



## **ENSURING A PROFITABLE AND SUSTAINABLE AGRICULTURE AND FOOD SECTOR IN AUSTRALIA**

### **1. Introduction**

ABB Grain Ltd (ABB) is a leading member of the Australian grain industry, marketing, storing and processing millions of tonnes of grain annually. A publicly listed company based in South Australia the company is one of the world's largest exporters of malting quality barley as well as the largest supplier to Australian malt-houses with ABB's own malting division being Australia's largest and in the world's top ten.

ABB's extensive network of storage and handling facilities in South Australia includes one hundred and eleven country silos and seven export shipping terminals. This network now extends to include a 50% interest in Australian Bulk Alliance Pty Ltd (ABA) silos in country Victoria and New South Wales, and a 25% interest in the Port of Melbourne grain terminal.

Our grain marketing business is one of the biggest in the nation with operations in all states, covering a broad range of commodities including barley, wheat and other cereals, pulses, oilseeds and other agricultural commodities. Under South Australian government regulation, ABB holds the single desk marketing rights for bulk barley exports from South Australia.

### **2. Submission**

ABB has identified the key issues and challenges that we see for the grain industry and present our views in the following appendices:

**Appendix A – Supply Chains**

**Appendix B - Infrastructure in the agriculture and food sector**

**Appendix C - Education, Skills and Labor Supply**

**Appendix D - Research, development innovation and technology**

**Appendix E - Biosecurity and quarantine**

**Appendix F - Role of Traceability**

## Appendix A - Supply Chains

### **Background : Grain Supply Chain**

The supply chain from the grain grower to shipping essentially involves two main grain movements. Firstly, the grain is transported off farm by road to an up-country storage silo. Either the grain grower or a transport operator can carry out this road movement. Typically, the grain is owned and controlled by the grower of the grain during this movement. In most cases, once the grain is delivered to an up-country storage site, grain marketers contract to buy the grain from the grower. From this point forward, the grain marketer owns and controls the grain.

The second movement, controlled by the grain marketer, involves transporting the consolidated grain from the up-country storage silo to a grain export port terminal, either by road transport operator or by rail. In South Australia, a significant quantity of grain is road transported direct to port terminal from farm, by-passing the second freight movement; this is due to the geography of the grain growing areas being close to the coast, often on a peninsula. Grain marketers, under this scenario, buy the grain at port. The grain storage and handling companies, though an integral part of the supply chain, do not actually own or control the grain at any point (unless the grain storage and handling company also acts as a grain marketer).

***Are additional policy or regulatory actions needed to encourage strong competition in the supply chain? Is enough being done to minimise barriers to entry and to ensure that market power, especially of retailers, is not abused?***

Storage and handling businesses operate in an industry where economies of scale can be achieved, and this acts as a barrier to entry (particularly in a small captured market like the Eyre Peninsula grains industry). This said though, the South Australian grains industry does not have a task significant enough to warrant introducing additional major competitive service providers, given the current storage and handling networks are significantly under-utilised. The industry is such that it requires large fixed capital investments, and given the relatively small task, it would be inefficient and cost counter-productive to duplicate the necessary fixed investments. Any competitive gains that may be achieved through new competition would be more than outweighed by the cost of capital duplication.

This is especially the case for grain port terminals. The large fixed capital investments required at port terminals, together with the limited grain throughput, limits the number of economically viable grain port terminals in South Australia. South Australia currently has 7 grain port terminals, soon to be 8 with the construction of Outer Harbor grain port terminal. With the addition of Outer Harbor grain port terminal, ABB Grain will have storage capacity at all South Australian ports of just under 3.5 million tonnes, exporting annually in the order of 5.4 million tonnes. Western Australian based company, CBH, has 4 port terminals with storage capacity of 3.3 million tonnes, and throughputs about 9.5 million tonnes per year. Hence, comparatively, South Australia has ample accumulation capacity at port terminals and the need for additional port terminal capacity is non-existent due to the current infrastructure being significantly underutilized. This is also the case for shipping capacity at South Australian grain ports. For example, Port Lincoln grain port terminal has an annual theoretical shipping capacity of 17 million tonnes, but currently only ships in the order of 1.7 million tonnes annually.

