



## **Seeking to preserve and add Value to Australian grain, with R&D and Industry Good activities managed and self-funded by Industry.**

MAIN POINTS – use header hyperlinks to access Explanation

1. [Differentiate not Commoditize.](#)

The grains industry focuses almost exclusively on Commodity, which degrades aspirations and opportunities and outcomes. Australia is a high cost economy that is capable of creating high quality and high value products, so the Grains industry must focus on creating and marketing Differentiated products so as to create opportunity and value for their Value Chain clients.

2. [Food Safety must be controlled using Risk Management and QAA.](#)

Food Safety risks associated with grain are increasing at a time when our most valuable markets are becoming more safety conscious and demanding, and are becoming aware that Australia cannot effectively control grain contaminants. To create consumers and trade, and create value, a formal user-pays QAA system must be adopted that incorporates a HACCP risk-managed approach.

3. [Quality degradation must be halted and reversed so as to restore and then create added value.](#)

The Quality of current wheat Grades is being increasingly compromised by the dilution of variety-based quality. Customers are aware and are paying less. The same QAA system that assures Food Safety can also be utilised so as to provide Quality Certified product from Paddock to Plate, with full traceability.

4. [R&D must be re-instituted within the Value Chain.](#)

Grains Foods Industry-funded R&D has shrunk enormously so as to be absent in key sectors. Funds are being inappropriately solicited from GRDC which is virtually the only source of value chain funding. Grains foods value chain Processors need RDC's similar to GRDC for grain growers.

5. ["Industry Good" activities must be re-instituted.](#)

Previous AWB-funded "Industry Good" activities have been lost to the wheat industry because no alternative funding has been available. Industry sector associations have become ineffective or unviable. Mandatory levies on sector participants would make the associations viable and productive and able to effectively control RDC R&D, and provide funding for all "industry Good" activities.

6. [One single Federal Minister, one single Peak Body for all Food production and processing.](#)

There are several Ministries that interact with sector entities on an as-needs basis without real understanding of the issues or the likely outcomes, providing poor outcomes for all. Ministerial responsibility for Agricultural products should be extended to cover the processing of all agricultural products. Equally, Industry needs to be represented by just one Peak food body. This would then provide an effective "one on one" interaction between the Ministry and the peak body for all Australian Food processing, being the Australian Food and Grocery Council and its Agribusiness Forum.



## PREAMBLE

For some 80 years and several generations of Australians, the Australian Wheat Board (AWB) effectively controlled industry structures and many of the processes (by risk managing adverse outcomes) associated with the grains industry sectors of breeding, seed propagation, growing, receipt, storage and handling, transport, trading and marketing of Australian wheat.

Because the AWB Charter dictated that the AWB provide enhanced returns to its “customers”, being the growers of wheat in Australia, the AWB had an inherent conflict when seeking to respond to the needs of its real customers, being those who purchased wheat, and this ultimately restricted the AWB in its ability to act as a truly market-responsive supplier. Effectively, the AWB provided stability and cost-effectiveness for the Grower but failed to lead the institution of Systems of quality control and food safety, and was poorly responsive or proactive consequent to customer interaction, and sometimes failed to perceive and grasp customer-related opportunities.

The high degree of Control as exerted by the AWB had both good and bad outcomes, and unfortunately the lingering effects of that high level of AWB control mostly remain within the industry today. These lingering effects significantly impede the industry’s ability to progress because of the entrenched traditional AWB perspectives of most industry people and key individuals.

Since the demise of the AWB, in most sectors of the grains industry and for many reasons, levels of control and the standards of output by grains industry entities have dropped, with falls in grain processor-customer satisfaction and a consequent loss of perceived value, resulting in additional costs to processors and an inevitable loss of grower income.

It is necessary that Control in some form be restored to the grains industry, or customers will be increasingly dissatisfied both in Australia and overseas, and value will continue to be lost, and grower returns will continue to shrink.



## EXPLANATION

### **Differentiate not Commoditize.**

#### Problem:

The grains industry focuses almost exclusively on Commodity, especially Grain Trade Australia with all of its documentation.

#### Result:

This is a trap created by utilizing common Trader terminology, and this perspective then degrades aspirations and opportunities and outcomes.

The Australian Wheat Board (AWB) created differentiated and higher value products, focusing on its specifically named Grades that were created specifically for Markets and End Products and the Marketing of same, so as to create value.

