Australian Government
Department of Agriculture, Water and the Environment

Australian Grains Forum
Communiqué

The Department of Agriculture hosted a forum on Thursday 21 November 2019 to raise awareness of the future implications of a changing climate on the availability of grain in Australia, and encourage new thinking to assist their industries to prepare.

The department's Secretary, Daryl Quinlivan, welcomed forum attendees including national and state industry peak bodies, grain growers, production end users, scientists and economists, before noting the reduction in grain production due to the extended drought conditions and the reintroduction of grain imports in 2019. He urged grain end users considering imports, to apply for a permit sooner rather than later, given the complex and lengthy biosecurity assessment process undertaken by the department.

The Secretary introduced the Minister for Agriculture, Senator the Hon. Bridget McKenzie, who formally opened the forum and who noted the unusually harsh conditions Australia is currently facing, indicated by the sustained use of farming support facilities such as Farm Management Deposit Schemes. Senator McKenzie spoke about the significant contribution of the grain sector to Australia's 60 billion dollar agricultural industry and the need for a continued focus on biosecurity to maintain Australia's pest free status.

Forum particiants also gained new data and insights to inspire new approaches to take forward from presentations by the Bureau of Meteorology (the Bureau), Australian Bureau of Agricultural and Resources Economics and Sciences (ABARES), Australian Chicken Meat Federation (ACMF), Australian Export Grains Innovation Centre (AEGIC), and the department's Biosecurity Plant and Agricultural Policy Divisions.

Dr Marion Healy, the department's head of plant biosecurity concluded the forum, noting key issues and considerations for industry to take forward:

- Historically, grain imports have occured infrequently. As a result, industry and the department are not set up to deal with the importation of grain quickly or efficiently.
- The climate outlook suggests low production years are likely to be more regular while domestic demand for grain is expected to continue to grow.
- Development of low cost, routine import pathways will require investment, particularly in infrastructure.

- The grains industry is changing in response to changes in climate, consumer preferences and world markets. Expected continued growth in domestic demand for feed grain and increased production variability may lead to further industry change.
- Several reviews have examined grain stocks reporting, finding no market failure or other justification for government regulated stocks reporting. However, in low production years, stock forecasts can be refined by getting input from grain consuming industries.
- ABARES has now developed a process to forecast grain consumption and stocks in future drought years.

Summary of the presentations

Climate outlook and effects of climate variability on grains availability– *the Bureau of Meteorology and ABARES*

- The starting point for managing drought risk is to understand your climate, its variability and trends.
- Australia has one of the most variable climates of major agricultural exporting countries, especially when it comes to rainfall.
- Droughts are an ongoing feature of Australia's climate, but are likely to become more intense due to higher rates of evaporation due to higher temperatures.
- The climate outlook indicates that dry conditions are likely to continue across eastern Australia over the summer.
- Government agencies are helping grain growers to know their climate and manage drought risk with the development of tools like the **regional weather and climate guides**, available on the Bureau's website.
- In normal years, domestic production far exceeds domestic demand, allowing for the export of approximately 70% of what is produced. This means that Australia's grain prices are set by world markets.
- Australia's rigorous biosecurity standards make importing grain expensive, and domestic prices increase to high import parity prices in times of drought. Imports are expensive because severe droughts occur infrequently and the understanding of how to import in a biosecure manner is lost over time.
- In drought conditions, imports of specialised grain provide business continuity and reduce costs for food manufacturers, intenstive livestock producers and consumers.
- If severe droughts become more frequent, grains users could benefit from establishing routine and low cost import pathways such as those established for soybean meal and rice. Imported rice is frequently used to supply both domestic and international markets in years of low domestic production, insulating industry from spikes in cost associated with supply.
- ABARES consulted with grain consumers in mid-2019 finding that there had been a greater expansion of intensive livestock production and drought-related feed demand than previously estimated. As a result, ABARES revised down its forecasts of national barley and wheat stocks for 2019–20 which were published in **Agricultural commodities: June quarter 2019.**
- The report, **Forcasting national grain stocks in times of drought** outlines how ABARES revised the grain stocks forecasts and developed a process to forecast grain consumption and stocks in future drought years.
- The **Australian Crop Report** for the December quarter is available on the Department of Agriculture website.

Attendee question

Do we need to reduce our biosecurity protocols to increase imports at reduced prices?

Response: The conditions for producing grain may become tougher and we may end up with more frequent importing events. The question is then how do you open the market up to competition and import specialist grains when needed with less volatility in price. Biosecurity requirements cannot be compromised so grains users could benefit by establishing routine import pathways.