The high number of grain port terminals in South Australia is due to the geography of the grain growing regions. Eyre and Yorke Peninsula are two of the state's biggest grain growing regions. If there were no grain ports on these peninsulas, land freight rates would increase significantly due to the need to transport grain north along the peninsulas and around the gulfs to the nearest grain port. This problem was most significant at the time when the port terminals were built, due to the relatively inefficient transport infrastructure available at the

time. Hence, the high number of grain port terminals in South Australia has benefited the grain growers by providing relatively cheap land freight rates.

ABB Grain's port terminals also provide the advantage of having high storage and segregation capacity. This advantages grain marketers as it allows freight providers the opportunity to accumulate grain at the port terminals over a longer time frame, rather than *just in time* accumulation. Thus, the land transport programme can be steady, even if the shipping programme is erratic. This translates into more efficient use of land transport infrastructure and cheaper land freight rates. Also, the high number of grain segregations at port allows grain marketers the opportunity of value adding their accumulated grain by blending grain grades to meet market specifications.

Though ABB Grain currently has monopoly control on grain port terminals in South Australia - and essentially in the storage and handling market - the company cannot abuse its market position as it is self regulated by its customers, shareholders and constitution. The grain growers are the majority shareholders of ABB Grain, they are also the only A-class shareholders (which are capable of voting at ABB Grain general meetings). Thus, grain growers can have their say by voting at the general meetings, on the direction of the company and the services it provides. It is in the shareholders, and thus the company's interests to therefore provide services at reasonable and fair prices. The company constitution also encourages ABB Grain to act in the grain grower's interests and provide a service that maximises the grain grower's returns. Efficiency in the storage and handling supply chain is also cultivated under this environment. There are drivers acting to moderate excessive pricing and there are drivers acting to increase return on equity: A-class shareholders wishing to keep storage and handling costs down, and B-class shareholders encouraging reasonable commercial returns.

It has been suggested that regulation of access to ports may improve the efficiency of the supply chain. We submit that whilst port bottlenecks may be a problem in some industries, notably the mining and extractive industry, it is not generally a problem for the grain industry and certainly not in South Australia.

In South Australia, ABB Grain believes that the bottleneck frustrating an efficient grain supply chain is the transport leg from country storage to port terminals. This situation is mainly arising due to the nature of grain rail transport. There is currently one grain railroad operator servicing South Australia. The railroad service provider controls all grain branch-lines and on the main interstate ARTC line, it controls the grain site sidings. It is our understanding that this control on track access frustrates the entry of competition. Feedback from other rail service providers indicates that access arrangements have discouraged the entry into the market for other service providers for above rail services. A similar situation is occurring in eastern Australia. Unlike ABB Grain's storage and handling business, the railroad operators are not influenced in their pricing by grower shareholders.

## **Appendix B - Infrastructure in the agriculture and food sector**

*What criteria should government use in identifying priorities for investment in infrastructure critical to the future of the agriculture and food sector?*

- Projects should place Australia's exports in a competitive position on a world stage.
- Governments should take a holistic and integrated approach to the supply chain investment decision process.
- Projects should deliver value through productivity improvements and/or reduced operating costs.
- Governments should weigh-up a projects environmental impacts when assessing investment decisions. e.g. investment on an efficient rail network will reduce longer term spending requirements on road infrastructure.
- Government investment in transport infrastructure needs to ensure competitive neutrality between road and rail.

The government should prioritize investment infrastructure based on providing the best supply chain efficiency. ABB Grain encourages the government to take a stand on significant transport infrastructure investments that streamline the agricultural sectors ability to access international markets. Bottlenecks need to be identified in the transport supply chain, and then remedied with infrastructure improvements that will aid future growth. Band-aid fixes need to be overlooked for significant and lasting improvements. ABB Grain has been encouraged with the dredging of Outer Harbor and the associated transport works on the Le Fevre Peninsula and Port River Expressway. These improvements have been very much welcomed and show considerable foresight in a dynamic and fiercely competitive global trading environment. From ABB Grain's perspective, continued improvements to Australian grain ports and their associated road and rail access are of significant importance to the competitiveness of exportable grain on the world market.