The value as established by the AWB is now being progressively lost because grain is being Traded but not effectively Marketed as with USA grain as marketed by American Wheat Associates.

#### Solution:

With limited volume and unreliable supply of volume-related products due to our environment, rather than seeking to be the “Supermarket to Asia”, we must instead seek to be the “Premium Delicatessen”.

Australia is a high cost economy that is capable of creating high quality and high value products, so the Grains industry must focus on creating and marketing Differentiated products so as to create opportunity and value for their Value Chain clients.

To do this the grains industry must focus more on customers and their expectations, and then ascertain and take advantage of value added opportunities.

### **Food Safety must be controlled using Risk Management and QAA.**

#### Problem:

Food Safety risks associated with grain are increasing at a time when our most valuable markets are becoming more safety conscious and demanding, and are becoming aware that Australia cannot effectively control grain contaminants.

#### Result:

Contaminants such as Pesticides, Aflatoxins, Pyrrolizidine Alkaloids, and Insects are no longer effectively controlled, and food industry HACCP requirements not even recognized let alone managed.

#### Solution:

To create control, protect trade and create value, a formal user-pays QAA system must be adopted so as to both protect consumers and assure customers and markets that all risks are effectively managed and controlled as part of a HACCP risk-managed approach.

It is acknowledged that grains based foods are generally low risk, but risks do exist and these are often either not known or unwisely ignored.

Further, some traders/exporters blatantly ignore industry standards such as for pesticide control, and that can and has led to consequent market access issues for all exporters. The potential risks associated with the outcomes of such “cowboys” cannot be ignored – they must be controlled.

The Food Industry and its entities must develop their own HACCP-based approach so as to control Food Safety with their own the industry standards. The government must then support such a “Paddock to Plate” supply chain approach to Food Safety QAA by extending its current Requirements for food production HACCP to commence with

on-farm activities, and then progress to cover storage and handling, and especially Transport for safety risks such as chemical utilisation.

It's a natural extension because Food Processors, as part of their own HACCP requirements, are required by Government to risk-manage their raw material inputs, and at the moment that cannot be done effectively. For example, already Bayer are requiring a formal QAA System to be in place before supplying some grain protectants.

Please note that a formal QAA system can incorporate many attributes, and control many processes and ensure several outcomes. Therefore The inevitable linkages associated with Food Safety and Food Quality can be managed by the same QAA System – see the point below and also refer to appendix titled: [WQA: Creating, Preserving, and Disseminating Value through varietal Quality and Integrity](#)

### **Quality degradation must be halted and reversed so as to restore and then create added value.**

Problem:

The Quality of current wheat Grades is being increasingly compromised by deliveries of grain being mis-declared, and by parcels of grain being blended to a simple specification with no regard for varietal integrity.

Result:

Local and Export customers are incurring extra costs and/or their end product value is compromised. They are becoming increasingly aware that variety-based quality is being diluted and blended away. Thus enormous value is being lost within certain sectors of the value chain – Food Processors are unable to obtain the expected quality, and where they have alternatives they leverage them. Thus, if Australian grain is still utilized, the processor will pay less than previously. I expect that the relative value of some Australian milling grades has fallen by \$10 to \$15 per tonne, and believe that this loss has the potential to reach \$30/t unless action is taken to ensure variety integrity and traceability. Assuming that we have competition in the industry, then virtually all of this monetary loss is borne by farmers.

Solution:

The same QAA system that assures Food Safety can also be utilised so as to provide Quality Certified product from Paddock to Plate, ensuring variety integrity and traceability. Then, the AWB-created and WQA-adopted/developed System of populating Grades with the most appropriate wheats chosen by Genotype / Environment can function effectively, and the customer-desired quality be taken from the paddock to the plate. Thus inherent value be protected and further created.

Note that the AWB sought to introduce QAA in the mid 1990's, and what was developed by the AWB with good intentions failed to be accepted and implemented because the wheat growers who controlled the AWB perceived that the AWB was at that time already controlling wheat quality – and it was! While that control was somewhat imperfect, at least the AWB took Responsibility and effected quality standards and outcomes for growers and customers. Thus virtually no farmers supported what they saw as only extra cost with QAA because the AWB was already achieving the then-attainable degree of price and value.

Now, with the loss of AWB, there is Opportunity for rectifying the current lack of a system of formal control of variety integrity. All we have is the precursor: which is the control of the creation of the Class Variety Master List via WQA. Apart from that Master List, all we have is representations by interested parties that they are effecting control of the applications associated with the intent of that Master List, and that performance is contracted.

