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27 July 2017

Grain Trade Australia Limited
Pat O'Shannassy

By Email.

Dear Mr O'Shannassy

AvantAgri appreciates the opportunity to make a submission to GTA on TGD No 4.

At paragraph 1.1 a, GTA states "This is to ensure a high level of integrity for the Grains Industry...."

AvantAgri believes this is essential but is concerned that GTA does not operate to this standard. Specifically, AvantAgri objects to the manner in which GTA selected the pool sub-committee. AvantAgri believes that it is not represented by any GTA *selected* sub-committee member and thus believes the sub-committee is not representative of our views of the industry.

The matters being discussed are of great importance and decisions may affect the profitability and longevity of a number of companies that offer grain pools, including AvantAgri Australia Pty Ltd.

We wish to make a several recommendations

1 In section 6 of the draft TGD N0 4 reference is made to Pool Products in terms of the proposed Pool Product Disclosure Guide (PPDG). The term Pool Product has not been defined and appears to be being used interchangeably with the term Pool. We suggest that a Pool Product be defined to allow for the possibility of a single Pool incorporating several Pool Products. If that is not the intent (i.e the intention is that a Pool Product is actually a Pool), then the definitions need to be for a Pool or a Pool Product but not both, and that only one of these terms be used throughout the TGD No. 4 document.

2 AvantAgri believes that the words "and the expected date of the next EPR revision" be deleted from paragraph 4 j. Previous sections provide sufficient clarity that EPRs are to be updated fortnightly (paragraph 4 f) and where there is a material change (paragraph 4 g), that to provide an expected revision date would be redundant.

3 AvantAgri has always had its pools audited and provides the audit report with the final payment for each pool. AvantAgri believes that 6 months is too long after final payment to provide an audit report (paragraph 5 d) and this time should be reduced to 3 months.

4 AvantAgri believes the inclusion of additional prescriptive points to be audited (the dot point in paragraph 5 d starting with “The Pool Provider has...”) are not appropriate to be included in a pool audit, and if included will increase audit fees by 50%, and this cost will be passed on to the grower, reducing final pool returns.

AvantAgri believes it would be more appropriate to ensure all Pool Operators have an AFSL license. This license ensures that the pool provider has complied with all the points listed at paragraph 5d. The holder of an AFSL must report any breaches of polices that ensure compliance with these points to ASIC. Further the cost of this will not be passed to growers as this is a business cost NOT a pool cost.

5 In principle AvantAgri agrees with paragraph 6 but believes a number of changes need to be made to the PPDG as detailed below:

- As per our earlier comment, we need to define Pool Product if it is indeed different to a Pool. It would seem sensible for a Pool to be able to have more than one pool product associated with it. There should be a PPDG for each Pool Product, which should reflect the information published in a Pool Provider’s Fact Sheets or marketing material in a standard format across the industry;
- Section 1. Delete Aim of Mandate of the pool (product) from this section;
- Section 2. Replace aim of pool with pool mandate and pool pricing system;
- Section 3. Change from Key Details to Pool Reporting. Delete the first point. The PPDG will not be relevant for operators not operating as GTA members under TGD 4; and
- Section 4. Add a new section to cover the points about conflict and actually ask for the legal names of the entities providing pool services and grain ownership of the managed grain. Also ask for details of management fees to be charged, and when they are charged.

AvantAgri would also like to provide specific comment on a number of points listed on page two of the Member Update dated 12th July 2017.

a. Whether, or not, Estimated Pool Returns (EPRs) should be made available or published by Pool Providers while a Pool is open for contracting, and whether the TGD should specifically prohibit the availability or publication of EPR’s while a Pool is open for contracting.

The TGD should not prohibit the availability or publication of EPR’s while a Pool is open for contracting. That should be the choice of the Pool Operator. Having EPR’s

available is one way a Pool Operator can indicate that their pool is open for business. EPR's can also be used to show the different cost structures between pool products and payment methods. For the sake of transparency, it is essential that Pool Operators be able to illustrate differences between their various pool offerings. AvantAgri view EPR's as an essential tool for growers to be able to determine which pools they may deliver to, having at that point decided to deliver to a pool as an alternative for selling for cash or warehousing for later sale.

AvantAgri also use published EPR's to provide cash advances to growers.

b) The time period upon which a final audit of a pool must be undertaken (and published) from the final payment of the Pool to Pool Participants.

AvantAgri believes that 6 months is too long after final payment to provide an audit report, this this time should be reduced to 3 months.

c. Whether or not the tonnage delivered into each Pool Product should be included in the Final Audit Report. The purpose of this would be to ascertain the relative significance of particular products and performance.

AvantAgri strongly disagree with Pool Operators having to show volumes of grain delivered into a particular pooling program, as this information is commercially sensitive. It is no-one else's business and does not provide any value to growers who are participating in pools.

Yours sincerely

