



**A submission by  
GLENCORE GRAIN & VITERRA  
in response to the  
AUSTRALIAN GOVERNMENT  
AGRICULTURAL COMPETITIVENESS GREEN PAPER**

**December 2014**

## **Purpose**

The following submission sets out Glencore Grain and Viterra's views in response to the Australian Government's agricultural policy principles. It contains our views on how improved returns at farm gate can be achieved whilst maintaining a sustainable and competitive Australian agricultural sector.

All enquiries in relation to this submission should be directed to:

Jane McBride

Communications Manager

[jane.mcbride@glencoregrain.com.au](mailto:jane.mcbride@glencoregrain.com.au)

+61 8 8304 1368

## About Us

Glencore Grain and Viterra are significant investors in the Australian grains industry. We are an important contributor to the rural economy as well as one of South Australia's largest employers, with a combined workforce of around 750 permanent and more than 1600 casual employees.

Glencore Grain is one of the largest buyers of wheat, barley, oilseeds, pulses and cotton direct from Australian growers, with offices located across five key growing states; Western Australia, South Australia, Victoria, New South Wales and Queensland.

Glencore Grain exports more than six million tonnes of grain from across Australia each year.

Since 2010, our average annual contribution to the Australian economy has included \$1.3bn paid to grain growers, \$146m in labour costs, almost \$3m in local council rates and approximately \$75m in capital expenditure.

Viterra's storage and handling operation consists of a network of upcountry receival sites and strategically located port terminals. With a total storage capacity of more than 10 million tonnes it is designed to handle peak capacity requirements for production and shipping.

Viterra's six operational grain port terminals are located along the South Australian coast at Inner Harbour, Outer Harbor, Wallaroo, Port Giles, Port Lincoln and Thevenard. Glencore is also a minority shareholder in the Newcastle Agri Terminal in New South Wales.

Viterra's packing and processing facilities are the largest in Australia and service the grain industry with a complete range of containerised export options. Facilities include five packing and processing plants across southern and eastern Australia; at Port Adelaide and Two Wells in South Australia; Dooen and Laverton in Victoria and Narrabri in New South Wales.

Viterra works on behalf of both grain growers and exporters to ensure that services delivered meet the requirements of those two key stakeholders in a cost effective and efficient manner.

Glencore currently crops over 30,000 hectares in south-eastern Australia.

In South Australia, the grains industry is currently the highest value agricultural sector, and we play a major role in enabling grain growers and the industry to achieve its full value.

## **Executive Summary**

We welcome the Government's focus on Australia's agricultural sector, which plays a vital role in Australian society. As such, we believe informed public discussion and debate about its future is essential.

Australia's agriculture sector competes in a global marketplace. For the industry to fulfil its potential, it is vital to maintain and/or create an environment that encourages investment and innovation, rewards productivity and efficiency, removes unnecessary green and red tape and provides a level playing field for industry participants to meet the needs of customers.

Improving Australia's competitiveness in the global market for the increasing demand for grains in Asia will deliver benefits for the Australian economy.

The Australian agricultural sector is reliant on the sustainability of businesses throughout the supply chain. In the grains industry, this includes growers, grain handlers and processors, logistics providers, port infrastructure owners and ultimately the end use customer.

To ensure the industry achieves its ultimate goal of meeting the customers' needs, government policy settings must encourage investment, innovation and productivity at every step in the supply chain.

The greatest opportunity to improve Australia's competitiveness and increasing farm gate returns is through increased crop production and yield. Strategies to increase grain production provide multiple benefits to all parts of the industry and the Australian economy more generally.

Increased yield will spread the high fixed costs such as infrastructure, machinery and labour over a greater volume therefore increasing profitability.

Agronomic advances and improved farm management techniques have produced more consistent crops in recent years despite varied seasonal conditions. There is opportunity to continue this advancement by focusing industry investment in research and development. This has the potential to increase both the yields on existing land and the area of arable cropping land.

Australia's grain storage facilities and port terminals are world class and have the capability to handle and export significantly greater volumes than is currently being produced.

Glencore Grain and Viterra play key roles in ensuring South Australian grain production is distributed efficiently to the end use customer, both domestically and internationally, resulting in over \$2bn flowing to grain growers, transport providers and other industry participants.