*What infrastructure investments should be funded by the private and public sectors respectively?*

Significant fixed infrastructure investments that are utilised by multiple commercial parties require continued government funding support. For example, when it comes to fixed transport infrastructure, private investment is not forth coming unless there are reliable contracts, with significant time frames, that provide a commercial return. The seasonal variation and continued deregulation of the grain industry makes lengthy and significant contracts in the industry a risky prospect. It is therefore vital that the government continues to financially support fixed transport investments. ABB Grain is keen to see the continued government support for funding of port works and channel dredging, road infrastructure and railroad track (not rolling stock).

Transport

*What land transport initiatives are likely to prove the most cost effective in contributing to the improved competitiveness of Australia's agriculture and food industries?*

ABB Grain believes significant gains in *sustainable* grain supply chain efficiency can be made in the area of grain rail transport. Lack of private funding allocation towards rail track maintenance has led to speed restrictions and reduced maximum axle-load capacities. This has resulted in poor operational efficiency of many grain-dedicated branch-lines. Therefore, significant upgrades to grain rail branch-lines are needed throughout the grain growing regions of Australia to bring the track operational efficiencies back up to a reasonable performance and safety standard. Private grain rail operators are unable to burden the full financial costs of the required track upgrades due to the competitive nature of the grain-freight

industry, *i.e.* competition from road carriers eroding revenues that may in part be used for track upgrades.

The problem stems back from when the rail networks were privatised in the 1980's and 1990's; grain rail operators inherited near life-expired rail track. Since privatisation, rail operators have been unable to fund track upgrades and remain competitive due to the inequity in road and rail competitive neutrality. That is, government taxation and funding of road and rail infrastructure per net tonne kilometer has favored road transport of bulk product. The National Transport Commission appears to be slowly bringing the competitive neutrality of the two modes back into balance through policy advice, but the years of inequity has led to a degraded national grain rail network. If there is not an injection of funds from the government to upgrade grain rail track in the very near future, branch-line truncations and closures are inevitable. ABB is afraid that this may not be the best and most sustainable outcome for Australian agriculture and its related businesses.

ABB Grain would also welcome some form of ongoing government financial support or control of grain branch-line rail track. The company believes that the current system of branch-line track ownership and access can be improved by government regulation and/or control such that track maintenance is upheld to a reasonable operational level and no single operator can frustrate competitors efforts to enter the market. This could be achieved by introducing more equitable track access arrangements between vertically integrated (*i.e.* above and below rail) rail operators. Another method for achieving this may be the public buy back of grain rail branch-lines, splitting the ownership of the rail track and the rail rolling stock. The entity controlling the rail track under this regime would then charge suitable track access fees, similar to the current Australian Rail Track Corporation system.

*Are their particular regulatory impediments to the efficient operation of the nation's transport system that should be addressed?*

Road infrastructure is publicly funded from the combination of local, state and commonwealth government funds. Conversely, grain rail transport infrastructure in Australia, is privately funded by the owners. Rail infrastructure costs on are, presumably, recovered in a normal commercial manner through the rail operators schedule of charges. Therefore, the user ultimately pays for the marginal cost of the service provided. However, evidence suggests that the real cost of charges to road infrastructure, including maintenance, is not directly apportioned to those that caused the need for its modification or maintenance. According to the Bureau of Transport Economics, under the current road user charging system, trucks overall are undercharged for their use of the road system. Further, vehicles that travel greater distances with heavier payloads are charged least per NTK, while smaller, less heavily laden vehicles that travel shorter distances cross-subsidise them. Thus it is argued, in terms of capital recovery and maintenance costs, it is not a level playing field between road and rail.

The different funding arrangements for infrastructure between road and rail are a significant block to the attainment of competitive-neutrality between the two transport modes. The Bureau of Transport Economics estimated that an increase of infrastructure-use fees for road transport would significantly change input costs needed to attain competitive-neutrality between road and rail.