The practical outcomes are becoming apparent – a steady and continuing erosion of quality and value as provided to food processors – the high value markets that AWB always focussed on (and often created). Those high value markets were and always will be essential to Australians given our strengths and weaknesses.

Ultimately, if formal control so as to assure variety integrity and traceability is NOT effected, the losers are all food processors who use Australian wheat, and then, especially, the farmers who grow the grain.

How can QAA be successfully instituted and controlled and funded by the grains Industry for premium value added grain, allowing “commodity” non-certified grain to coexist in parallel?

I suggest that Wheat Quality Australia (WQA) is in the perfect position to effect this. Please refer to appendix titled: [WQA: Creating, Preserving, and Disseminating Value through varietal Quality and Integrity](#)

### **R&D must be re-instituted within the Value Chain.**

Problem:

Grains Foods Industry-funded R&D has shrunk enormously, and is practically absent in key sectors. During the last 50 years, as the AWB increasingly controlled and funded wheat R&D activities, equivalent and downstream activities shrunk and even disappeared. Industry self-funded R&D on grain Storage, Milling and Baking has long ceased.

Result:

The Bread Research Institute is a mere shadow of its former self, and the “30 year life” of previous R&D outcomes has long expired.

GRDC is being constantly entreated to fund downstream grains foods value chain food processing R&D, which GRDC should not and effectively cannot so do.

Solution:

Grains foods value chain entities need RDC’s similar to grain growers so as to perform pre-competitive R&D. For efficiency, additional sector-specific modules can be “tacked on” to GRDC, with each such RDC funded and controlled by the participants in each industry sector.

Such sector-specific RDC modules and R&D projects can be managed by the members of re-invigorated industry sector Associations. Refer to the point below.

### **“Industry Good” activities must be re-instituted.**

Problem:

Previous AWB-funded “Industry Good” activities have been lost to the wheat industry because no alternative funding has been available.

Result:

When Industry sector associations were viable, AWB project funding often replaced equivalent funding by the sector association. This funding replacement met little resistance, of course, but inevitably control and even interest was lost. With ensuing maturity and no reason for being, and with debilitating “Free riders”, the industry sector associations have become ineffective or unviable.

Typical Industry Good Activities that must be managed are:

- Grain and Processed Food Industry Development: Policy and Regulatory Affairs, Standards; Crop Shaping, Classification, Segregation, and Stocks Information
- Branding, Differentiation, Marketing and Market Support, Promotion, Exporting.
- Grains Foods Industry issues: Food Safety, Quality, Productivity, Performance and Statistical Information; Environment, Water and Climate change; Energy, Food health and nutrition, Food Fortification, Food Security, Biosecurity, Certification, Identity Preservation, Testing and Measurement, Food Branding, Food Labeling, Consumer interaction and education, Advocacy, Industrial Affairs.
- Precompetitive Research: GRDC/RDCs, CRCs; utilising BRI, CSIRO, Research Institutes, Universities.....
- Current Operational Entities: e.g. Go Grains, National Working Party Grain Protection, Wheat Quality Objectives Group, Wheat Quality Australia, Grain Trade Australia, Grains & legumes Nutrition Council, Forums convened on an “as needs” basis such as Nutrition Research.

Solution:

If Government were to provide one existing associations within each sector (or group of sectors) with the mandated ability to collect levies (at a level chosen by sector participants and as with other now-successful industries such as Viticulture/Wine and Mushrooms), very quickly all parties would become members and active participants within that association, and so the associations would become viable and productive and be able to effectively control RDC R&D, and an ability would exist for all relevant “industry Good” activities to be effectively and efficiently self-funded. The key is to ensure that proper structures are in place regarding control, and that the sector participants can elect to choose the level of their levy contributions.

### **One single Federal Minister, one single Peak Body for all Food production and processing.**

Problem:

There is no single federal Ministerial responsibility for the food value chain from Paddock to Plate; rather there are now several Ministries, being

- Minister for Innovation, Industry, Science and Research
- Minister for Agriculture, etc
- Minister for Health & Ageing
- Minister for Competition Policy and Consumer Affairs

Additionally, we also have Ministerial Councils such as the Food Regulation Ministerial Council where overlapping Federal and State Ministries add another layer of complexity.

