



AgForce Grains

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Grain Trade Australia Standards Committee
C/-Mr Geoff Honey
Grain Trade Australia
PO Box R1829
Royal Exchange
SYDNEY NSW 1225
Via email: Geoff.Honey@graintrade.org.au
CC: Ms Jodie Dean, Operations Manager, GTA, Jodie.Dean@graintrade.org.au

Dear GTA Standards Committee

RE: Proposed GTA Standards 2015/16 Season

AgForce Queensland is the peak lobby group representing the majority of beef, sheep and wool, and grain producers in Queensland. AgForce Queensland exists to ensure the long term growth, viability, competitiveness and profitability of these industries. Our members provide high-quality food and fibre products to Australian and overseas consumers, manage more than 50% of the Queensland landscape, and contribute significantly to the social fabric of rural and remote communities.

As the grain commodity representative within AgForce Queensland, AgForce Grains provides the following submission to Grain Trade Australia's (GTA) Standards Committee with regard to the *Proposed GTA Standards 2015/16 Season* document (the Standards Document).

AgForce Grains' key concerns with the Standards Document are related to the proposed changes in the number of grades and parameters within the sorghum standards. The information provided within the Standards Document indicates that feedback was received by GTA from industry on the proposed changes, that a major review of the sorghum standards occurred in the last 12 months, and the proposed changes to the standards are reflective of market requirements. Yet, the Standards Document fails to include the data or rationale justifying the significant changes proposed within the sorghum grades and standards.

For these reasons AgForce Grains is opposed to the proposal within the document to reduce the four grades of sorghum down to two grades. AgForce Grains is also opposed to a number of parameter changes that have been suggested within these two grades.

While we note and appreciate the efforts that have been made to rectify individual issues related to staining and sprouting, these are far outweighed by the potential impacts to growers from further proposed changes.

Without providing data validation to support the proposed changes to the sorghum standards it becomes very difficult for AgForce Grains and our growers to assess the full impact the changes will have to their business. Consequently it then becomes difficult to judge the relevance of the feedback provided against the proposed changes. However, AgForce Grains has attempted to

address individual issues contained within the Standards Document and provide expected impacts related to these changes.

Issues and Impact on Member Business

'4.1 Proposed Change: New Sorghum Standards'

According to the Standards Document, the proposed changes to the sorghum standards are reflective of market requirements. Yet there has been no data supplied to support this.

The Queensland Department of Agriculture, Fisheries and Forestry '*Queensland AgTrends 2013-14*' reports¹ that Queensland only exports approximately 30 per cent of its annual sorghum crop. The remaining 70pc makes its way into the domestic market. Furthermore, feed grain is the only significant domestic demand for sorghum², with beef feedlot requirements leading the demand. AgForce Grains fails to see how the proposed sorghum standards are a reflection of the large supply required for the domestic market.

It has been noted by a number of AgForce members that the most widely used sorghum variety (estimated to comprise over 50pc of the sorghum planted in Queensland) is over 20 years old. If the technology has not advanced in 20 years to create a higher performing variety it is unreasonable to expect growers to achieve tightened specifications.

Despite these factors, AgForce Grains does understand Australia is a world leader in supplying a high standard of grain with a 'safe and clean' reputation. Our commodity exports in the international market place continue to grow and sorghum exports from Australia are on an upwards trend³. Additionally, there are reports⁴ that overseas demand and prices for Australian sorghum are continuing to increase and rise. This indicates to AgForce Grains that there is a market demand for the **current** standards of Australian sorghum and that we are meeting the needs of our key markets. If Australian grain were losing market space it may be a reasonable argument to adjust the standards. However, adequate detail that the target export market require changes to the standards and tightened specifications has not been provided, and therefore cannot be supported by AgForce Grains.

AgForce Grains also understands there is a Chinese market for high quality Australian sorghum used in distilling their traditional grain spirit, Baijiu. However, this is a niche market, and as such there is the ability for the trade to set up speciality grades that meet or exceed the standards that overseas buyers require for a premium price. Additionally the sorghum export program from Australia to China will typically run from March to July, with the United States sorghum harvest beginning after this. With the differing seasons there is little competition from the United States for high quality sorghum.

¹ https://www.daff.qld.gov.au/_data/assets/pdf_file/0004/117166/3042-AgTrends-2013_web.pdf

² <https://www.aecl.org/assets/www.aecl.org/outputs/140730-FGP-Supply-and-Demand-Report-July-2014.pdf>, pg. 59

³ <http://www.indexmundi.com/agriculture/?country=au&commodity=sorghum&graph=exports>

⁴ <http://www.theland.com.au/news/agriculture/general/news/growers-cash-in-on-harvest-price/2727705.aspx?storypage=0>

'7.1 Grades'

As already advised AgForce Grains is concerned and opposed to the suggested reduction from four sorghum grades to two sorghum grades. Further to the comments above, the proposal to reduce the current number of grades, in addition to tightening many of the parameters such as foreign material and screenings may impact growers' ability to meet the standards, in turn impacting the industry's profitability.

