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21 September, 2015

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The Review of Agricultural Export Regulation

We note the Department of Agriculture's review to examine Australia's current export regulations with a view to identifying areas for improvement or change.

As the largest exporter of Australian grain, Co-operative Bulk Handling Limited ("CBH") believes that an approach to regulation should be one that facilitates efficient and effective access to market while assuring trading partners of the integrity and quality of Australia's agricultural products.

In line with our attendance at the recent Department of Agriculture discussion group, this submission seeks to provide an overview regarding some of the emerging challenges for the CBH business, the extent to which existing regulations may be exacerbating these issues along with opportunities for improvement to current process that would facilitate the more effective execution of grain exports.

Introduction

CBH is a unique organisation with a history almost as long as the grain industry it serves. The co-operative's commitment to maintaining a partnership with its Western Australian grain grower members has helped build an industry that has been the backbone of the State's rural economy since the beginning of the bulk handling system 80 years ago.

This partnership has also been the basis of CBH's strength and success.

CBH has constantly evolved, innovated and grown with operations extending along the value chain from grain storage, handling and transport to marketing, shipping and processing. Now Australia's biggest co-operative and a leader of the nation's grain industry, CBH is controlled by 4,200 grain growers.

The co-operative exists for their benefit and the advancement of the grain industry in Western Australia.

CBH currently employs around 1,000 permanent employees supported by up to 2,000 casual staff during the months of harvest. These employees are located across the co-operative's ten regional offices, 195 receival site locations, four ports, engineering workshops, representative offices in Melbourne, Hong Kong, Tokyo and Portland (USA) and a head office located in West Perth.

Since deregulation, CBH has out turned over 36 million tonnes of wheat in almost 1,000 separate bulk shipments to over 300 global and local grain traders. In 2014/15, the CBH network has handled in excess of 12.6 million tonnes of grain (wheat, barley, canola, lupins and oats) in both bulk and containers shipped to more than 30 export destinations.¹

¹ Year to date - year end 31 October, 2015

Challenges for Western Australian grain exports

CBH and the growers of Western Australia are aware of the many future challenges to grow and market grain profitably. Despite CBH's efforts to provide enhanced service at the lowest price, long term trends in inputs, yield, pricing and new competitor origins are having an increasing impact on farm profitability (and sustainability) throughout Western Australia.

There have been many reports on the 'Asian Century' bringing new prosperity to the region and creating unparalleled demand for Australia's raw materials and food. While this is exciting and reassuring sentiment, it is by no means certain that Western Australian grain growers will benefit. Indeed, such an increase in demand and prices has to some degree just stimulated production from other locations which are often assisted by lower input costs, higher yields and new investment in supply chains to the market.

For example, Australian grain exports are today competing against what are considered non-traditional producers such as Russia and the Ukraine who are gathering an increasing share of global markets; just 12 per cent in 1960 to around 36 per cent fifty years later.

Exacerbating the implications of this trend, these emerging origins of supply are operating from supply chains (inland transport, storage and export facilities) that are often half the cost to access of those utilised by Australian grain growers. In the context of Western Australia, while growers have access to one of the world's most efficient storage and handling networks, they are still at a considerable input cost disadvantage.

The efforts therefore of the Department of Agriculture to streamline and improve existing export arrangements are most welcome to CBH and the grain growers of Western Australia.

Specific areas of interest to CBH

Timely documentation

CBH currently works within a service agreement with the Department of Agriculture for the authorisation and subsequent release of Phytosanitary Certification within three working days. While arrangements over recent years has seen an improvement in service levels, three days for the issuing of certification is generally the norm. In contrast, it is understood the export of goods by way of airfreight receives Phytosanitary Certification often within twenty four hours; the sort of a timeframe that would certainly assist bulk grain shipments.

Department of Agriculture certification forms a critical element of export execution in expediting sales contract conclusion and subsequent payment. While a one or two day delay may appear inconsequential, additional interest incurred to extend letters of credit for a 60,000 tonne shipment of canola (with an estimated value of A\$30 million) can be considerable.

The value therefore of the Department of Agriculture making required documentation such as Phytosanitary Certification available within 24 hours from the completion of loading would create real value for exporters and Australian grain growers.

End of chain assessment & auditing

It is CBH's continued view that the optimal location for various and necessary export quarantine, quality and phytosanitary assessment that best ensures Australia's international reputation is at the last possible point in the export supply chain (i.e. the point of export).

Emerging export supply chains and the advent of Authorised Officers and the Export Compliant Goods Storage Option however has resulted in the process of quality inspection and assessment occurring earlier in some chains. It is therefore critical that Department of Agriculture undertakes rigorous and ongoing inspection and auditing of these chains with the same degree of focus and scrutiny that is applied to CBH's export facilities (bulk and containerisation) as a means of mitigating any risk to Australia's reputation for the supply of high quality of agricultural products.

To reiterate, the same and appropriate scrutiny should be placed on all export participants, irrespective of the location of inspection or volume of shipment.

Such scrutiny places obvious imposition on what are no doubt already fully committed Department of Agriculture resources and CBH has already held a number of discussions with the Department regarding how these challenges might be addressed. For example giving those export supply chains that have in place recognised systems for quality assurance (such as CBH's four terminals and its

Metro Grain Centre) *Registered Establishment Status*, with audits undertaken every three years rather than annually.

Authorised Officers

Given both the anticipated increase in the number of Department of Agriculture Authorised Officers operating throughout the various export supply chains and the need to ensure the ongoing efficacy of existing export operations, it is considered that a process of enhanced training and development would enhance existing export arrangements. For example:

- Providing Authorised Officers with the further capacity to identify industry specific phytosanitary traits (such as weed seeds and/or particular insects);
- Industry working with Authorised Officers to develop opportunities for a more streamlined process (without compromising the integrity of inspections and product quality). This would include progressing Department of Agriculture service innovations such as the inspection of bulk vessels at anchorage; and
- The development of a central database or repository of information that helps to ensure a consistent interpretation and application of importing country phytosanitary requirements (bulk and containerisation).

A focus on Australia's key markets

The management and oversight of Australia's export regulations can be enhanced by the Department of Agriculture continuing to develop and maintain a close and active understanding of Australia's key export markets.

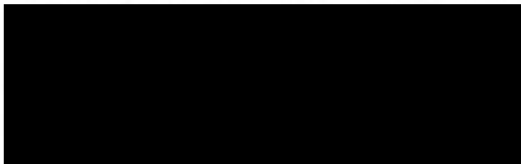
Strong bilateral relationships and a thorough knowledge of ongoing export destination requirements are critical in the event of an issue or dispute (such as recent discussions with India on their requirements for methyl bromide fumigation) allowing the Department to fully appraise Australian exporters of their obligations and ensuring a timely resolution to trade.

Indeed the Department has just recently demonstrated a similarly useful and pragmatic approach in working with China regarding wheat and barley protocols. Whereas it appeared that the Chinese Government may be seeking to extend quarantine issues into sales contract specifications, the Department of Agriculture were able to ensure these matters were quite rightly kept as separate considerations.

CBH appreciates its ongoing working relationship with the Department of Agriculture and is grateful for the opportunity of providing input into this review. I would encourage you to contact our Government and Industry Relations Manager, Brianna Peake on (08) 9416 6123 or at brianna.peake@cbh.com.au should there be anything you require.

Yours sincerely,

For: Co-operative Bulk Handling Limited



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