Equally, we have a food industry that is fragmented, and where each sector and its players seek to represent their interests to government at many levels.

Why is this so? Perhaps because Australia has, since European Settlement, always had a net exportable surplus of food, and so food security has never been a political issue, and Government control of the Food Industry has never been formerly warranted or imposed, and so all players in the industry have only ever organized themselves as they have seen fit at that time.

Result:

Each Minister/Ministry on an issues basis interacts with sector entities and players on an as-needs basis without real understanding of the issues or the likely outcomes, often to the discomfort of Ministers and the detriment of industry entities.

Too often, Industry entities and players represent themselves to Government, and such officers may be very polite but are typically unmoved by such individual representation.

Solution:

Ministerial responsibility for Agricultural products should be extended to cover the processing of all agricultural products in to food.

All participants in the agricultural products and food supply chain must recognize that they will only be effective if they consult with their peers and come to a collective position from the perspective of the Food Industry, and represent this perspective to Government.

Then

1. the peak body for all Australian Food processing, being the Australian Food and Grocery Council and its Agribusiness Forum, can ensure effective representation to and interaction with just one Federal Minister, and
2. that one Federal Minister is responsible to ensure that all Government interaction with Food Industry entities is channeled through that Minister.

Please refer to the appendix titled: [A Peak Body for the entities participating in the grain foods value chain](#)

**Appendix:**

**WQA: Creating, Preserving, and Disseminating Value through varietal Quality and Integrity.**

**Objective: To create, preserve, capture and provide Value by implementing a Quality Assurance Accreditation (QAA) System that has the capability to assure the Varietal Integrity of WQA Grades.**

**Premise:**

Verifying that the varietal integrity of current parcels of grain are in accordance with Grower Declarations and trading Contracts is expensive and time consuming, as is Enforcement, and so such processes are either not performed or unreliably performed or not readily available as processes because such verification requires physical sampling and testing for physical evaluation, and contract enforcement is inevitably a legal process that is in itself a hurdle.

Modern QAA systems are progressively becoming universally mandated in the Food Industry because they are effective and provide good value.

Guided by risk management principles, Food Processors are increasingly being required to source and utilize certified inputs, standards and controls for processing so as to ensure the quality and safety of outputs; relying on records, inspection and both internal and external independent auditing for verification. Outcomes are much better and the delays and costs associated with the reliance on inspection, sampling and testing and enforcing compliance are much reduced.

If we built on what we have as existing but unregulated quality standards and practices, and created formal Standards and instituted Certification to those standards, the benefits of quality assurance and traceability associated with modern QAA Systems would greatly enhance the prestige, credibility and value of Australian grain.

Currently, in the Grains Foods Value Chain:

1. Grain farmers are almost universally wise enough to ensure that their seed inputs are certified, either as sourced or farmer-retained. The problem is that the varietal integrity that is inherent with the seed is not formally tracked from certified seed inputs through to Delivery/Receival.
2. GTA have a Code of Practice for supply and value chain activities including on-farm, with an effective range of formal Standards that largely rely on traditional Contractual undertakings which are difficult and expensive to apply, check and enforce.
3. For the transportation of bulk grain, overarching Food Safety but not specific Quality Standards exist. Codes of Practice exist, and are being progressively developed by several entities, but control systems lack both a coherent approach and effective application. As with on-farm activities.
4. QAA Systems of Control are both existing and being developed for Food Safety that are capable of incorporating Food Quality, and already so do in respects such as with Contamination.
5. Increasingly, farms are being required to demonstrate that they have systems and documentation in place so as to be able to represent that they are in control of food safety, with some dealing with some aspects of food quality.

Many farms already have QAA Systems and certified products and have external Audits – such as the

AusChem Graincare system that meets the requirement of Meat and Livestock Australia and Bayer accredits grain for Food Safety.

Thus, many farms already:

- a. Are required to formally demonstrate that they comply to external Standards
  - b. Have externally Audited QAA systems so as to demonstrate that they comply to appropriate Standards
6. All significant post farm gate grain Storage and Handling and Food Processing entities have adopted some form of QAA

I suggest that WQA be required to formally evolve the current WQA “system” so as to create a more sophisticated system that is capable of integrating with other QAA Systems and so capably “Assuring the Integrity” of WQA Grades from Farm Paddock to Food Processor, and capable of raising the funds to pay for the resources required to effect same.

