modification tying themselves in knots

The war over genetically modified foods is entering a new phase. At last, the GM industry has produced what it promised at the outset: a product designed to have real benefits for consumers. It's an oil from soybean modified to produce omega-3 fatty acids essential for health and proven to reduce the risk of heart disease. It can be added unobtrusively to ordinary food products, potentially bringing health benefits to millions.

The oil contains a dietary precursor of EPA, an omega-3 fatty acid that is vital for heart health. One study calculated that in 2005, 84,000 Americans died of heart disease that might have been avoided had they had a sufficient amount of this fatty acid in their diets. That makes omega-3 deficiency the sixth most common cause of preventable death in the US.

The new crop could also relieve some pressure on the world's fish stocks. Demand for omega-3 fatty acids is rising, and at present, the principal way to obtain them is from fish.

Created by Monsanto, the soybean is a far cry from just about everything that the industry has thrown at us so far: modified crops benefiting no one but seed companies and farmers. With these, the perception – perhaps rightly – was that Monsanto and its peers were foisting a technology onus with few benefits for consumers but unknown risks for human health and the environment.

Monsanto's oil ought to nullify that line of attack. Can Friends of the Earth and its allies justify campaigning against a product that could save lives and help reduce overfishing? Of course, they could try the argument that GM technology per se is risky, but that position looks increasingly untenable too. GM crops have been grown on a large scale for more than a decade, and by and large, the predicted environmental catastrophes haven't materialised, nor has anyone suffered health problems through eating GM food.

“Can environmental groups justify campaigning against a product that could save thousands of lives?”

First-generation GM crops may even have brought unexpected benefits. A recent report from UK consultancy PG Economics charting the global impact of GM crops from 1996 to 2007 found that over that period, pesticide spraying dropped by 8.8 per cent. And because fields don't have to be tilled before planting GM crops, energy savings in 2007 alone amounted to the equivalent of removing 6.3 million cars from the road. These findings are disputed by environmental groups and need to be independently confirmed, but if they hold up it will be time for the technology's critics to reconsider.

Monsanto's oil could represent a defining moment in the debate over genetic modification. Providing cheap access to a proven superfood and relieving pressure on fish stocks are worthy objectives. Only a Luddite would disagree.

Industry working for Industry – GTA Committees

Congratulations to the 2009/2010 GTA Committee members whose nominations were ratified by the GTA Board when it met in October. Terms of Reference for all GTA Committees are available on the GTA website.

GTA Biotechnology Committee:

Chair – Robert Parkes: Ridley Agri-Products

Andrew Weidemann: VIC Grain Producer
David Hudson: SGA Solutions Pty Ltd
Geoff Masters: ABB Grain
Mark Swift: NSW Farmers Association
Rob Dickie: Grain Pool Pty Ltd – CBH
Robert Green: Australian Oilseeds Federation
Rosemary Richards: Bowman Richards & Associates

GTA Commerce Committee:

Chair – Patrick Haire: Woodside Rural Brokers Pty Ltd

Brendan Dart: Cargill Australia Ltd
Darryl Borlase: Elders Toepfer Grain
Douglas Fimmell: AWB Ltd
Geoff Farnsworth: Macpherson+Kelley Lawyers
Lloyd George: AgIntel
Mark McKay: Grain Growers Association
Matt Rutter: Grain Pool Pty Ltd – CBH
Nicholas Taylor: NSW Farmers Association
Ole Houe: GrainCorp Operations
Phillip Holmes: QLD Agricultural Merchants Inc

GTA Corporate Governance Committee:

Chair – Michael Chaseling: Emerald Group

Brett Stevenson: Agrisk Management
Dougal Hunter: ASX Limited
Greg Greer: GrainCorp Operations
Mark Martin: MarketAg
Matthew Schmerl: AWB Ltd
Rod Hatty: NSW Farmers Association

GTA Standards Committee:

Chair – Robert Parkes: Ridley Agri-Products

Adrian Reginato: AWB Ltd
Andrew Wheeler: Intertek
Andy Cunliffe: Agracom Ltd
Anyou Liu: Grain Pool Pty Ltd – CBH
Chris Kelly: Grain Growers Association
Cindy Mills: Wheat Classification Council
David Henderson: Riverina Australia
Geoff Clatworthy: Inghams Enterprises
Geoffrey Moore: Southern Cross Superintendence
Gerard McMullen: GP McMullen Consulting
Jeanette Marszal: ABB Grain
John Slee: Grains Industry Association of WA
Pat Wilson: GrainCorp Operations
Peter Cannon: NSW Farmers Association
Robert Rantino: Agrifood Technology
Vince Moroney: CBH Group

