

9th June 2020

Mr David McKeon
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Via email: david.mckeon@graingrowers.com.au

Dear David,

I am writing in response to your request for Grain Trade Australia (GTA) to provide comment on the Grain Growers Ltd (GGL) report "*Gains in grains: Is Australia producing the most profitable quality of wheat?*" Thank you for the opportunity to review and make comment on this report.

It appears the report seeks to understand how, and to what extent wheat quality impacts on grower profitability or asks the question "Is Australia producing the most profitable quality of wheat?"

No doubt GGL appreciate the enormity of this question and the difficulty in finding an answer given the level of complexity, and thus the level and breadth of data and analysis that is required to develop a formative report. GTA has sought input from its Members to provide the following comments to you request for feedback.

1) Process

- GTA notes the report was released publicly in December 2019. Consequently, GTA's response is provided within that context.
- GTA Members consider public documents that purport to represent the Australian industry and discuss views on the inherent quality of Australian grain quality should preferably be tested thoroughly with industry participants prior to publishing as final versions in the public domain.
- Market commentary such as this report are accessed extensively by global market participants. Australia has a history of providing research and information on grain quality to promote the quality aspects of Australian grain. Consideration of market implications should always be fully contemplated prior to the release of 'industry' reports.

2) Wheat protein

- The report points to wheat protein levels as being one of the most important quality parameters for end-use functionality and indicates the inherent Australian grain protein is trending lower. GTA would argue the data in the report and the level of analysis may not support this statement. Similarly, the use of subjective market sourced feedback as included in Page 30. of the report is questioned.
- Grain quality data can be difficult to interpret and should consider seasonality, regional variations, and relevant percentages on the outcomes of data. This is especially the case if relying on protein content as the key attribute this Report is based on. Protein trends identified in the report may be influenced by adverse production seasons impacting the tonnage produced in the northern grain production areas (higher protein region) of Australia as compared to what is received in Western Australia which has a lower protein profile.
- Similarly, the data range is limited as grain quality has always been evolving, not just for last 10 years.

- Interpretation of the data is also complex and open to recommendations being selective, or subjective. GTA suggests these types of projects may be constructively coordinated through a steering committee or a panel type structure, that includes participants involved across the entire supply chain. Establishing a structure as suggested allows different opinions and expertise that will provide greater diversity and discussion supporting a more robust outcome and avoiding possible bias in assessments (inadvertent or otherwise).

3) Greater Consideration of the Market

- The Report is dealing with a very diverse and complex market that is constantly adjusting to supply and demand factors.
 - It is not clear from the report if the diverse market complexities have been considered fully and especially the different market requirements within global regions and within Australia. This needs to be considered given Australia’s largest single destination market is its domestic market which has a relatively large animal consumptive component.
 - It is stated the key objective of the report was to discuss whether Australia is producing the most profitable quality of wheat. It is difficult to reach any conclusions on this objective without a more in depth understanding of the different markets, their quality requirements, pricing elasticities and other attributes that are material.
 - The report provides some market commentary, such as on Page36, however this is extremely limited and is based only on a market that exhibits particular quality demands.
 - The complexities of the market and the mechanisms to identify and record profit capture also create difficulty in providing analytical data on any profit associated with individual varieties and classes of wheat.

4) Segregation and Blending

- The segregation of grain tendered for delivery to storage companies, stock selection for specific markets, and blending has a big influence on quality and customer perceptions.
- Analysing the impacts from these practices and the influence on quality as perceived by customers is important and needs to be considered further than addressed in this Report prior to any valid conclusions or recommendations being made.

5) Report Recommendations:

In terms of the specific recommendations made in the report, we provide comment on each of the report’s recommendations in the table below. As a general comment in our view, the report’s recommendations provide a high-level commentary that are not well supported throughout the report with empirical data and / or discussion.

	GGL Recommendations	Comment
1	Review mechanisms for long-term decision making and crop shaping.	<p>The industry decision making and crop shaping mechanism that exists today appears to be managing this process. It is focussed on constant improvement and evolving further to meet the industry needs and objectives.</p> <p>The report does not appear to provide any empirical data or promote any critical issue or failure to support any change to the existing process.</p>
2	Ensure all domestic end-users have appropriate mechanisms to capture EPRs.	Australia’s EPR system is important to support an efficient industry and GTA supports initiatives that reduce non-declaration and misdeclaration.