That is, to create a modern QAA System incorporating an Australian Standard for assuring varietal integrity to and through WQA Grades, being implemented by Sector by formal Requirement according to process, and being titled either “WQA QAA” or something else such as “Australian Wheat Quality Accredited (AWQA)”

### **Background:**

#### “Creating Value”

Breeding and seed commercialisation businesses and WQA currently work together to Create Value by both Setting and Achieving WQA Standards for wheat Varieties and Grades with respect to food processing and end product properties that are intrinsic with wheat Variety and which are perceived to be of increased value to Food Processors and their customers/consumers.

I suggest that these processes of Wheat Classification Council (WCC) and Variety Classification Panel (VCP) and their outcomes of Varietal Master Lists for Grades be formally adopted by “WQA” as Quality Standards, ready for adoption as part of a formal System where compliance can be verified.

#### “Preserving the Value”

A need to preserve the value is intrinsic with preserving the integrity of both the Variety and the Grade within each sector of the Grains Foods Value Chain; from Certified Seed as acquired to be planted in a Farm Paddock to grain as harvested, stored, handled and transported and ultimately as made available as both grain and processed product to Food Processors.

To “Preserve the Value”, there must be suitable System with a series of Standards to be met as controls so to ensure that the Varietal Integrity of both Certified Seed and Classification Grade is preserved from Farm Paddock to Food Processor.

#### “Capturing Value”

1. Need to capture and retain a fair proportion of that value within each sector and all the way through food processing to the Consumer.
  - a. This does and must occur at many levels both here and overseas, and can and should be improved.

2. Need to transfer some of that value to pay for the costs of performing the processes associated with both creating and preserving the value – ie to WQA and the AQA QAA System.

A modern QAA System is required to achieve the above, where the control systems to reliably and capably achieve and fund the above is implicit.

I suggest that we adopt a modern QAA system similar to that as utilised by the Certified Organic food industry so as to control and fund the preservation of the integrity of the organic status of their food.

As an indication of what may be created and adopted, please refer to

- <http://www.nasaa.com.au/steps.html> and
- <http://www.nasaa.com.au/data/pdfs/AAAA%20NASAA%20Organic%20Standard%2006-02-2012.pdf>
- An Australian Standard exists: [Preview Australian Standard](#)

## **Issues:**

### **System establishment:**

Because grain growers are the ultimate major benefactors of the value created and preserved by the System, it would be appropriate for GRDC to pay for the R&D of creating the System.

### **System Running Costs**

User Pays:

1. On a throughput basis for managing and developing the System and implementing and controlling Certification.
2. On a fee-for-service basis for individual system Audit where compliance is verified.

### **Differentiation from other Commodity grain**

Notionally and physically differentiate both WQA Grades and the Varieties that are acceptable in to those Grades:

1. Need to be able to Differentiate WQA value-added grain from other non-WQA grain.
  - a. WQA grain as Varieties and Grades must be
    - i. Segregated from non-WQA grain.
    - ii. Identifiable.
    - iii. Traceable by Records back to inputs such as certified seed variety.

This is achieved by WQA acquiring :

- a. Ownership and control of the IP of the current Grades by Registering and Trade Marking the Names and Titles.
- b. A QAA Certification Brand / Logo, which is licensable, thereby creating the ability to allow or deny application/utilisation of the Brand based on QAA Certification status of the applicant.

## **WQA Activities:**

WQA to be responsible for the running, maintenance and development of the System(s) and standards of Requirement, including Information and Data collection, analysis and dissemination; Corporate resources and function; maintenance of the Systems and the Standard(s); and individual entity Certification.

WQA to allow WQA QAA System Certified Entities to utilise the Certification Logo to represent the defined products of those certified entities under defined rules at no cost to those entities as Certified.

Where Entities have their Systems verified as conforming to the WQA Standards, certified Entities can represent their products as conforming to and certified by WQA.

## **WQA Income:**

WQA as a non-profit organization to, on a fee-for-service basis, to charge those Entities that are required to ensure that varietal integrity and value is preserved. Such entities may then be verified and certified as using and conforming to the WQA system, with those entities individually meeting the cost of such verification.

Entities required to protect the integrity of the varieties for and within a WQA Grade are those that produce and process the grain such as within the sectors that perform the processes of grain production, handling and storage and transport.

Suggest a levy based on Production and then Process, with \$/t or percentage basis or traded/transported values/volumes system.

Grain Production: Grain to be levied on its value when first traded.