We have significant concerns about the Port Terminal Access Code of Conduct which came into effect on 30 September 2014 as it poses a real risk to the competitiveness of South Australian grain in the international market.

The Code imposes different levels of regulation across Australia's port terminals and will result in a range of consequences where contestable areas overlap.

Road and rail infrastructure is critical to the efficiency of Australia's agricultural supply chains. It is imperative that government takes a lead in investing in rail infrastructure, particularly where economic returns are not adequate for individual companies to invest but where investment provides the community with social and environmental benefits.

As a major agribusiness employer in regional South Australia, Viterro requires workplace legislation to be flexible enough to meet the varied needs of the grain supply chain. Workplace policy needs to give businesses the flexibility to efficiently manage workforce requirements in line with volatile demand requirements.

Glencore Grain and Viterro jointly:

- believe driving increased yield and profitability at the farm gate as well as supply chain efficiency are critical to maintaining and enhancing Australia's global competitiveness for all industry participants
- support full deregulation of the industry
- are of the view that amendment or removal of the Port Terminal Access Code of Conduct is required to ensure all industry participants are provided equal access to international markets.

## **Submission**

We support increasing farm gate returns; and to achieve this we need a stable and efficient policy and regulatory environment along the entire supply chain that promotes Australia's agricultural industry. Our industry has a number of advantages over those of our key competitors, and Australia must continually strive to maintain our position as a supplier of high quality grain to overseas markets. If Australia is to fulfil its agricultural potential, it requires sustainable and profitable businesses along the supply chain.

We have responded to the policy ideas below.

The Australian grains industry's move toward deregulation has brought a number of tangible benefits including:

- investment into new and existing supply chain infrastructure
- increased marketing options for Australian grain growers
- increased advisory services for growers
- more international buyers of Australian wheat and other grains
- more participants in the Australian grains industry providing competitive prices
- tailored quality to meet individual export requirements
- improved value (basis) relative to international markets

## **Infrastructure**

Australia's grains industry supply chain delivers value back to the grower and enhances farm gate returns by providing the link between the producer and the consumer.

Viterra operates an efficient grain supply chain that meets the unique requirements of South Australia. Viterra provides its grower and commercial customers with a complete range of services, the complexity of which has increased significantly in recent years.

South Australia's 2014/15 grain harvest has an export value of approximately \$2.2 billion. Viterra enables growers and businesses along the supply chain to realise this value, much of which flows back into regional economies.

Australia's major bulk handling supply chains support multiple users of a single system. This avoids the costly duplication of existing capital intensive infrastructure that is already underutilised.

Australia's grain storage facilities and port terminals have the capability to handle and export significantly greater volumes than is currently being produced.

In South Australia, the five year average production is 7.5 million tonnes with record production of 10.34 million tonnes. South Australia's storage and handling network has storage capacity in excess of 11 million tonnes, plus on-farm storage.

The five year average export task from South Australia is 5.9 million tonnes annually. Viterra's port terminals have the capacity to export significantly greater volumes per year.

Viterra is responding to, and meeting, increasing capacity demands for both receipt and export in shorter timeframes as the harvest period and peak shipping period condense and overlap. This ensures that South Australian grain is available to the market when in demand.

Viterra manages its operations to match demand variations on receipt, storage and export (during the year, and year on year).

The South Australian grain grower operates under the expectation that the bulk handlers will have the capacity to receive all commodities and grades as grain is harvested. The system has been developed to handle peak demand periods. In excess of 5000 grower entities deliver grain into Viterra's storage and handling network. On the largest receipt day for the 2014/15 harvest more than 9000 loads were delivered.

Reliable logistics with efficient provision of road and rail infrastructure is crucial for grain to move through domestic and global food supply chains.

Viterra has committed to long term agreements to secure access to transport assets for both road and rail. This provides the most efficient transport method possible for grower and commercial customers, necessary to perform the shipping task. This access is contestable and expensive. Commitment to these services is made well in advance of known production; therefore Viterra assumes this risk on behalf of industry. In the absence of long term agreements, the industry risks being unable to provide the necessary capacity for peak demand or operate it at an efficient price.

Viterra continues to invest in its supply chain assets. The grains industry, including growers, would benefit from further investment in below rail infrastructure and resolution to 'last mile access' road issues. It is imperative that Government take a lead in investing in rail infrastructure, particularly where economic returns are not adequate for individual companies to invest but where investment provides the community with social and environmental benefits.