Also, relative to road, rail is estimated to produce less externality costs per unit tonne of grain transported. These costs are generally not recovered from transport operations, but become costs to the community. The Department of Transport and Urban Planning estimated that external costs of road transport are between 7 and 11 times that for rail transport. As rail produces fewer external costs than road, there is an additional road cost to the community that is not received through road transport pricing. As such, to attain competitive neutrality, heavy road vehicles should incur charges that more accurately reflect the cost of their use of roads, ensuring that both rail and road face the full cost of externalities.

The competitive nature of bulk road transport ensures that operators have generally passed on productivity gains from improved infrastructure as reductions in freight rates, making road more competitive against rail. Generally, improvements in road transport efficiency in recent times have outstripped corresponding improvements in rail transport. The use of B-Doubles, Road Trains, B-Triples and AB Road Trains, combined with higher mass limits, has seen payloads in some areas more than double for road transport combinations. Rail wagon payloads have generally grown, but not to the same extent. Thus, to remain competitive, any savings through productivity gains in rail have also been passed on to customers (rather than invested back into infrastructure).

The lower road freight rates experienced as a result of productivity gains encourage freight to shift from rail to road. Such a shift not only multiplies the cost of road externalities but also accelerates road damage. The damage to national highways and state arterial roads, while increased, is arguably more sustainable than for local roads. The increasing concentration of larger heavy vehicles around grain storage and handling sites and port terminals would impact on local roads in such a way that local road funding, largely dependent on Commonwealth grants and some restricted local government revenue-raising capacity, would be unsustainable. The accelerated damage to local roads could be considered a transitional cost of Commonwealth reforms relating to road transport, national competition and grain storage and handling.

In summary, the use of rail transport by grain marketers has always been on the understanding that rail rates will be competitive with road rates. Currently, at many storage and handling sites, road freight rates are below those for rail. ABB Grain marketing and AWB have indicated that they may not continue support of rail due to this disparity in rates. As more grain shifts to road transport, the costs to government and community are likely to rise due to accelerated road damage and unrecovered externalities.

## Appendix C - Education, Skills and Labor Supply

### General Background

ABB Grain Group is a diverse national agribusiness. Its Storage and Handling business is greatly influenced by the Australian grain crop and in particular has a current high short term labour requirement at harvest time to receive bulk grains into our rural based storage sites.

We have some 130 storage sites across rural Australia – sites are mainly located in regional SA with the remaining sites in country Victoria and southern NSW. Sites vary in capacity from 2,700 tonnes to 750,000 tonnes. We employ some 300 full time equivalents (FTEs) in country operations and at harvest time (and depending on the size of harvest) we currently need an additional 800 to 1000 seasonal workers mainly for manual labour and low-skilled work.

The grain harvest period in SA usually commences late October and finishes early January with the harvest progressing initially in the west and finishing in the east of the state. Victoria and NSW harvests usually extend from November through to February.

The company has made a significant investment in developing a number of sites as strategic sites – these are high capacity, quick throughput sites which utilise latest technology and mechanised handling systems.

We concur that in the future there will be less grain growers (due to economic viability) and potentially increased volume (due to innovation in grains and better agriculture land use/management). Growers in the future will deliver grain in larger loads and demand shorter turn-around times at our sites. Consequently this will impact on our future labour requirements and in particular the need for higher skilled workers for a shorter harvest receival period.

### Education & Skills

Because of the increasing need to achieve quick turn around times for grower deliveries at harvest time and the need to out-turn grain efficiently from sites, ABB has developed a series of strategic sites across the nation.

These strategic sites are highly mechanised and use computer technology – this has brought about a change from the traditional manual labour type of skills to more semi-skilled roles requiring operating expensive materials handling equipment such as DOH stackers, fast rail loaders and large front end loaders as well as computerised weighbridges and inputting data into computer systems. Some heavy machinery operation also requires special training and licences.