This typically encompasses all on-farm and grower value-adding processes, with a percentage of the value to be deducted by the purchaser from the payment to grower. Such collection of funds from Growers is to either parallel the GRDC Levies, or be a part of an extension to the GRDC levy collection system.

Processes of Grain Receival, Storage, Handling, Outturn and Transport:

Entities engaged in the S&H and Transport of grain may or may not own the grain. While it may be best from the principle of preserving value to levy grain on its Value or Added Value to its next change of ownership, because this would then cover all individual and vertically integrated activities by entities at several levels. However, this may well seem simple but would inevitably be difficult to measure and so implement.

Based of the principle of preserving the integrity of the variety, and because all entities who handle the grain must be audited so as to verify that they conform to established requirement being published Standards, then all such entities are known to the Certifier and can be levied so as to pay their share of the costs.

Therefore such entities could be charged fees based on total relevant throughput tonnes per annum by that entity, where Fees are set based on an annual fee as required to cover admin costs (or no fee if below minimum tonnage threshold?), with an additional payment charged based on the past year's throughput.

The Rate could be uniform, or be variable by throughput volume.

Processes of Grain Transformation:

Some entities who transform the grain to a processed product may wish to (and already do) represent their

product as uniquely Australian, and so may seek to utilise the WQA QAA logo so as to assist them market their products by representing that added value.

Such entities could be covered by similar levy processes as above, with a minimum Rate.

### **WQA Standards:**

Formal Standards of Requirement are needed with respect to performance and processes as employed. Many already exist, all are known.

These formal Standards must be developed as documents and applied within a QAA System so as to maintain the:

1. Integrity of the Variety from Certified seed through growing to on-farm grain as harvested.
2. Integrity of a parcel of a specific Variety from grain as harvested through the processes of transport, receipt, handling, storage and outturn to where such a parcel is Received to become part of a WQA Grade segregation.
3. Varietal integrity of a parcel of each WQA Grade segregation through ongoing further processes of outturn, transport, receipt, handling and storage.

WQA to allow the use of the WQA QAA logo for promotional materials and transaction documentation for:

1. Parcels comprised of an individual Variety that is on a WQA current Grade master List, where Breeders and Seed Commercialisers and Traders may proffer and trade Certified Seed Grain. For example: allow use of words like: "This wheat variety meets the WQA variety quality standards for possible acceptance in to an APW segregation."
2. Parcels comprised of an individual Variety on a WQA current Grade master List where Certified Farmers and Certified Traders proffer and trade such parcels of Grain and it is Outturned from Storages controlled by Certified entities and transported by vehicles controlled by Certified entities.
3. Parcels of WQA Grades of grain where Certified Traders proffer and trade such parcels of Grain that is Outturned from Storages controlled by Certified entities and transported by vehicles controlled by Certified entities.
4. The processed Products of parcels of WQA Grades of grain where the Processors are so Certified.

### **Certification Control:**

WQA would be the appropriate entity to ultimately manage and so control Certification of the WQA Standards

### **Availability of WQA Standards:**

From an Industry Entity who will, on a fee-for-service basis as paid by WQA, publish and maintain the availability of the WQA Australian Standard(s) – GTA or SAI Global or ?

### **QAA Systems:**

Multiple industry entities create and maintain their own QAA Systems for application by users, charging fee for service to such user-clients.

Such Systems to be able to conform to the WQA Standards for incorporation, and incorporate the WQA Standards for Classification and Varietal Integrity within their own framework.

For example: AusChem with their system titled Graincare <http://www.graincare.com.au/>

### **Verification – by Audit:**

To maintain Certification, users to be audited annually to verify capability and performance against WQA QAA Standards.

Performed by approved independent Auditors as a standalone WQA or more likely as part of an already-existing QAA System Audit, with the Auditor charging fee for service to clients. Verification of Conformance is advised to an entity that processes Certification. Cost of Audit are payable to Auditors by the user.

Where minor or major or critical non-conformances are found by the Auditor, and where the user of the System is unwilling or unable to become conforming according to due process, Certification is lost.

### **Certification Processing:**

An Industry Entity, on a fee-for-service basis paid by WQA, to:

1. Receive Audit advice of verification of compliance with the WQA Standards
2. Publish and provide individual Certification as appropriate to practical requirement.