A recent report prepared for Regional Development Australia – Murraylands and Riverland into freight and rail operations stated:

*"The two Mallee railway lines are bulk single commodity lines that were not constructed to the standards required for the bulk commodity task and are too old and costly to maintain and justify upgrading. A benchmark estimate is that an investment of around \$700Mil would be required to replace the lines to the standard required."*

*"The two key attributes for bulk freight infrastructure are volume and consistency and these two railway lines currently lack both."*

*"The road freight alternatives using larger truck configurations are becoming increasingly economic and operate throughout the year."*

Investment to improve road infrastructure adjacent to grain receipt sites (last mile access) would allow for more efficient movements of grain into sites by growers during the harvest period and out-turning to meet market requirements.

There is a finite tonnage of exportable grain grown in Australia each year. Storage and handling infrastructure owners operate high cost, low margin businesses, requiring significant capital investment. Like our grower customers, bulk handlers carry significant risk each year with unknown and variable production volumes. Duplication of supply chain infrastructure which already has surplus capacity will negatively impact on the efficiency gains and cost effectiveness from the existing supply chain through volume reductions. Ultimately this duplication will lead to a reduction of services (e.g. closure of sites, reduction in segregations) to growers and exporters.

Implementation of new grain handling technologies, such as drive over hoppers for bunker loading and fast rail outloaders for loading trains have increased efficiency and elevation capacity at sites while reducing the need to rely solely on the construction of new storage capacity. Viterra has also been quick to adopt leading

electronic sampling and quality control devices to ensure that growers and exporters receive the benefits of the best technology available.

### **Working with States and Territories**

The South Australian bulk grain export supply chain is subject to significant state and federal oversight, including infrastructure access, work health and safety, environmental management, food safety, and transport. Any streamlining of regulation and removal of duplication at a federal and state level would reduce the regulatory burden and costs borne by businesses.

For example, the Australian Competition and Consumer Commission (ACCC) and the Essential Services Commission of SA (ESCOSA) both have oversight of the bulk grain export supply chain and there is regulation overlap.

The grains industry is also impacted by road restrictions managed at a local government level. Roads leading to many Viterra sites are often council owned roads. Many are subject to lower limits on vehicle mass than State or Federal Government owned roads. Vehicle combination(s) used to carry grain whilst able to carry heavier load throughout most of the journey are restricted to loading to the lower tonnes required for the “last mile”. Key receipt sites within the Viterra network are subject to this type of restriction. This impacts on growers when they deliver, as well as the outturning of grain, ultimately increasing costs.



## Competition and regulation

### The grain industry supply chain and regulations applicable throughout the stages (not an exhaustive list)



Winter crops are generally sown in May and June, with majority of harvesting occurring in November and December.



Grain is loaded and delivered to a storage and handling receival site. Vitterra's network has a total capacity of more than 10 million tonnes.



Deliveries are segregated in relation to commodity (e.g. wheat and canola), then according to its processing and product quality.



Throughout the year grain is delivered by rail and road from upcountry receival sites to one of Vitterra's six bulk grain export terminals.



Grain is stored at port terminals in preparation for export.



Approximately 80% of South Australia's grain is exported. Ships carrying up to 60,000 tonnes of grain supply international markets.

- *Agricultural And Veterinary Chemicals Act 1994 (Cth)*
- *Agricultural And Veterinary Chemicals Code Act 1994 (Cth)*
- *Agricultural And Veterinary Chemicals (South Australia) Act 1994 (SA)*
- *Agricultural And Veterinary Products (Control Of Use) Act 2002 (SA)*
- *Personal Property Securities Act 2009 (Cth)*
- *National Residue Survey (Excise) Levy Act 1998 (Cth)*
- *National Measurement Act 1960 (Cth)*
- *Development Act 1993 (SA)*
- *Food Standards Australia New Zealand Act 1991 (Cth)*
- *Australian Food Standards*
- *Food Act 2001 (SA)*
- *Controlled Substances Act 1984 (SA)*
- *National Greenhouse & Energy Reporting Act 2007 (Cth)*
- *Workers Rehabilitation And Compensation Act 1986 (SA)*
- *Road Transport Act 1961 (SA),*
- *Motor Vehicles Act 1959 (SA)*
- *Summary Offences Act 1959 (SA)*
- *Heavy Vehicle National Law (South Australia) Act 2013 (SA)*
- *Work Health And Safety Act 2012 (SA) (and regulations)*
- *Environment Protection Act 2003 (SA)*
- *Maritime Transport And Offshore Facilities Security Act 2003 (Cth)*
- *Rail Safety National Law (South Australia) Act 2012 (SA)*
- *Competition and Consumer (Industry Code Port Terminal Access (Bulk Wheat)) Regulation 2014 (Cth)*
- *Competition and Consumer Act 2010 (Cth)*
- *Maritime Services (Access) Act 2000 (SA)*
- *Export Control Act 1982 (Cth)*
- *Customs Act 1901 (Cth)*

