

New grain era ushered in without trading hassles

By Geoff Honey, CEO, Grain Trade Australia

SECTION 2
THE GRAIN INDUSTRY IN FIGURES

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Grain Trade Australia (GTA, formerly NACMA) was established in 1991 with a charter to develop the commercial resources to facilitate trade across the Australian grain industry. Since then, GTA has developed grain standards for all the major grain types commercially produced in Australia. It has also developed grain contracts for various sectors of the industry, from producers through to exporters.

In 2008 the Australian grains industry experienced landmark changes to wheat marketing arrangements and saw the commercial production of GM canola, the first dryland GM crop in Australia. Both these changes ignited substantial concerns from various sectors of the industry and the challenge for the grain producers and marketers was to ensure the commercial processes would match market needs.

In response to these changes, the arrangements initiated by GTA and the Australian Oilseeds Federation (AOF), in the case of GM canola, ensured new marketing arrangements did not impede commercial activity for either seller or buyer.

Grain standards

Since 1999 GTA has on an annual basis reviewed, published and made available to industry GTA Wheat Receival Standards through its Standards Committee. Until 2007, AWB Ltd provided the basis of the wheat receival standards that were used by industry for domestic trading and for export shipments.

Although developed by AWB, the standards were reviewed yearly by the GTA Standards Committee and presented at the Grain Industry Common Interest Forum to debate changes and amendments.

In 2007, following the Australian Government's announcement of changes to the single desk marketing of export wheat, GTA produced Wheat Trading Standards in line with AWB Limited Wheat Standards.

From 2008 onwards, as AWB advised they would no longer produce wheat standards on behalf of industry, GTA will produce these standards.

In order to provide a consistent message to both domestic industry and international buyers, GTA encouraged input into the development of these standards. Industry was also encouraged to use the standards when trading Australian wheat.

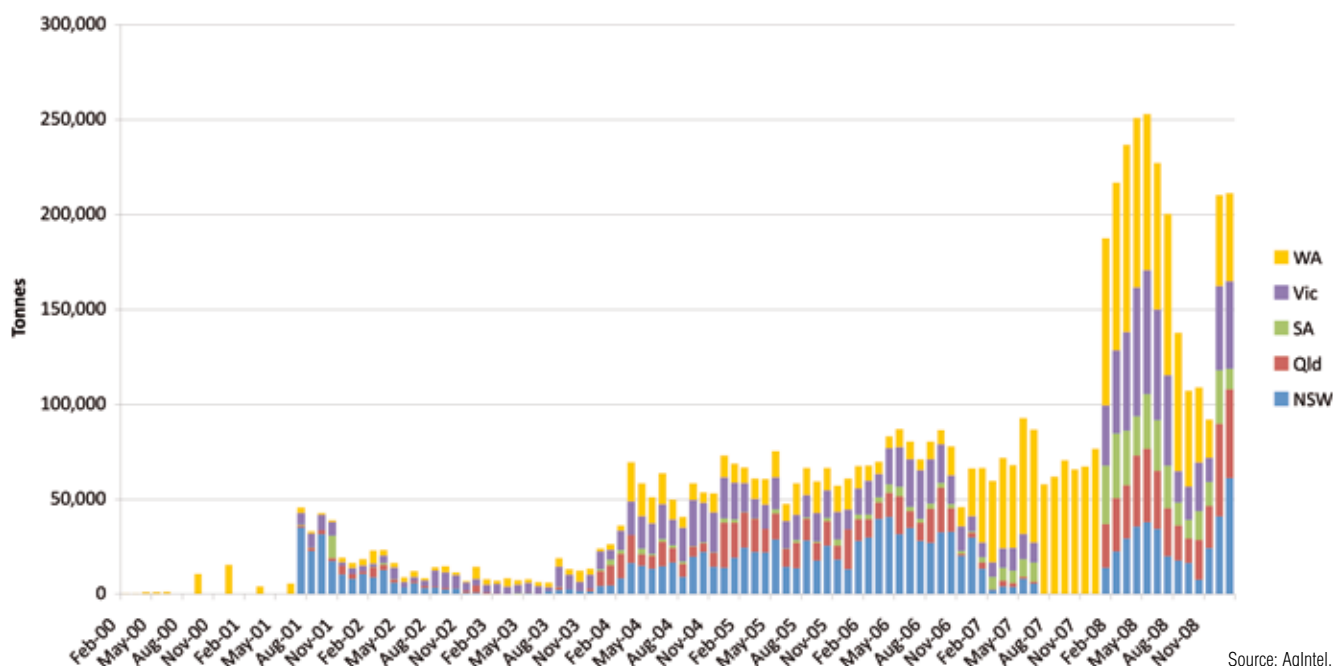
Contracts

In an average year, about 60 per cent of the Australian wheat crop is exported which leads to the crop's own special requirements with relation to contracts. GTA is tasked with trade facilitation from production source to domestic end user – or in relation to export – to free on board (fob) ship.