Transport, Storage & Handling Committee

Chair – Jim Riordan: GIAV

Andrew Witney: AWB Ltd
Ben Raisbeck: Glencore Grain
Daniel Cooper: Grain Growers Association
Gavin Cavanagh: ABB Grain
Jock Munro: NSW Farmers Association
Josh Taylor: Elders Toepfer Grain
Kayla Scott: GrainCorp Operations
Kenny Hewson: Mountain Industries
Lloyd George: AgIntel
Lyndon Pfeffer: Agforce Queensland
Mark O'Brien: George Weston Foods
Matthew Kelly: KM & WM Kelly & Sons
Tim Dean: Riordan Group Pty Ltd
Tim Ross: CBH Group

Update from the Standards Committee

Members are advised that overall the GTA Standards were not significantly altered for the 2009/2010 season, rather there were wording changes to clarify existing Standards.

For all cereal commodities, the format and terminology was revised for greater consistency across commodities. Standards did not alter, but the result will be easier application and understanding of the Standards by Industry. Further refinements to tolerances for weed seeds also occurred, again for consistency across the commodities.

For wheat, the 2008/2009 season Standards saw a significant upgrade in the areas of definitions and reference methods in order to provide greater clarity in their application. Further refinement occurred in the 2009/2010 Standards to improve their readability. Few changes to the Standards were required, with most changes being minor to provide clarification on the definitions to apply.

As forecast in 2008, a Barley Reference Booklet similar to the previous wheat one was produced for 2009/2010. This booklet details information required by industry to understand and assess barley against the Standards, including definitions, quality charts, accredited malt varieties and methods of assessing barley. The opportunity was also taken to clarify several definitions in the Standards that were not previously well understood.

In line with achieving transparency and consistency across commodities, all maize Standards were revised according to the existing GTA template for cereals. Standards are now more readily understood with most quality parameters listed as per other commodities. Minor changes to tolerances occurred during this process.

As per previous seasons, the oilseed and pulse Standards as developed by other industry bodies were accepted without change. No further changes to other commodities Standards occurred.

Update from the Transport, Storage & Handling Committee

This Committee has the responsibility of reviewing Location Differentials on an annual basis. Location Differentials are an essential component of the grain trade in Australia as they provide a means of calculating the value between port and up country grain values. While the vast bulk of Australia's grain production is priced on a delivered port basis, ownership is primarily transferred in country storages.

Location Differentials were first developed when rail operators ceased providing 'tariff' rail rates for marketers several years ago. The absence of tariff rail rates meant that marketers no longer had a transparent value that reflected the difference between port values and up-country values to use as the basis to adjust grain values between the port price and the country storage value.

The annual review of the Location Differentials tends to be one of the more time consuming tasks undertaken by GTA which is reflective of their importance across the industry. There are several reasons why this is the case ranging from the sheer number of storages that require a Location Differential, to the difficulty of ensuring they reflect actual freight rates when freight rates can vary considerably between throughout the year and between members.

The primary purpose of Location Differentials is to provide a value whereby port priced grain can be transferred on an up-country basis as required under the GTA 'Track' contract (GTA Contract No. 2). GTA Location Differentials are also widely used by marketers to adjust grain purchased from farmers on a port basis to an up-country value. It should be noted, there is no contractual requirement to use the GTA Location Differentials to adjust the GTA Grower Contract Confirmation (GTA Contract No. 3) when grain is purchased from growers on a port basis with an up-country price.

Over the past two years the Transport, Storage and Handling Committee has instigated the most significant changes to the means of establishing Location Differentials since they were first introduced. Last year the Committee changed the way Location Differentials were formulated – from the previous system of the old tariff rail rates for each site to a distance based calculation derived by the road distance from the location to port. This change was a significant step towards simplifying how Location Differentials were adjusted and helped to make the process more transparent for Industry.

Following strong and inclusive membership feedback, the Committee has agreed to base this year's South Australian Location Differentials on the October 2009 Export Select freight rates issued by ABB. It should be noted that the SA Location Differentials will not alter throughout the year in the event that the ABB Export Select freight rates are adjusted.