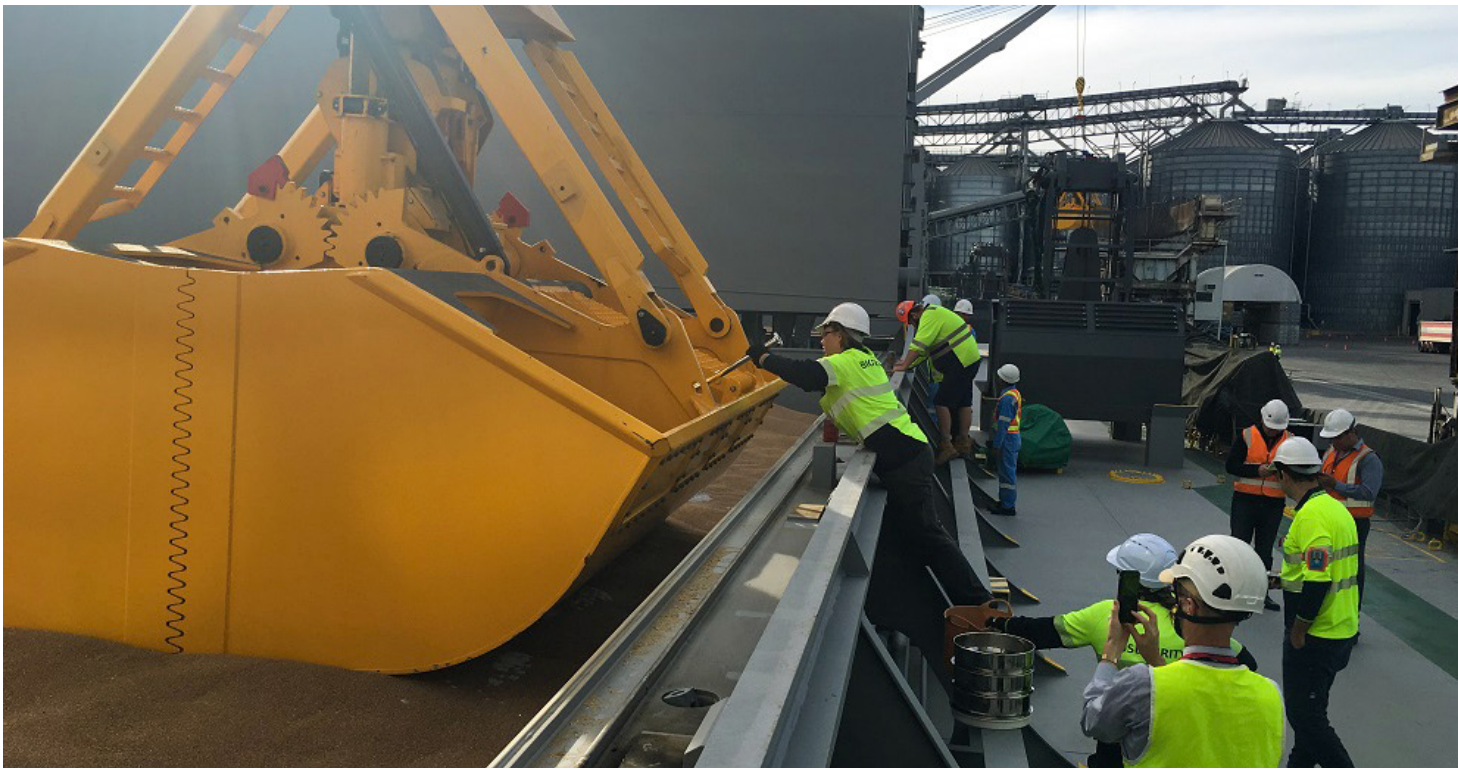
Attendee question

Why are stocks reports not available to grains producers and sellers? This information would enable better trading practices?

Response: Additional public reporting of grain stocks is only likely to provide transient assistance to industry during periods of exceptionally low production such as drought.

The level of detail requested for a stocks reporting scheme goes beyond the data currently published by ABARES and would potentially be costly to gather. Such a system would have to include individual farm stock holdings, which is likely to be costly and produce data that is out of date.

Grain stocks reporting has been considered by at least six independent reports since 2010, finding no market failure or other justification for government regulated stocks reporting. Several of the reports found the grains industry should self-regulate and pay for more detailed stocks reporting information if it wants more than what is published for the 'public good'. A recent ABARES study also found that industry participants already maintain detailed stock data and estimates, in line with their commercial interests.