A key policy objective of the Government is to reduce the burden of inefficient and ineffective regulation. Over-regulation increases costs and stifles investment. Changes to port access, coastal shipping, work health and safety and workplace regulations would create a more flexible operating environment while still maintaining appropriate controls where necessary.

### **Port Access Regulation**

While port operators are still in the process of implementing the Port Terminal Access Code of Conduct which came into effect on 30 September 2014, Viterra is concerned about the Code conditions and the negative impact this may have on the competitiveness of the South Australian grains industry including South Australian growers.

The Code imposes different levels of regulation on port terminals (and States) depending upon certain criteria, including ownership structure and the existence of an exempt port terminal service provider within the grain catchment area for the port concerned.

CBH, as a grower owned co-operative, has been exempted from the application of the Code. GrainCorp's Newcastle terminal has also been exempted. It is likely additional East Coast ports will be exempt.

This creates a situation whereby South Australian ports potentially become the only regulated grain supply chain. This would reduce grain grower returns and negatively impact the volumes through existing infrastructure.

The cost of regulation for the industry is significant and a tiered approach across port terminals and operators in Australia will disadvantage export zones that are subject to greater levels of regulation.

The Code will impose a regulatory cost on industry of approximately \$1.8 million per annum. If East Coast ports are given exemption under the Code, South Australia will be the only State subject to greater levels of regulation. This will mean, of Australia's average total grain crop of 40 million tonnes, only the 4.5 million tonnes of bulk wheat exported from South Australia will be subject to the full requirements of the Port Terminal Access Code of Conduct.

The inflexibility associated with regulation threatens competitiveness against unregulated ports in restricting the ability of regulated port operators to meet customer's individual needs.

As one of the largest grain exporters from each state in Australia, Glencore Grain requires access to supply chains and the opportunity to commercially negotiate terms for port access across Australia. Glencore Grain maintains that all port terminals should operate under minimal and an equal level of regulation. Glencore believes continuing the transition to full deregulation gives the Australian grains industry the best opportunity to maximise its competitiveness in the global market.

Allowing the market to operate more commercially will further increase the efficiency and subsequently, the competitiveness of the industry to the benefit of all.

A competitive, deregulated environment for all participants will ensure grain moves to the most efficient port rather than the one without the burden of additional regulation. This will maximise the use of existing infrastructure.

In a globally competitive market, the Australian grains industry needs to provide what its export customers demand. This provides longer term certainty and ongoing competition for Australian grain.

Currently, shipping capacity in South Australia is allocated annually through an auction system. This year has seen exporters commit to significant auction premiums that add a substantial level of risk.

Attracting export customers to South Australia would be further enhanced if Viterra was able to provide its customers with future port capacity, through long term agreements.

This would create ongoing demand for South Australian grain in the global marketplace as exporters are assured of shipping capacity for multiple years, have confidence in their ability to export from South Australia, allowing longer term investment decision making. Long term agreements also provide certainty for the utilisation of the infrastructure. This will ultimately benefit grain growers.

Viterra is currently working with the ACCC to develop a framework for long term agreements.

### **Coastal shipping regulation**

Current regulation on coastal trading within Australia means interstate shipping is not a cost effective freight option and is not flexible enough to meet the variable and opportunistic nature of domestic grain demand.

The current regulation requires a minimum of five vessel bookings with the first option being made available to Australian flagged vessels. As stated by the Hon Warren Truss MP in releasing the Regulation of Coastal Shipping Options Paper:

*“Our domestic freight task is growing rapidly and shipping should be carrying a larger share of the load. There is a growing disparity between the cost of shipping domestically and the cost of shipping to Australia from overseas.”*

Changes to coastal trading regulation would allow more efficient and cost effective movements of grain within Australia.