GTA undertook to develop a GTA fob contract that suited the needs of members and which would be subject to Australian jurisdiction.

Australian jurisdiction allows for the GTA Dispute

FIGURE 1: Australian monthly wheat exports in containers



Source: AgIntel.

Resolution Service to be used in preference to an overseas based arbitration process which adds substantial costs.

There has been explosive growth in the export wheat container trade following deregulation of that market (Figure 1). This market segment used the GTA Delivered Container Terminal (DCT) contract to conduct business. The shortage of food grade containers at all major shipping ports in late 2007 and early 2008 set the scene for potential trade disputes.

The DCT contract was put under heavy commercial 'stress-testing' with substantial financial exposures. But the contract performed as it should and allowed the parties to reach commercial settlement if there were any issues.

Transport, storage & handling

Movement of grain to port in all states is a major issue. Over the past couple of years rail assets have moved to more lucrative commodities such as minerals, while there has been a general run down in infrastructure. This has led to an increasing use of trucks to move grain over distances not previously envisaged. Changes to road transport legislation in relation to Chain of Responsibility and fatigue management also present their own special problems.

In conjunction with the Livestock & Bulk Carriers Association (LBCA), GTA has recognised these issues and has developed a Bulk Freight Contract.

Road transport reform across Australia has also led to the introduction of laws that impose duties and responsibilities on all parties in the road transport chain, to take reasonable steps to prevent non-compliance with the heavy vehicle laws. This includes those consigning, loading, packing and receiving goods that are transported by heavy vehicles. The purpose of these laws is to raise industry standards and to reduce the possibility of breaches of the law.

GTA and LBCA have developed a Grain Transport Code of Practice as an important tool to assist participants transport grain to their designated markets quickly, safely and within the relevant laws. It was recognised that to ensure success the Code of Practice had to address the transport task in a holistic sense covering all parties' responsibilities.

A GTA Storage & Handling Agreement is a critical aspect of marketing given the amount of grain that is not committed at harvest.

To safeguard title it is critical that organisations wishing to warehouse grain have an agreement that addresses issues such as insolvency. In many states the Sale of Goods Act is not clear on this matter and needs to be addressed in a contractual manner.

The GTA has recognised this as an issue and has developed a Storage & Handling Agreement contract for use by industry participants.

GM canola

In 2008, GM canola was introduced with commercial plantings in NSW and Victoria. GTA, in conjunction with AOF, recognised the potential benefits of GM technology and endorsed its commercial use under a framework that provides for market choice.

The Market Choice criteria and framework were developed to recognise that all participants along the supply chain should have the ability to exercise choice for appropriately approved technology – that is, approval by the Office

of the Gene Technology Regulator and acknowledged as safe by Food Standards Australia & New Zealand.

This commercial release was backed by industry agreed standards and supporting methodologies, through chain commodity/product declarations, specific GM standards and contracts. It was also important that the commercial processes utilised were consistent with international trade processes.

International alliances

As a major grain exporting country – and as an aid to international grain trade facilitation – it is critical that there is a forum in place for importers and exporters to exchange viewpoints and where possible to harmonise their commercial processes.

The International Grain Trade Coalition is the forum for such interaction. The GTA became a member in 2006.

Some of the biggest concerns currently facing the global grains industry are liability and redress issues associated with the UN Biosafety Protocol. GTA has supplied industry comment on these issues to the Department of Foreign Affairs as the lead negotiator for Australia.

The process works!

The 2008 cropping year was set to challenge the commercial processes which enable grain to be bought, sold and warehoused throughout Australia. The fact that all these processes occurred without disruption to trade is testament to the effectiveness of the commercial foundations and framework developed by the industry over the past 18 years.

For more information phone 02 9247 6408 or go to: www.graintrade.org.au

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NACMA now GTA

National Agricultural Commodities Marketing Association Ltd (NACMA) has changed its name to Grain Trade Australia (GTA). The change in name reflects the core activities of the organisation – being active solely in the commercial grains industry, having a key role of facilitating trade and operating Australia wide. The NACMA membership had backed the name change to enable a greater understanding of its role and to meet the needs of Australia's grains industry.

"There have been substantial changes in Australia's grain marketing environment over the past year and GTA will rise to meet the challenges of this new environment," GTA Chief Executive Officer Geoff Honey says. "Our trade facilitation processes during the first harvest in the deregulated environment were problem free. Both buyers and sellers utilised our contracts, trade rules and receival standards very successfully."

GTA has also recently announced the appointment of Mr Tom Keene as its new independent chairman.

New GTA website: www.graintrade.org.au



Tom Keene, GTA chairman.