### **Additional Benefits:**

Such a “user pays” QAA System could/would:

- Increase the efficiency of current practices, by:
  - Clearly differentiating WQA QAA wheat from all other, and so even encourage further diversity. Thus not only should anyone be able to elect to adopt and utilise any variety for whatever purpose or application, and take it to market, they should be able to so do at a lower cost than before because WQA will no longer be publicly/industry funded.
  - Eliminating “free riders”.
  - Being electronically represented and controlled.
  - Removing the requirement for legal and practical Declarations and sampling at several points of Delivery/Receival due to the Traceability inherent within QAA.
  - Providing a basis for better farm management.
- Increase efficiency by complementing other existing and proposed Systems, such as ISO and other Systems for Environmental Management, Occupational Health and Welfare, Food Safety including Chemicals Control, Business Management, Training.

For example:

- One Audit can verify conformance to many Standards and several Systems.
- One Document and one process and one training event can represent the practices associated with the requirements of several systems and outcomes.

- Provide Data on Varieties as grown and delivered, providing benefits not only for WQA but also with respect to Plant Breeders Rights and the management and funding thereof.
  - A WQA QAA System of funding could enable changes in the way Plant Breeders are funded, and in the way Plant Breeders fund WQA.

## **Appendix:**

### **A Peak Body for the entities participating in the grain foods value chain**

**Objective: To institute a Peak Body for the entities participating in the grain foods value chain:**

- **setting strategic direction and**
  - **supporting appropriate value chain Entity functions such as**
    - **Advocacy**
    - **Information services**
    - **Systems and Standards**
    - **R&D**
- for Australian grains and grain food products**

### **What has been: the “Industry” and the “Market”**

The grains “Industry” has for almost 100 years been perceived to include those entities that participated in the creation, growing, storage, handling and marketing (export sale) of commodity wheat.

The “Market” has been perceived for almost 100 years to be the Customers of the Trader(s) who transformed grain by processing, being primarily the customers of commodity wheat exporters.

These perceptions are no longer appropriate.

The “Industry” is not limited to and does not cease activity and interaction post grain Trading, the Industry must not be commodity focussed and be constrained by commodity focus, and the Industry must not allow historic structures, inertia and geographic location to limit interaction between participants.

### **Value Chain Approach**

There exists a largely unrecognised Grains Foods Value Chain, with the encompassed links of Pre-breeding, grain breeding, seed commercialisation, grain growing, grain receipt and accumulation and storage, grain consolidation & logistics including Transport at many levels, Traders, Food Processing at many levels, Food Distribution, Food Service, Food Retail and finally food consumption.

A Value Chain approach is demand driven.

It is focussed on adding value, and on meeting the needs of the end user / consumer and ultimately every participant in the chain. In a proactive Value Chain where value can be effectively represented to end users; then demand signals, accompanying information, and shared value finds its way back through the chain to the very first link.

The first link of the Grains Foods chain is effectively grains Pre-breeding, with subsequent links adding value to inputs as the supply chain provides and processes grain and its products to customers until ultimately grain based Food products are provided to Consumers.

Value must be created and obtained by each individual entity within that Chain for the robust health and sustainability of that chain and its participants.

Individual entities and links of that chain may aggregate to create Sectors and Groups of commonality.

This chain is not limited to wheat, because grain growers can and do grow many different grains, because GRDC exists and currently funds R&D for a variety of grains, because processors can and do process a variety of grains, and

because both animals and humans consume a wide variety of foods (and beverages) based on a variety of grains. This Grains Foods Value Chain constitutes a major proportion of the entire Food Industry.

### **Rapid Evolution**

Over time, and consequent to change instituted by Government, areas of omission have been identified. These severely impact on Value Chain efficiency and opportunity. Rapid evolution is now occurring, and unfortunately this is typically

- Continuing to be based on outdated perceptions and separation of the “Grains Industry” and the “Market”
- Being progressed without effective communication between links of the Value Chain, and without strategic direction.
- Being progressed without effective and fair funding.

### **Peak Body**

There are and have been peak industry bodies for some if not most links, sectors and groups of participants within the Grains Foods Value Chain.

But there has never been any overall Value Chain coordination.

Earlier, the AWB in its former role as holder of the “single desk” and acting on behalf of wheat growers, had fulfilled many of the requirements for a Peak Body for the Wheat Industry, and performed many of the “industry good” functions required within the Wheat Industry, and some of the functions required for adding value to grains processing. However, it was constrained by its charter from acting in the best interests of the Value Chain because it was effectively directed that wheat growers were its customers.