ABB has a high demand for people with good supervisory skills especially at harvest time when there are an additional 800+ harvest casuals in the workforce. Consequently the Company has for a number of years now conducted Frontline Management training (Certificate IV in Business). However the Company has found it difficult to attract employees to take on this training. It is not the additional responsibilities for supervision that put employees off but rather anecdotal evidence suggests that our rural based employees do not like the 'classroom' training format and a syllabus requiring various written assignments. Quite often it is these two factors that have been the main reasons for the person leaving school as soon as legally possible. The Company has recognised this, and now has a good number of qualified Train the Trainers (Certificate IV in Workplace Training & Assessment) to provide peer group training to deliver most of the required extensive training for harvest casuals.

**ABB believes that skills gained in the industry need to be formally recognised. To this end ABB is considering becoming a registered training provider or working in partnership with an existing vocational training college so that formal (certificate level) qualifications can be gained for skills**

required in the Grain Bulk Handling industry. These qualifications would be nationally recognised and have application in other sectors of the grain industry.

### **Tradespeople**

It is widely acknowledged that there is a general shortage of qualified tradespeople throughout Australia – in some quarters it has even been described as a national crisis. This shortage is magnified particularly so in regional areas. ABB has found it very difficult to attract qualified industrial electricians and mechanical tradespeople into rural areas even though the work is based in large regional centres.

Our experience has also shown that tradespeople from metropolitan backgrounds will only stay short-term despite monetary incentives due to their perception (or the reality) of lack of infrastructure in regional centres eg lack of medical facilities, schools and other services – this is especially so for tradespeople with young families.

Consequently, as a mid-term solution ABB has initiated an apprenticeship and traineeship program for its regional areas by offering the program to rural based people.

To meet its immediate trade labour needs ABB has seriously considered sponsoring qualified tradespeople into Australia from South Africa in particular under the Regional Sponsored Migration Scheme. While attractive for short-term needs the Company does not believe that

### **Labour Supply**

In SA the unemployment rate has decreased from 10.2% in 1994/95 to 4.9% currently. It is expected that the aged population in Australia over 65 years old will increase lineally from 12.9% to 27.1% in 2051; SA aged population will move from 15% to 31.1% in this period. It is expected that the overall SA population will be decreasing by 5.6% for the same period. (reference source - vivasa indicator report June 2005)

In recent years ABB has found the supply of suitable labour (even for low skilled work) to be in short supply in our rural operational areas especially at peak harvest time. Reasons for this vary – being from operating in sparsely populated areas (such as the west coast of SA) to operating in areas with high employment (such as the south east of SA) due to other industries. These factors will only be exaggerated in future years due to a diminishing workforce and a ‘war for talent’ by employers.

In general, workers are looking for job security and ongoing employment – this is especially so with older workers; younger workers tend to focus on interesting and variety in work in a comfortable working environment. Because of the seasonality of work and the ‘outdoor’ manual handling work environment we offer (in country areas) we are not seen as attractive to prospective employees.

ABB’s Storage & Handling Division’s operational structure requires a mobile and flexible workforce.

ABB has historically relied on the local community at each of its storage sites to source most of its seasonal workers. Because of the shrinking and ageing rural population ABB cannot now solely rely on local communities to source its harvest labour requirements.

### **Itinerant workforce**

ABB has not taken any real advantage of the itinerant workforce.

The Department of Employment and Workplace Relations (DEWR) commenced a National Harvest Labour Information Service on 1 July 2003.

The National Harvest Information Services is responsible for:

- *Marketing the National Harvest Trail;*

- *Developing and publishing an up-to-date National Harvest Guide;*
- *Providing a national telephone information service;*
- *Coordinating harvest labour vacancies on the Harvest Trail web site;*
- *Liaising and establishing networks with growers, grower associations, Harvest Labour Service providers, Job Network members, recruitment agencies and relevant government departments at the local, state and national level; and*
- *Maintaining a feedback and complaints system.*

When ABB approached the National Harvest Information Services two years ago to become a participating employer in the National Harvest Trail we were advised at the time that this scheme had been set up for the horticulture industry not the agriculture industry. ABB believes that it should be able to participate in this scheme.