### **Work, Health and Safety Regulation**

Our first priority in the workplace is to protect the health and wellbeing of everyone involved in our operations and we recognise the importance of Work, Health and Safety (WHS) regulation. It is accepted that for any WHS regulation there should be at least offsetting safety benefits shared by both the employer and workers. Principally, regulation should be consistently applied across the agricultural industry and focused on improving WHS outcomes and prescribing defined controls where a well-recognised hazard and solution exists. Consequential benefits should result for all participating parties such as higher productivity, reduced cost, higher employment satisfaction and most importantly the reduced human cost of morbidity and mortality.

The current regulatory enforcement policies also focus significant efforts of finite resources on maintaining records to prove “due diligence” at the expense of proactive risk management.

### **Workplace relations**

The inflexibility of current workplace policy makes it difficult to efficiently manage workforce requirements to respond to the unique characteristics of the grains industry and provide the best possible service to customers. Workplace policy needs to give businesses the flexibility to efficiently manage workforce requirements in line with volatile demand requirements.

## **Finance, business structures and taxation**

Family farming operations are an important contributor to Australian agriculture. Most farming operations in Australia, regardless of ownership structure, are commercial, highly skilled and sophisticated. Economies of scale are increasingly critical in farming enterprises as the costs of infrastructure, equipment and labour continue to increase and to be more profitable these fixed costs need to be spread across greater production.

The grains industry has experienced a number of grain trading entities being placed into administration leaving growers without an income or receiving only a small percentage of the value of their production. Whilst there can be many and varied reasons for this it has not been uncommon for poor risk management within some organisations to be the cause of financial hardship for some growers.

The major grain traders such as Glencore Grain have mature risk management practices and access to capital to be a secure selling option for grain growers.

An environment with increased costs of regulation, applied differently across the grain production regions, has potential to lead to lower prices for grain growers or an increase in failed counterparties.

## **Foreign investment**

Like many of Australia's strongest and most competitive industries, the agriculture sector competes in a global marketplace and for many years has seen the benefit of foreign investment. This country has a large exportable surplus of many staple food crops, a highly skilled workforce, a stable regulatory regime and a relatively open economy. Foreign investment helps Australia fulfil its potential by providing much needed capital financing a range of industries – including agriculture – boosting employment, contributing to government revenue and further enhancing important trade relationships with other countries.

As a major foreign investor in Australia, Glencore today employs more than 19,000 people, including contractors. Since 2007 we have invested \$19 billion in Australian projects and operations (not including the capital investment on mergers and acquisitions). In 2013, we spent \$1.8 billion in salaries and wages; \$1 billion in taxes and royalties; \$8.3 billion in goods and services and \$3.2 billion in capital investment in Australia.

## **Education, skills and training and labour**

Glencore Grain and Viterra are a major employer within the Australian agricultural sector with a workforce of around 750 permanent and more than 1600 casual employees, primarily in regional South Australia.

Viterra and Glencore Grain invest more than \$2million in advanced training programs. This investment in our workforce is focussed on safety, food safety, operational improvement and the personal development our employees. Our training programs deliver on our overarching continuous improvement goal by improving efficiencies at all stages of the grain supply chain. With such a large percentage of our casual and permanent workforce in regional South Australia, our investment in skills is also aiding broader regional business by leveraging our training providers or through the natural transition of employee to alternate roles.

Viterra's grain quality control training is an example of a world class program and ensures a very high level of consistency in grain parcels as they move through the supply chain to both domestic and international

markets. Our investment in this training package ensures efficiency by both within our business and that of our customers through the supply of product that meets their specific requirements.

Further, the investment in training ensures compliance with varying licencing and legislative requirements.

Since 2010, our average annual contribution to the Australian economy has included \$1.3bn paid to grain growers, \$146m in labour costs, almost \$3m in local council rates and approximately \$75m in capital expenditure. The majority of these funds are paid to growers, employees, local governments and contractors in regional Australia.

We regularly utilise regional contractors for our capital improvement works.

The relative cost of labour in Australia is significant, especially when compared to the labour costs in competing export origins. Workplace policy needs to recognise the nature of agricultural work and requires further consideration of the award arrangements for the sector. Businesses require the flexibility to efficiently manage workforce requirements in line with volatile demand. Viterra has varying demands on its workforce on a daily, weekly and annual basis depending on production volatility as well as demand for services. Flexibility in the workforce is required so that Viterra can meet the needs of its operations.

