



December 2013 / January 2014

GPSA calls for new approach to pools

Lack of protection for growers against poor financial performance

GRAIN Producers SA has called for increased rigour around the operation of grain pools in a submission on behalf of growers to the Wheat Industry Advisory Taskforce last month.

The taskforce inquiry is investigating claims by some industry participants that over the past few years, there has been discrepancies between estimated and final pool returns, resulting in lower than expected returns to growers.

In its submission, GPSA outlined how many growers who had used pools had been financially disadvantaged due to the pool's poor performance.

Chief executive Darren Arney says Grain Trade Australia's (GTA) code of practice for pool providers does not provide enough protection for growers against poor pool performance.

"GPSA wants to see pools registered as managed investment schemes for grain under the Australian Securities Investments Commission. They should be subject to Australian financial services regulations and be licensed," Mr Arney said.

"GTA defines a pool as grain grouped by the pool provider such as by time of delivery, location, quality, grade or variety. Profits or losses from the pool are shared between pool participants.

GPSA believes most pools offered by grain traders fit the description of managed investment scheme (grain) because they have at least one of the following:

- The pool provider is not a cooperative.
- A management fee is charged on a percentage value of the commodity managed.
- An outperformance fee payable to the pool provider is charged against a benchmark or other formula.
- The marketing scheme uses derivative products such as futures, options or swaps.

- Early order premiums are offered to scheme participants.
- Various payment and finance options are offered to participants with finance costs charged.
- Underwriting or other non-recourse products are offered.

What is the taskforce?

- The Wheat Industry Advisory Taskforce was formed on February 1, 2013, and was one of the requirements of the *Wheat Export Marketing Amendment Act 2012* when Wheat Exports Australia was wound-up.
- Its task is to provide independent advice to government and industry on issues that may affect the efficient operation of the wheat export industry supply chain.
- It has two inquiries at present into pools as financial products and stocks information. It will provide reports summarising industry views to the Federal Government by July 1, 2014.
- Visit www.wheattaskforce.gov.au

Decision on GrainCorp highlights need for competition

GRAIN Producers SA welcomes the decision by the Federal Government to reject the Archer Daniels Midland takeover bid for GrainCorp as not in the national interest.

GPSA chief executive Darren Arney says the decision highlights the importance of a competitive grain storage, handling and bulk export system to the Australian grains industry. It also indicated Federal Treasurer Joe Hockey had recognised the lack of competition and was prepared to act.

Mr Arney says the underlying issue in the debate surrounding the takeover has been competition in relation to port access and the storage and handling system.

"It is such an important issue that can be a huge influence on growers' profitability and has already been raised in a number of Senate inquiries into the Australian grains industry," he said. "The previous Federal Government established a mandatory code for port access to ensure competition in grain exports which is current being developed and we need to see further action on this front.

"The Wheat Industry Advisory Taskforce will make recommendations on grains stocks information, wheat export quality standards and the operation of grain pools."

Mr Arney said the ports competition

issue remained unresolved in South Australia.

"In 2011, the State Government established a Select Committee which made recommendations on South Australia's grain handling industry, tabling its report 18 months ago in State Parliament on how competition could be improved.

"GPSA awaits the South Australian Parliament's response to the recommendations of the Select Committee and the new determination by the Federal Government to ensure increased competition in the grains industry flows to all states of Australia."

SA growers lack choice in debate on GMs

GRAIN Producers SA says the newly-extended moratorium on genetically modified crops denies growers freedom of choice and is a distraction from addressing key issues that are holding back productivity of the State's \$2.5 billion grain industry.

GPSA chief executive Darren Arney says SA grain growers must have the same level of choice as other mainland states regarding whether or not they grow GM crops.

"South Australian grain growers must have the freedom to choose to grow whatever crops will deliver the best return for their business, improving their profitability," he said. "It should be an on-farm decision made by growers, not a decision made for them as part of the political process.

"SA canola is selling at about \$15 a



Grain Producers SA believes that the decision to grow genetically modified crops should be made on-farm, not as part of the political process.

GROWERS... HAVE YOUR SAY!

Do you want to grow GM crops or not?
Let us know!

Contact GPSA on:

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tonne less than Victorian canola so at present, there is no financial benefit to being GM free. Growth markets like China are actually discounting imports of SA canola because of blackleg disease.

A survey of GPSA members last year found more pressing issues that needed

urgent attention to improve profitability were increasing competition in the grains industry and wider access to the ports system for grain exports.

"While the State Government and Opposition are revisiting their GM policies, South Australian growers really need to see action on the outcomes of the South Australian Parliamentary Select Committee into Grain Handling," Mr Arney said. "The committee – which included Members of Parliament from both major parties – started its work nearly three years ago and since then, there has been little action on its recommendations."

"The longer action is delayed, the more costly these issues are for growers."

Variety misdeclaration costs Australian grain industry

REPORTS of variety misdeclaration this harvest are causing plant breeder and seed commercialisation companies to rethink the level of variety identification testing undertaken at receipt.

Denis McGrath is the end point royalty agent working on behalf of all Australian plant breeder and seed commercialisation companies. He says misdeclaration of varieties can cause issues in the industry for growers, plant breeders, exporters and end users including:

Reputation of Australia's grain in overseas markets

Mr McGrath says misdeclaration puts the integrity and quality of grain exports at risk.

"Declaring a variety that is not meant to go into higher quality grades puts our reputation at jeopardy and over time, end users may find there is reduced value in sourcing higher quality grades, which in turn, will flow back to growers in lower prices."

Legal ramifications

Misrepresenting or misbranding a product is an issue covered in the terms and conditions of bulk handler

agreements so if growers are found to misdeclare a variety there may be penalties enforced.

PBR infringement

Fines for infringement of Plant Breeders Rights are up to \$55,000 for individuals or \$275,000 for companies.

Plant breeding investment

Mr McGrath says the majority of growers are honest and only a very small proportion of growers are avoiding paying end point royalties.

"These growers are cheating the system, cheating the majority of fellow growers who do the right thing, and are demonstrating short sightedness in terms of not contributing to future productive increases and therefore the long term viability of the Australian grains industry," he said. "End point royalties are now an essential component of the plant breeding industry in Australia and its success has attracted many global companies to invest in variety development.

"For example, Monsanto, Limagrain and Syngenta have partnered with public and private agencies building Australia's leading three wheat breeding companies,

Intergrain, AGT and Longreach plant breeders respectively. Bayer Crop Science and Dow Agrosiences are also global technology companies that are new investors in plant breeding in Australia, and that is all because Australia's EPR system is working well."

Mr McGrath says plant breeder and seed commercialisation companies are investigating the merits of further variety identification, such as increasing DNA testing on samples at point of delivery.

He says the investment by growers in plant breeding through EPRs was more important than ever due to the continuing decline in public investment in breeding not only in Australia but in nearly all parts of the world.

"If growers do not fund breeding through EPRs, it will not happen."

More information:
www.varietycentral.com.au or GRDC End Point Royalty Fact Sheet www.grdc.com.au/GRDC-FS-EndPointRoyalty