### **Strong local community based environment**

As previously mentioned ABB has traditionally sourced local labour for its seasonal workers. To achieve some job continuity (and hence job security) for its employees ABB has grouped a number of sites together within each of its regional areas which then requires the workforce to work within the group rather than solely working at one particular site.

This has had limited success as in practice it has been difficult to achieve with local populations being reticent to move from their own particular township due to family commitments, other business interests and/or other seasonal work commitments (such as grape picking, shearing, crutching etc).

ABB is developing links in SA with the wine industry as we share a need for a similarly skilled type of worker (ie basically the outdoor manual type of seasonal worker) as well as the fact that the grape picking season immediately follows on from the grain harvest. Grape growing areas are also closely physically aligned with a lot of the major grain growing areas in SA eg mid north (Clare & Barossa Valley), the Riverland and the south east (Coonawarra).

In addition, ABB, in one of its regional areas, has developed a strong partnership with a particular Job Network provider. Rather than ABB advertising for harvest workers, collating and vetting applicants, the Job Network provider does this on our behalf. As well as having access to the pool of registered unemployed, the provider also can also assist with training schemes and advise us of government rebates etc. Because of the success of this partnership, the Company will be taking the concept into other regional areas.

### **Industrial Relations**

For a number of years now the union movement has been very keen to reduce the number of casuals employed in the workforce. To achieve this they have been introducing higher casual loading penalties, set maximum period for working as a casual and also seeking the same benefits/entitlements as permanent employees eg carer's leave, parental leave, unfair dismissal etc. They have taken a broad brush to the issue and not taken into account the seasonality nature of work in some industries.

Unions and the labour state governments have also been keen to reduce the use of labour hire arrangements. Several states now have embedded into their legislation the concept of host employers whereby labour hire employees are deemed to be employees of the organisation where they are working at. Not only does this negate employers using labour hire companies but it also prevents labour hire employees from possibly having ready work opportunities in other businesses.

The Victorian government has recently brought in new legislation which gives seasonal workers entitlement to long service leave – with continuous service including gaps in service greater than 3 months if due to the terms of engagement of the employee by the employer. This is an additional impost on seasonally based industry employers.

## Summary

- It cannot be stressed enough that the most critical factor affecting our industry is the diminishing supply of suitable labour due to a decreasing population and the increasing demand for labour – while this is across the board it is somewhat magnified due to the shift in population from regional Australia to the capital cities as well as SA's high level of aged workforce.
- While there will still be a need for unskilled manual labour for the foreseeable future, the skills base is gradually moving to more semi-skilled and multi-skilled employees with ABB sites being technology upgraded to meet industry demands.
- There is an increasing demand for supervisor level employees (and upwards) but traditional classroom education will not entice rural based employees to 'step up'.
- There needs to be more rural based apprenticeships to develop trades in regional areas; city trained tradespeople will not venture to regional areas due to a general perception of isolation and lack of infrastructure services; the Regional Sponsored Migration Scheme is only seen as a short-term fix in the view of the Company.
- There needs to be a formal vocational certificate for Grain Handling which would also have recognition across other sectors of the grain industry.
- Agribusinesses need to be included in the National Harvest Trail.
- Because SA (and presumably the other states too) have very strong regionally based communities, rural industries and rural Job Network providers need to foster a local common workforce that can rotate/cycle labour to meet seasonal demands across several rural industry sectors.
- Governments and unions need to realise that there is a distinct difference between a seasonal worker and a casual employee – seasonally based industries need this distinction made so that they are not roped into various legislation which is trying to eliminate long term casuals from the general workforce.

The Lucas Group, in its 2004 Survey of Agricultural and Agribusiness Employers' Industry Confidence, Attitudes and Trends, possibly best sums why (new) people are not entering the sector: ‘:

Its perceived to be:

*Unglamorous and lacking professional challenge and excitement'*

and

*'Located in isolated areas without sufficient infrastructure.....'*

## Appendix D - Research, development innovation and technology

### Funding research and development

Publicly funded research in agriculture is essential and its value to the Australian economy should not be underestimated.