It is assumed any grain that does not meet the specifications for the higher grade will be captured by the lower grades. However, it is evident that the tightened specifications in the proposed Sorghum No. 2 will not capture all the grain that falls out of the tightened Sorghum No. 1. With only two grades, and tighter specifications grain that does not meet the proposed new grades will be forced into the domestic market, lowering the price and further eroding the profitability of growers.

It has been suggested that the specifications for the grades were tightened as a result of analysing screening data. Comments from GTA also indicate that Sorghum 1 deliveries were far exceeding the current standards, and the changes to the grades and specifications reflect the high value of Australian grain already being traded. Given this information, to imply the proposed changes are based on screening and delivery data is in fact only considering a small, premium section of the market.

In line with this, AgForce Grains has received information from growers that price deductions between the grades is often between \$20 and \$30 per tonne, a significant amount particularly for growers who fall just outside the grade specifications. Additionally, due to the price discount between grades only Sorghum 1 or sorghum graded to Sorghum 1 are delivered to the bulk handlers and major buyers, with the remainder going to smaller buyers, happy for the discount. Or, as has been highlighted to AgForce Grains, to traders who offer 'blending' as a service to their customers. Whereby grain handlers blend different qualities of grains whilst still maintaining specifications for the end-user, allowing them to take advantage of cliff face pricing for producers with grain that falls just outside of higher grade specifications.

'7.2. Total Admixture, Foreign Material, Screening and Trash'

GTA's action to remove the Total Admixture quality parameter in 2014 was a common sense approach, given the duplication of measuring Foreign Material, Screening and Trash individually as sub-categories.

However, AgForce Grains holds major concerns and is opposed to the combining of Trash and Foreign Material, at the same time as reducing the specifications for Foreign Material by half, to 2pc for Sorghum No. 1.

AgForce Grains is also opposed to the reduction of screenings in both Sorghum No. 1, from 11pc to 10pc, and Sorghum No. 2, from 25pc to 20pc.

AgForce Grains has received much feedback from growers concerned that the combining of Trash and Foreign Material, and the tightened specifications of this parameter and Screenings in both

grades will be difficult to achieve with dry finishes and tough seasons; a situation that is not uncommon in growing regions across Queensland.

The dot points listed underneath '7.2.1 Trash' within the Standards Document indicate that this category has been deleted and included in Foreign Material, with the explanation that the level of Trash has been relatively low in recent years and can be readily controlled through harvesting processes. AgForce Grains is not aware of any specific reasons as to why the level of Trash has been lower in recent years, and this information has not been provided by GTA. Without explanation for the lower levels, it sets a dangerous precedent to assume this will continue.

AgForce Grains also takes exception to the statement that Trash can be readily controlled through the harvesting process. At times a grower may adjust harvester settings depending on soil or crop moisture, in an attempt to minimise trash intake, but there are many other factors that can influence trash levels outside of a grower's control. These include seasonal variations, and variety distinctions. For example, many sorghum varieties now contain a stay-green trait that provides maintained standability in Queensland growing conditions. However, this trait combined with current harvesting techniques can bring in larger quantities of trash. Using this example, growers are put in an impossible situation, forced to choose between varieties with a stay-green trait and maintained standability, but higher levels of trash and foreign material, or a variety that has a greater amount of lodging and lower harvest rates but will meet the parameters for foreign material.

It has been noted in the Standards Document that the screening levels have been set based on deliveries and consignments in recent years, with limits expected to be readily met in most seasons. AgForce Grains received feedback from members indicating that in some years, depending on conditions screenings can be between 20pc and 30pc, which would fall outside of the proposed specifications. Without the data used to determine that the limits of the proposed grades would be expected to be met in 'most seasons' AgForce Grains cannot make comparisons to determine the level of impact this would have on growers.

AgForce Grains is not in a position to comment on the potential to use the USDA screen versus the current Australian 2.00mm screen, and tolerances that may be applicable. Comparative data on the two different screens and the differences between them with a marginal screenings sample would be required, at a minimum, before comment could be made.

'7.3 Total Defective'

As noted AgForce Grains appreciates the efforts by GTA to make changes to the Stained parameter, to reflect industry issues with this matter in recent years.

AgForce Grains also agrees with the removal of Stained and Sprouted from the Total Defective category. However, there has been a significant tightening of the specifications for Total Defective in the proposed Sorghum No. 1 grade, from 10pc to 5pc. This has been stated to reflect market requirements, however this information is again not supplied and clear data has not been given to show a demonstrated advantage in tightening the Total Defective parameters by such an extent.

Without contrary evidence, AgForce remains concerned that this tightening of Total Defective will

impact a grower's ability to meet the specifications for Sorghum No. 1 and will result in price reductions for their product.

