

16 November 2022

Future Traceability Hub
Department of Agriculture Forestry and Fisheries
GPO Box 858
Canberra City ACT 2601

Email: nationaltraceabilitysummit@agriculture.gov.au

Dear Sir/Madam

RE: Survey on Principles for the National Traceability Framework

1. About Grain Trade Australia

Grain Trade Australia (GTA) is a national member association and is the focal point for the commercial grain industry within Australia.

GTA has over 270 organisations as members. Their businesses range from regional family businesses to large national and international trading/storage and handling companies who are involved in grain trading activities, grain storage, grain marketing advisory services, processing grain for human consumption and stock feed milling. GTA Members are substantial employers, from the farm gate through to end point consumption, and notably in rural and regional Australia. A full list of GTA Members can be found [here](#).

GTA's core focus is to 'facilitate trade' in the Australian grain industry. Its products and services, including the Australia Grain Industry Code of Practice, provides a self-regulatory framework across the grain industry to facilitate and promote the trade of grain within the Australian grain value chain.

Within this context, on behalf of its members, GTA provides comment on the Draft National Agricultural Traceability Strategy.

2. General Comments on the National Agricultural Traceability Strategy

GTA welcomes the opportunity to be involved in the formulation and the drafting of this Strategy as GTA shares the government objective to ensure the Strategy and its outcome supports or enhances existing industry systems, regulatory standards and processes developed to facilitate commercial and non-restrictive trade.

We do support regulatory harmonisation across jurisdictions and the encourage the uniformity of standards and technology wherever possible.

Australia enjoys an enviable position in world agricultural trade because of its existing regulatory standards, systems, and processes. These have been jointly developed by industry and government over many decades.

In the grain industry management of product quality and food safety is a process of quality assurance where risks are analysed, and process controls through the supply chain are employed to minimise risks as much as practically possible. The Australian grain industry Quality Assurance process has a strong focus on the assessment and discovery of any grain quality issues prior to the product being consigned to the domestic or export customer.

It is important to note Traceability is a support function within the Quality Assurance process and is a component of exporting grain to meet the Export Control Act. The grain industry supplies grain at export registered establishments that meets its quarantine obligations including certification requirements along with required traceability where importing country requirements require this. That level of traceability fulfills and meets not only industry obligations but also DAFF obligations under the International Plant Protection Convention.

Traceability, in the grain industry today, primarily supports the grain industry Quality Assurance process in providing the capability to assess and track the source of a consignment of grain that is outside of specification and detected as an issue by the Quality Assurance process and/or by customers. Whilst this process is currently not fully automated or digitalised it is considered appropriate and adequate for the risk given grain is a hard seeded, non-perishable raw ingredient used to produce processed feed and foods.

It is acknowledged that specific customers and some import markets seek and require additional information and/or certification. This can be grain (for example Canola into the EU) and/or grade specific. The industry, or industry participants will respond to such requirements in line with market, and supply chain value. It is recognised market information and provenance requests may evolve and increase over time and industry may need to adapt or enhance its systems to be able to meet any justified requirements and maintain its licence to compete.

GTA members believe the current ‘trace-back’ approach, combined with specific arrangements where appropriate is fit for purpose and commensurate with the risk and rewards in the grain supply chain, and enable customer/market requirements to be met. Members would be concerned if the overlay of the National Agricultural Traceability Strategy imposed additional cost, risk, complexity and regulatory burden, without delivering increased value. The nature of the grain supply chain is that grain is commonly aggregated, comingled and blended to meet customer requirements and maximise value. This introduction of any overarching ‘Traceability Ecosystem’ that was not consistent with this approach creates the additional risk of data security, increased costs and reduced flexibility.

Grain is classified as a soft commodity and is traded in a competitive global market. The Australian Government, and industry participants including GTA understand and strive to maximise the value of Australian grain through industry/Government frameworks, marketing, processes, and systems. Having knowledge and visibility of its bulk grain markets, GTA is not aware of any significant market that is willing to pay price premiums for enhanced traceability credentials. Any statements in the strategy document around premium pricing need to be put in context.

3. Specific Comments on the National Agricultural Traceability Strategy

a) Purpose and Scope of the Strategy

The Scope states this is an export focussed strategy. GTA suggests this should be a domestic and export focussed strategy. The domestic market is Australia’s largest consumptive market for grain.

b) Vision

GTA is concerned this strategy is creating a ‘one size fits all’ model that is inappropriate given the diverse portfolio of agricultural products, markets and customers involved. The Vision statement could be improved through the introduction of the highlighted group of words.

Vision

Industry and governments have connected, aligned and interoperable world-class traceability systems along supply chains that are fit for purpose, efficient and dynamic, to accelerate our premium Australian exports and enhance biosecurity and food safety.

c) Mission Vision

Traceability in the context of grain is about biosecurity, food safety and any arising issues that may restrict market access. Based on knowledge and visibility of its markets, GTA questions the assumption that enhanced traceability will lead to or obtain any additional premium for grain sold in the domestic or international markets.

The assumptions and statements relating to premium pricing in the Mission and throughout the Strategy document need to be considered and justified across all agricultural products. It is acknowledged there may be some premium perishable products that may extract some additional market value through having superior traceability than international competitors. However, this strategy document should not propose enhanced traceability is about premium pricing. It also illustrates and re-enforces the earlier point with regards to a 'one size fits all' approach clearly apparent in the strategy.

It is recommended the highlighted words are removed.