From a grains industry perspective plant breeding (and associated research) is the very core of R&D.

The terms of trade for grain growers have been in decline for many years. In order to remain viable and internationally competitive our farmers must have access to;

1. Plant varieties with inherently strong agronomic characteristics and end-use qualities matched to market requirements, and
2. Training in the best agronomic practices.

This can only be achieved through adequately funded, continuing and long-term research.

As indicated in the terms of reference, R&D benefits in the grains industry, especially in plant breeding, are not always exclusive to those paying for the research hence the market incentives are not optimal.

**ABB Grain Ltd currently supports the public efforts in grains industry R&D with its own investment of over \$1million per annum. The majority of this investment is in partnership with publicly funded R&D structures. A key partner is the Grains Research and Development Corporation which, supported by matching funds from the Federal Government, provides funding for plant breeding, agronomic research and extension (the delivery and training of research outcomes).**

***It is critical for the future of Australia's grain industry that these investments continue?***

The continuing trend of the deregulation of grain marketing arrangements in Australia exacerbates the need for a consistent and national R&D agenda. From a grain marketing perspective Australia does not operate its grain exports on a state-by-state basis. Therefore as a nation that exports over 80% of its grain production into highly competitive markets Australia must have a co-ordinated approach. This provides the opportunity to utilise our scarce R&D resources with the maximum efficiency.

### Biotechnology

*What actions need to be taken to address both producer and community concerns about GM products? Can Australia expect to keep GM foods out of the supply chain if other countries are accepting of these products? Would it be feasible to have GM and non-GM supply chains concurrently?*

While there are already a number of GM ingredients and products approved for use in Australia today, we intend on focusing our comments on the broadacre crop, canola, as this is the most likely grain to be released in the near future.

The recent detection of very low levels of the GM event Topas 19/2 in commercial canola stocks in Victoria has changed significantly the commercial environment in which we have all been operating. It has already been recognised in the discussion paper, but the lack of clear definition in respect to terms such as Canola, Non-GM Canola and GM Free Canola is a major issue. The Gene Technology Grains Committee (refer table 1) has previously suggested some definitions for these terms, however it appears that these have never been adopted, at least not in a legal sense. Industry has through a default process avoided the need for definition by relying on the assumption that there has been no commercial release of GM canola in Australia.

Table 1 (reproduced from the GTGC Canola Industry Stewardship Protocols)

<b>Canola</b>	Meets all commodity trading standards and importing country requirements (AOF 1-1) No differentiation for production system May or may not contain approved GM Events * (e.g. co-mingled)
<b>Non-GM canola</b>	Meets all commodity trading standard requirements Within market specification for adventitious presence ** of GM ( from approved GM Events) Implicitly excludes canola produced under a GM production system
<b>GM-free canola</b>	Meets all commodity trading standard requirements Market specification for 'nil' adventitious presence of GM (based on a testing protocol that would provide an agreed level, e.g. 95% confidence, that it does not exceed 0.1%AP) Must be produced under a GM-free production system that meets customer specification or export standard requirement For the purposes of labelling a commodity, 'GM-free' is defined within the Trade Practices Act

It is however, clear that the industry, under the current circumstances, can no longer use the term GM Free when trying describe the GM status of canola, as it is very difficult to prove something doesn't exist in a large bulk. There are not only significant problems with sampling error in large bulks that make it difficult to prove an event doesn't exist, there are also issues with the ever decreasing limits of detection. While a sample tested today doesn't show any detectable levels of a GM event being present, a newer, more sensitive test that is subsequently used may. Another sample from the same bulk may also subsequently test positive. There are also significant issues around the type of tests that are available in the market, including the speed at which a test can be conducted, the sensitivity of the test and the cost of the test. All these issues have an impact on our capacity to segregate GM and Non-GM crops.