'7.3.2: Sprouted'

AgForce Grains is supportive of the proposed changes to the definition of sprouted, to include only those grains where the shoot is visible.

However, whilst the more accurate description is welcomed, AgForce Grains has not seen further validation for the proposal to tighten the tolerance from 5pc to 3pc, other than the indication that it has been reduced to reflect market requirements and impacts on the end user. AgForce Grains again requests further information related to these market requirements, and data used to demonstrate the impact on end users.

'7.3.3 Field Fungi'

It has been noted within the Standards Document that due to the potential significant impacts of Field Fungi on human and stockfeed consumption a 5pc tolerance was considered too high. No further scientific data has been provided to support the decrease in tolerance to 3pc.

'7.6 Sand & Soil'

While the proposed new method of applying a percentage tolerance by weight appears to be more practical than the old method of physically counting pieces of Earth and grains of sand, it is difficult to make comment on the impact this change may have on growers unless it is tested. AgForce Grains queries the data GTA used when proposing the specification of 0.06 pc by weight and if there was a process of comparing the old counting method with the proposed weight method to determine a suitable tolerance? Without this data AgForce is not in a position to agree with this change.

Further Comments

AgForce has also discussed the Standards Document with the Victorian Farmers Federation (VFF) and New South Wales Farmers (NSW Farmers) and is aware of the submissions made by both organisations.

AgForce supports NSW Farmers suggested criteria⁵ for making and revising commodity standards, namely:

- ***That the standard will facilitate trade***
- ***Customer demand and the linking of this demand to the impact of the specific proposed change to functional end-use needs; such as empirical evidence about the impact of the test parameter on end use functionality whether for milling or stock feed. The evidence required should specifically link the parameters contained within the standard to the end***

⁵ NSW Farmers, *Submission to 2015-16 Standards Review 1st Call*, March 2015

use; for example feed standards (whether sorghum or barley) should not be required to meet the requirements of human consumption standards.

- ***True comparison of Australian standards and methodologies against competitor standards*** where the relevant competitor standard is the driving factor behind a proposal. *This should be based on empirical evidence that either exists in existing industry/knowledge literature or alternatively from commissioned trials.*
- ***Net economic gain to the value chain and in particular to farmers.*** *This requires a weighing up of evidence about:*
 - *Improvement in the market for the commodity, including increased volumes and/or increased value arising; and*
 - *reduced costs within the supply chain (eg reduced time to sample grain at delivery and therefore increased turnaround time for trucks undertaking harvest deliveries);*

against

- *the practicalities and costs associated with producing and delivering grain against the current standard and any proposal;*
- *the cost borne by producers as a result of load rejection or downgrading as a result of the implementation of a proposal.*

If on the balance, the increased value flowing to the farm sector as a result of the proposed standard does not outweigh the increased costs of production or risk of downgraded/rejected loads, the proposed amendment should be rejected. Proposed tightening of standards should not be made merely because there is evidence that it can be met by the farm sector.

Rather amendments to the standard that make imposition upon farmers must be related to an increase in value flowing to the farm gate as a direct result of the amendment.

AgForce Grains is largely supportive of the issues and recommendations made within VFF's submission in relation to weed seeds, photos for interpretations, and agronomic input and assessment. AgForce Grains has previously supported NSW Farmers submission in relation to weed seed categories and tolerances, and maintains support for the comments which have been resubmitted by NSW Farmers.

Recommendations

Inevitably, the proposed changes to the Sorghum grades and the tightening of the standards will not result in a higher base price for growers and their sorghum. Ultimately, the new Sorghum No. 1 will cause more downgrades and price reductions than currently exist and a loss of income to growers.

AgForce Grains has had many discussions with our growers who have expressed their desire for the grades to remain unchanged. AgForce Grains believes the review of standards requires greater rigour and further transparency in order to determine the full impact or benefit to growers.

AgForce Grains considers the consultation period too short and does not believe the entire industry has been appropriately consulted in relation to the proposed changes. AgForce Grains has received information from GTA on the communications distributed to its members regarding the proposed changes and also understands the majority of GTA's membership is post-farm gate. However, believe the proposed changes will have the greatest direct impact on growers. The proposed changes will reduce growers' competitiveness within the supply chain leading to a reduction in profitability, putting further market power in the hands of grain handlers and traders. Reducing a growers' profitability may also stifle changes in management practices that could benefit the whole industry.

Therefore, AgForce Grains recommends GTA undertake a period of widespread, whole of industry consultation in order to explain the rationale for change and discuss directly with impacted growers.

Should you have any further questions or require more information, please don't hesitate to contact myself, or AgForce Grains Policy Director, Tamara Badenoch in the Brisbane office 07 3236 3100 or via email badenocht@agforceqld.org.au.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Wayne Newton', written in a cursive style.

Wayne Newton
AgForce Grains President