Mission

*Accelerate our journey exceeding \$100 billion of farmgate output by 2030 and beyond through the adoption of enhanced traceability and credentials, **to obtain premium prices**, and mitigate biosecurity and food safety risks and any arising issues that may restrict market access.*

d) The need for a National Approach

As discussed, the approach to introduce a 'one size fits all' model for traceability across the diverse agricultural sector needs to be carefully considered. We recognise such an approach lends itself to simplicity in terms of policy and regulation, however it does not reflect the practical reality of the sector. If one accepts that "one size" **will not** fit all, then logically the strategy should acknowledge this diversity across the sector, how to suitably address it, while seeking opportunity for scale and simplicity where practical.

It is acknowledged the multiple and different State rules on traceability are confusing, impractical and not easily understood. There would be benefit from harmonisation of State arrangements to ensure traceability principles are consistent across all levels of Government where possible and practical.

This section of the Strategy document discusses the existing legacy traceability systems.

*There are opportunities to raise Australia's profile (Brand Australia) and leverage market advantage, and to strengthen our agricultural sector and industries by enhancing and **connecting fragmented and inconsistent legacy traceability systems**.*

A key issue for GTA members is the current 'legacy system is fit for purpose, works and is a low-cost option that is commensurate with customer and biosecurity requirements and risks in the grain supply chain. The current system has demonstrated the ability to evolve and adapt to meet market demands as required (e.g., canola to the EU). Any time and cost increases to establish imposed systems / processes and to provide data for increased government compliance burden without any market benefit is not supported.

The impact of any government led change must consider compliance burdens and costs including the establishment and maintenance cost of systems and processes to enhanced requirements.

e) The research community

GTA agrees research and development will play a crucial role to support industry in this strategy. However, research is a support function to market driven outcomes.

It is important as this strategy proceeds for the market for each of the relevant sectors to determine if there is a need for enhanced traceability and the role of research is then to assist to provide an effective means to deliver the agreed outcomes.

f) Pressing challenges, objectives, and priority areas for action- Objectives

Please see GTA comments on the 8 strategic objectives:

1. *Improve tracking and tracing capabilities to advance export opportunities, commodity confidence and biosecurity and food safety responses.*

GTA Comment – The grain industry traceability is based on being able to trace back along the supply chain if an issue occurs. The capability to live track individual consignments is not required in the grain supply chain as grain is hard seeded and non-perishable.

2. *Align regulatory management frameworks to reduce regulatory burden and streamline government interactions.*
3. *Coordinate a data-led, adaptable, traceability ecosystem to sustain and promote efficient market access.*

GTA Comment – This objective is difficult to interpret and practically understand. Therefore, what it will mandate, generate or change within the context of the grain supply chain is not clear.

4. *Develop a national interoperable digital infrastructure to reduce interface costs.*

GTA Comment – The creation of a national interoperable digital infrastructure raises concerns with data security, data access and data provenance. The risk of (and cost) of creating this model must be understood and managed as it will create additional data security issues and may also create aggressive customer demands for access to known databanks of information. The capability to develop and construct a national interoperable digital infrastructure across the myriad of existing and diverse government information technology is also questioned. Government IT architecture is complex and vary by commodity creating a challenge for change.

5. *Meet new and emerging product claim requirements and changing market demands to remain competitive and enhance trust.*
6. *Strengthen national and international collaboration and partnerships on traceability to protect Brand Australia, influence international trends, and demonstrate our world class systems.*

GTA Comment – While the intent is admirable, care must be taken to not introduce additional costs and to mitigate the risk of creating new non-tariff trade measures (NTMs) and other barriers to trade such as mandated data and certification requirements being imposed by other governments, regulators and customers (with no commensurate economic benefit).

7. *Build a strong collaborative education, research, and development agenda to lift our understanding of, and responses to risks and opportunities.*

GTA Comment – We would support this objective, noting the application of the traceability strategy should be evidenced driven and commensurate to risk and economic benefits,

8. *Establish governance for future proof traceability initiatives to create transparent accountability.*

GTA Comment – Management of privacy concerns is increasingly important, given holding private data can be both an “asset and a liability” for a business. The term “transparent accountability” is not clear to its meaning or intent. With respect to transparency, this must acknowledge variable circumstances, including commercial risks, data sensitivities, and the potential for aggressive customer/destination data requests or requirements that may impact commercial outcomes and potentially risk market access.

g) General Comments

The concept of a national approach to traceability and having consistent approaches to commercial traceability requirements including through new and existing voluntary codes of practice is of concern to GTA members. Consistent approaches may not be possible and may create additional cost, risk, complexity, and regulatory burden and add no significant benefit for the grain industry.

GTA and the financial sector are currently working on untangling a 'one size fits all' model imposed on the financial services sector, whereby irrelevant costs and burdens have been placed on segments within the financial services industry. In essence we have 'lived experience' from well-intended, but unpractical regulation and would not like to see a repeat of that model for agricultural traceability.

The Strategy document also states that *'Australia's key international trading partners are proactively enhancing and integrating their domestic traceability systems and improving the ability of their exporters to differentiate their products to unlock and claim premium pricing and value'*.

This may be the case for specific products where the specific market supports this action. However, this type of assumption should not be the justification for the introduction of a national approach across all agricultural products.

Conclusion

GTA welcomes the opportunity offered by DAFF to provide comment on the draft National Agricultural Traceability Strategy.

GTA's members support initiatives that enhance existing industry systems, regulatory standards and processes developed to facilitate commercial and non-restrictive trade. This is in the context where the initiatives are market driven, evidenced based, mitigate (and not increase) risks and provide net value.

I look forward to the progress of this strategy and further opportunities to engage and provide input.

Thank you for your consideration of this response.



Pat O'Shannassy
Chief Executive Officer