		It is argued the impact of the non-declaration and lack of capture mechanisms results in Breeders not seeing incentives to develop high yielding and high metabolic energy wheats. Advances in these traits will impact the existing Australian wheat quality profile.
3	Improve reporting of variety's "strike-rate" to growers.	GTA has no specific comment to make in this area except to state that it is understood current market information supplied by breeders, research agencies and crop agronomists would seem adequate.
4	Review the classification system and classes to determine future readiness	<p>It is GTA's understanding that WQA and its industry partners consider all aspects raised by GGL in this recommendation as a matter of normal activity and process.</p> <p>GTA will comment on "understanding segregation cost implications as to whether less classes and or grades might provide industry savings without sacrificing the Australian quality". This is a function of existing activity by WQA and organisations that facilitate industry Trading Standards. It is important to understand that within each season further activity and review is undertaken by commercial storage operators who establish receival grades and segregation planning. Storage operators work within the framework of Classes and Trading Standards and manage the allocation of storage to grades and segregations. The decision as to the segregations offered by storage operators are their commercial decisions. In some seasons additional "non-Trading Standard" segregations may be offered by commercial storage operators to maximise value and grain capture, while maintaining consumptive market requirements and integrity.</p>
5	Consider introducing new tests and measurements for grain cleanliness.	<p>The Screenings system has served Australia's supply chain well. Commercial and industry review processes ensure it is always open for review. Grain industry systems and procedures are in place for individuals or companies to promote change.</p> <p>Any call for change is reviewed on the basis of whether the call for change, or any market complaint is material. GTA's Standards Committee has and is currently reviewing Submissions dealing with the grain assessment process. This review indicates these issues are largely related to the noodle wheat markets of Japan and Sth Korea.</p>
6	Review the interaction between protein payment scales and blending.	<p>Buyers are seeking other attributes from Australian wheat than simply protein. Grades and the value associated between grades is a combination of many quality factors for different markets. The report does not identify any specific consumptive market demand (or programs) that are requiring (or paying for) protein increments. In Feed markets Metabolic Energy is generally a higher consideration.</p> <p>Blending occurs at numerous points within the supply chain and for different reasons. Many of these are not related to protein level management but are essential to meeting the multitude of end-market commercial and phytosanitary requirements.</p> <p>GTA does not concur with GGLs view regarding setting a minimum protein level for ASW. In our view this would unnecessarily force more grain into the lower grades such as of General Purpose or Feed. As discussed in Recommendation No. 4 the current process provides the flexibility for commercial storage providers to operate their own receival standards (potentially not directly aligned to GTA Trading Standards) to accommodate seasonal grain quality issues and segregations so that where possible low protein ASW can be stored separately. This allows for distribution to markets such as animal consumptive markets where protein is not a critical factor.</p>

7	Streamline the coordination and delivery of promotion of Australian wheat	<p>GTA actively promotes the Australian grains industry. Our focus is on the:</p> <ul style="list-style-type: none"> • quality assurance processes which instil confidence and drive value through the entire chain; • reliability of the supporting supply chain; • industry wide Code of Practice; and • the reliability of its counterparties and Trade Rules. <p>We note the commitment and activities of others involved in support and promotion of the Australian grains industry.</p>
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It is disappointing this report was launched into the public domain without a more extensive collaborative review process as it has resulted in a Report with recommendations that GTA consider are not fully supported by the data and narrative of the report. A more collaborative review may have also provided greater consideration of market implications and assisted with the task of promoting and selling Australian grain.

GTA, its Members and Technical Committees are strong advocates for collaborative industry reviews of existing systems, process and procedure with the objective to improve and create value.

GTA as previously demonstrated, has participated in GGL initiated Working Groups focussed on creating industry value and is willing to assist GGL in the event any of the report recommendations are progressed further. In relation to Recommendation No. 5 you will be aware (through GGL's active involvement in the Trading Standards Committee) that this recommendation is being progressed. It was agreed for the Committee to endorse a process of establishing a Working Group using the resources of the Methods Sub-Committee to design the detailed framework for a broad review of sampling process for screenings and wheat dockage.

We noted your request for feedback and undertook a consultative process across our membership. Thank you again for the opportunity to provide this input and to assist GGL with this process. Please feel free to contact GTA again to assist further with any other activities.

Yours sincerely,



Pat O'Shannassy
CEO