Now, with the loss of the AWB in its former role within the Wheat Industry, there is not only a loss of individual Industry Good functions, there is also a loss of leadership and direction in the wheat industry.

However, with change comes opportunity.

Over years, even when the AWB fulfilled the role of Single Desk Exporter and took responsibility for most Industry Good functions, many suggestions have been made for a Peak Wheat Grains Industry Body, but none ever reached fruition because of the then-institution of the AWB.

Now, it is necessary to examine not only what has been lost in the wheat industry and how it must be recovered, but it is also necessary to consider

- what the entities within the Wheat Foods Value Chain require to maintain and then develop their businesses.
- what may be achieved by expanding the vision to encompass all grains as grown and utilised for Food and seek to establish an effective Peak Body for the Grains Foods Value Chain so that what may be recognised as required may be instituted, managed and directed.

### **One on One Representation:**

In much the same way that individual Trade Unions were created to represent individuals who plied a common trade (such as Plumbers and Electricians), Government Ministries were created to represent areas of commonality such as Health, Manufacturing Industry, Agriculture, and Consumer Affairs.

All of these Ministries, both State and Federal, sometimes individually and sometimes collectively, seek to control and direct aspects of the sectors or businesses in which the Grains Foods Value Chain participants are involved – often to the detriment of those participants.

Both Unions and Government increasingly recognise that Industry based Unions and Industry based Ministries are more efficient.

Tony Burke, when the Federal Minister of Agriculture, Forestry and Fisheries, offered himself as the national “Food Minister”. This never became formal Policy, and was an invaluable opportunity that was missed.

I would anticipate that a current Minister, suitably informed, might well adopt the same position.

If we can institute a Peak Body for the Grains Foods Value Chain, we have a very rare opportunity to have effective interaction between the entities of the grains foods Industry and Government.

If we can effectively represent our needs to an appropriately prepared Minister, it is likely that Government will institute the regulation required to provide fair and effective funding so as to enable us to meet all our Industry and Sector needs, and allow us to manage those funds.

We are then much more in control of our destiny.

### **For discussion: Suggested Coverage, Form, Function and Funding of a Peak Body**

Start with Wheat which is the largest and where the perceived need is greatest, and then progressively expand later and as appropriate to encompass all cereal grains, pulses and oilseeds.

### **Functionality:**

The Peak Body to be Minimalist and as Informal as possible.

- Practical separation of Responsibility and Authority.
  - Operational Responsibility with Skill based individual Working Members.
  - Ultimate Authority to reside with Directors where Governance is required.
- Working Members: Minimum formality, maximum productivity. Participating on an “as needs” basis.
- Directors: Representing identified Sectors or Groups of Sectors – with each to nominate a Director. Typically each sector already has Association Directorship, with members reflecting structure, scale, degree and number of sector participants.

### **Responsibility:**

where appropriate and granted by Sector(s), the Peak Body to have Oversight and Direction of:

- Policy and Regulatory Affairs
- “Industry Good” Entities for the provision of pre-competitive supporting services
  - Advocacy
    - Government
    - Trade – eg Market access
    - Industry Product to Markets
  - Information Services – Gathering, Aggregation, Dissemination
    - Trade
    - Statistical
  - Standards for Trade and Certification
  - Food Regulation and Compliance – such as associated with GMO, chemicals such as with pesticides, weedicides, preservatives, packaging materials, colours and flavours, processing aids.
  - Pre-competitive R&D; Systems for Learning, Training, Innovation.
  - Emergency Response
- Sector interaction, so as to guide and support Sector Funding acquisition and expenditure by Sector Group and Value Chain.
- Industry Funding to support the above.

**Authority:**

- Governance issues to be explored and established.
- Expect no operational hurdles since majority of decisions and employment of funds to be effected by Sector, as now.

**Funding:** Sector funding ids predicated on All of Chain Mandatory Levy based Funding of:

- Individual Sector Bodies – continue/refine current funding systems?
- Peak Body – funded by sector association and or member contribution?
- Standing and Ad-hoc Working Committees for management and control of:
  - Pre-competitive R&D
  - Industry Good functions
 Both complemented by Government support where appropriate

**Likely Peak Body is being currently formed:**

- The AFGC has created the Agribusiness Forum, intended to represent all food processors, starting from Farm Gate. See
- The AFGC hosts sector Associations, and could readily adapt to incorporate Agricultural Grower groups within its Forums.