Our business has high demand for regional employees as well as seasonal employees. Labour availability is an ongoing challenge and any provision by government to enable access to alternate labour sources or relocation assistance would help address this challenge.

## **Drought**

Drought is a recurrent feature of Australian farming that contributes to farm business risk and income volatility. Over the period 2004 to 2011, the annual value of output for the agriculture sector was almost twice as volatile as the next most volatile industry (Keogh 2012).

The impacts of this volatility risk and income fluctuation is not only confined to the farm and production end. Business risk and income volatility is experienced along the supply chain.

Current drought assistance programs are heavily focused on the production and farm end of the supply chain. There is little assistance for businesses along the supply chain despite many of the businesses being significant employers, particularly in regional areas.

## **Water and natural resource management**

As a business we are committed to identifying, understanding and mitigating our environmental impact and integrating this consideration into our planning, management systems and operations.

## **Co-existence between agriculture and mining**

Agriculture and mining are two of Australia's strongest and most competitive industries. Both sectors employ thousands of Australians, meet domestic demand and produce large exportable surpluses of commodities that are in high demand overseas, particularly in highly populated Asian economies such as China, India, Japan and South Korea.

There are many examples of successful co-existence between agriculture and mining in Australia. For example, in the NSW Hunter Valley Glencore operates six coal mining operations alongside a range of



agriculture industries, including cattle farms, vineyards and olive groves. Successful co-existence creates benefits for local communities as successful businesses create jobs and flow-on benefits to other businesses, as well as providing support to local community programs.

We recognise that agriculture and mining can have an impact on our environment and neighbouring communities and we seek to minimise this impact as best we can. We care about our environmental stewardship and are aware of our responsibilities within the communities in which we are privileged to operate and which our employees and their families call home. We measure and monitor our environmental performance and engage openly with our local communities to understand how we can continue to improve. We understand that our licence to operate is dependent on our ability to run safe, responsible, sustainable and profitable operations.

### **Research and development**

Research and development should consider water availability and utilisation in development of new plant varieties and agronomic practices.

## **Research, development and extension**

A significant opportunity exists to increase farm gate returns through increased crop production and yield. Increased yield will spread the high fixed costs such as infrastructure, machinery and labour over a greater volume, subsequently increasing profitability.

Agronomic advances and improved farm management techniques have produced more consistent crops in recent years despite varied seasonal conditions. There is opportunity to continue this advancement by further developing varieties suited to Australian conditions, continuing to improve utilisation of available nutrients and moisture and decreasing the reliance on costly inputs.

Industry investment in research, development and extension should focus on increasing grain production and yield with the same or decreased inputs, also taking into consideration the frequency and intensity of adverse weather events.

Strategies to increase grain production provide multiple benefits to all sectors of the industry and the Australian economy generally.

It would be misleading to focus solely on reducing costs. Certainly costs should be reduced where possible; however, increasing expenditure may lead to increased returns if it is invested in greater production volumes or generating income.

Large scale and corporate farming enterprises provide research, development and extension benefits to Australia's agricultural industry. They are often early adopters of new technology and offer industry the opportunity to conduct trial work and take learnings from their operations for implementation or modification by other farms.

Large scale enterprises are also likely to be able to manage variable production and price volatility as they spread risk across their operations. Environmental stewardship is also important to these operations as they seek to generate commercial returns from the land as well as maintain the commercial value of the asset.

As a corporate farming enterprise, Glencore utilises the latest crop management techniques and invests in technology to achieve long term sustainable production. The properties are also used to showcase opportunities to other growers in the region.

## **Biosecurity**

Glencore Grain and Viterra participate in – and are supportive of – biosecurity measures that protect the production and markets of Australian agriculture. Current biosecurity measures are appropriate for the potential risks that exist in protecting Australia's grain industry.

Viterra will continue to provide representative grain samples to government departments for the purpose of conducting surveillance and compiling data. This information is required by industry to manage emerging issues and ensure grain production practices such as chemical application are conducted in accordance with maximum residue limits required by customers.