The capacity of the industry to segregate GM and Non-GM crops is going to depend on the definitions that are applied. It is already likely that we are already at a point where we cannot claim to be segregate GM Free Canola, even on the basis of no commercial release of GM canola. The ability to maintain a Non-GM segregation will likewise depend on the definition of Non-GM Canola. If the definition is too stringent, then it may be impossible to effectively test for the presence of GM canola at the point of delivery. Even if a rapid, repeatable and reliable test is available, the cost of the segregation and the time delays associated with the testing protocols may make the segregation commercially unattractive. There are then the issues of canola contamination in other crops, such as wheat, barley and pulses.

The detection of the Topas 19/2 event in canola will precipitate discussion on these issues and may force industry, the Federal Government (Office of Gene Technology Regulator to lead) and the respective states governments into some action in respect to the commercial release of GM crops, particularly canola. This discussion and the hopeful resolutions of the above issues will be a start to addressing the concerns of both producers and the community.

## Appendix E - Biosecurity and quarantine

***Are there opportunities for Australia to improve its risk management approach to quarantine? What further investments are needed and how should these be funded.***

*What actions are required to improve food safety and security for Australian agriculture and food industries – including improvements and extensions to current systems such as trace back?*

**As has been highlighted in the issues paper, the maintenance of Australia’s relative disease free status is a major competitive advantage, that allows us to access markets that others are simply excluded from. There are a number of devastating pests and diseases of grain that do not exist in Australia and we must ensure we are vigilant in preventing their incursion into Australia.**

While we support the premise that we must adopt transparent, scientifically based risk assessment practices, we need to ensure that they are realistic and thorough enough to ensure the Australian grain industry is not exposed to an incursion of an exotic pest such as the Kaphra beetle or a disease such as Karnal Bunt. The possible impact of this type of incursion on exports was clearly demonstrated by the recent, and mistaken, alleged detection of Karnal Bunt in a shipment of Australian wheat to Pakistan. While it was shown that the disease was not present in the cargo, even a suggestion it was present, has signification implications for the exports of Australian grain.

To ensure we have accurate scientific data available, that is relevant to the Australian grains industry, it is essential that we continue to invest in research, ensuring we are training new scientists who can continue to provide accurate and detailed advice.

In respect to food safety, while the grains industry is perceived to be a low risk industry, we are already taking steps to improve our through chain traceability systems, with a number of customers already requesting trace-back systems. The development of on-farm grain Quality Assurance and Traceability systems is ongoing, with industry looking to tailor systems to meet the market needs. It is expected that over the next 10 years there will be a steady increase in the demand for on-farm QA and Traceability systems. It is appropriate that there is compatibility of systems, particularly for mixed enterprise farms. The coordination of these programs is essential to ensure there are minimal costs incurred by farmers.

## Appendix F - Role of Traceability

Traceability of grains for organisations such as ABB currently rely on in-house HACCP and ISO Quality System requirements. While this provides a satisfactory level of in-house control it does not provide appropriate and detailed information on the grains path prior to purchase by these organisations. ABB attempts to capture this info through farmer reporting procedures at grain delivery, but it is not yet a formalised requirement.

Customer expectations continue to move toward total and accurate traceability for grains, including such things as variety, chemical treatments (pre and post harvest), seed source, storage location and type, soil quality and adjacent crop types (some ABB customers already have these expectations). While an independent system to track traceability can be developed, it is more appropriate and practical that this be achieved via an entire On-Farm Quality Assurance (QA) system which captures this and other information. Examples of such systems are Grain Care, Great Grain and Rural Solutions. ABB has evaluated these systems and considers all are appropriate in meeting current and future obligations for traceability (with continuous development).

Accreditation of barley varieties and its suitability for purpose will be undertaken by Barley Australia, providing industry support and guidance for the new National Barley Breeding Model being proposed by GRDC. Barley Australia with the cooperation of industry groups will also provide ongoing evaluation of customer needs for these QA systems and recommendations.

It is critical to this industry that the expectation of customers with regard to both traceability and QA continues to be met and surpassed if Australian grain is to maintain its international market position. Consequently any ongoing government support or initiative that can be provided will be critical in assisting industry in meeting current and future obligations for traceability and quality assurance.