We are supportive of biosecurity measures that protect grain transported within Australian borders by all methods including sea freight, provided these measures are reflective of the risks. Although further work is required, the recent changes to coastal shipping of grain from state to state will provide greater access for the stock feed industry during times of regionalised shortages to the benefit of all industry participants.

During shortages of production resulting from drought or disease grain may be required to be imported under biosecurity controls to protect Australia's stock feed industry. This should be conducted utilising approved infrastructure by entities with the ability to demonstrate appropriate levels of quality control including traceability and externally audited food safety and quality control practices.

## **Accessing international markets**

Australia is a key grain export origin and continues to see strong demand from end-use customers who recognise Australia's ability to deliver a reliable, safe, consistent, high quality product.

Australia has a competitive advantage over many other origins. In addition, Australia has a natural freight advantage into many destinations and the existing storage and port infrastructure allows exporters to meet the demands of their end use customers in a timely, efficient and cost effective manner.

Customers, particularly in Asia and the Middle East, Africa and the European Union, pay fair market value for Australian grain and oilseeds based on the inherent quality, freight proximity (loading and sailing time), availability and supply when they want to buy as well as flexibility around cargo size and grades.

Australia is already part of a global trading system that allows grain to move to where it is needed. Multiple buyers, including the major global grain companies have a presence in Australia to purchase grain and efficiently export it.

Viterra's multi-user storage and handling network gives growers access to the best price on the day from major global grain buyers. Growers can choose when and to whom they market their grain. This year, there have been 43 buyers (domestic and export) within the Viterra system, with 19 companies buying export shipping capacity. In addition, the IT systems and processes that support the operations streamline stock management and control and give growers the ability to transact with these buyers in real time.

Glencore Grain's global reach and presence in destination markets around the world allows us to competitively market Australian grain directly to end-use customers. Glencore Grain is part of Glencore Agricultural Products, a global leader in the marketing of agricultural commodities, with a significant presence in all principal import and export markets around the world. Our operations span more than 30 countries worldwide including marketing offices in 28 countries.

International markets for Australian grain are increasingly fastidious about food safety, contaminants and quality. This requires highly skilled management along the grain supply chain to protect Australia's enviable reputation for producing a consistent, high quality, safe product.

Viterra has invested significantly in quality control and food safety, establishing best practice management processes and the highest quality training. In managing the quality control, food safety standards and grain security through the supply chain Viterra ensures the grain meets the highest quality and food safety requirements of all domestic and international customers. This gives growers access to pricing from buyers that represent all major global markets.



All Viterra export facilities meet national and international food safety standards and are Department of Agriculture and ISO 22000 accredited.

All Viterra employees involved in the storage and handling of grain undergo extensive quality and food safety training. Viterra's comprehensive grain classification and residue testing procedures comply with industry established standards. Our dedicated laboratory facilities oversee all quality testing at sites, ensuring consistency and reliability in the quality of our grain. Our laboratory is accredited by the National Association of Testing Authorities (NATA) and we participate in the National Residue Survey (NRS).

Australia is competing with alternate origins to meet the growing export demand. Australian farm production must increase for Australia to remain a key export origin in the global grain trade, with other nations heavily focused on increasing their production volumes.

International end-use customers are demanding increased customisation of their grain parcels to meet their specific requirements. Australia's bulk handlers have the economies of scale to provide a large number of commodity and grade segregations, allowing this customisation to occur.

Viterra provides in excess of 60 segregations across the commodities received into its network. These segregations are determined each season in response to quality variations and end use customer demand. Whilst the provision of segregation services adds cost to the storage and handling provider, it avoids grain being downgraded to the lowest common denominator, allowing growers to capture additional value for their grain and allowing customers to meet their specific requirements.

Agriculture should not be compromised against other sectors to secure a free trade agreement but used in negotiations as a consistent supplier of a high quality commodity at a competitive price. The Australian economy is reliant on the consistent performance of agriculture and trade agreements need to reflect this importance in terms of agriculture as a priority.

International buyers will pay a marginal premium for Australia's quality grain production; however, for returns to be maximised to all participants the supply chain must be efficient.

The current import protocols for wheat, barley and canola into China are ambiguous and strongly in favour of the importing nation. Although these are being addressed a number of the ambiguities stem from Chinese legislation and require explanatory notes to decipher the intent. These explanatory notes are not available to some entities certifying shipments for export. This matter needs to be addressed to ensure maximum volumes can be traded with areas of high demand.