Australian chicken meat industry's experience of climate variability on productivity and future implications–*Australian Chicken Meat Federation*

- Australians' consumption preferences are changing to grain-fed meats such as chicken and pork while we're eating less beef and lamb.
- The Australian chicken meat industry is completely reliant on domestic grain to feed chickens. However, grain quality and sustainability of supply are two critical issues for the industry and imports are required in situations of extreme low grain supply.
- The need for industry participants to manage their grain supply risks, particularly in challenging times such as drought, and broader strategic industry priorities means the industry is currently assessing all options for securing its future grains needs. However, the industry recognises that this should not be to the detriment of the biosecurity status of Australia's grains industry and to the Australian meat chicken flock.
- If the price of grain increases this may lead to increases in the price of chicken which in turn may lead to decreased consumption. For consumers that can only afford cheap cuts of meat, there can be negative impacts to human nutrition.
- If drought continues then the industry will need to support the development of drought resistant crops and educate consumers about the reasons for price fluctuations.

Grain producers' and exporters' experiences of a changing climate and future implications–*Australian Export Grains Innovation Centre*

- Unfolding global climate change and volatility are having spatially diverse impacts on global crop production with some areas projected to become more suitable for grain production while other areas become less suitable.
- Australian crop production is vulnerable, with analysis by the Bureau indicating that regions traditionally used for growing grain in Australia are becoming drier and hotter.
- By 2030, Australia's population will be around 30 million and the diets of many Australians will include grain-based foods and grain-fed meat. There are also animal welfare considerations in a warming, drying climate that will impact the availability of stockfeed. Spatial and industry ramifications of these changes is a key consideration for industry.
- The need for grain storage is growing, this is allowing grain growers to store excess grain and act as grain traders in years of low supply.
- Improved domestic transport will extend the interstate feed grain flow in drought years, with movement of feed grain increasingly coming from Western Australia and South Australia. There may be greater domestic biosecurity and quality assurance challenges associated with diversified grain flows.
- As the cost of transporting grain domestically is reduced, this may incentivise local consumption and reduce the amount of some grain grades available for export.
- Industry has a role to play in determining the types of grain to be grown that seeks the greatest benefit from domestic and international markets.
- Ongoing Research, Development and Extension (RD& E) will be required in the grains industry to lift and extract more from yield potential to supply domestic consumption and to maintain supply into valuable export markets.

Safeguarding Australia's ongoing biosecurity status– *Department of Agriculture*

- Importing grain is a commercial decision made by importers. The department's responsibility is to protect Australia's biosecurity through minimising risk rather than aiming for zero risk.
- The department has a robust framework in place for assessing applications to import grain and managing the end to end associated plant and animal biosecurity risks from the overseas farm to the onshore processing facility.
- Assessment of import applications is fundamentally the same as it has been during other periods of drought (1994-95, 2002-03 and 2006-07), however import conditions have been reviewed to ensure they reflect contemporary science and can be applied under the Biosecurity Act 2015.
- There is information on **importing bulk grain for stockfeed and milling** on the department's website to explain how we assess the biosecurity risks of imported bulk grain and work with industry to manage those risks, including an infographic which provides an overview of these processes.
- As of 21 November 2019, the department has approved eight permits for single shipments of bulk wheat from Canada. There are some additional applications for bulk grain at various stages of assessment.
- Permits for bulk grain can be applied for at any time but it is a complex and lengthy process that requires substantial planning and may include infrastructure investment. You should assess you need to access imported grain and plan early if you're considering importing in the future.
- Much of the domestic grain handling infrastructure is aimed at exports and may not be set up for the biosecurity import requirements. In some situations investment will be required to ensure that biosecurity requirements can be met.

Effects of the current drought on Australia's grain exports– *Department of Agriculture*

- The department has observed the following impacts to grains exports arising from the drought:
  - There has been a reduction in the amount of harvested grain and stored grain. Not only has this had an impact on grain exports, but also on the export of animal products due to a reduction in feed grain availability.
  - The department expects export earnings to drop in 2020 and take at least 5 years to get back to the levels of 2016.
  - As a result of the decreased productivity, bulk handlers have been reducing staff numbers or moving them to sites where there is demand.
  - There has been a reduction in activities in ports and terminals seeing businesses shifting to alternative income streams such as engaging in imports to ensure they remain financially viable. This diversification has potential to cause a conflict in focus and capacity when exports commence and or increase. This includes the demand for Authorised Officers who may have not renewed their authority or left the employment in periods of reduced export activity.
  - There has been a trend towards increasing storage and packing of grain for export on-farm. As businesses have downscaled in response to drought, there is a risk that the skills and authorisation of Authorised Officers may be lost, creating a need for retraining and certification when the exports pick up.
  - Industry is encouraged to be prepared for an increase in export demand when the drought breaks. This includes maintaining the authorisation and skills sets of plant export Authorised Officers as the department will have limited capacity to quickly train and accredit a large numbers of Authorised Officers when conditions improve.

Attendee question

Given that low cost imports are already moving into the market, do we have a comparative advantage in feed grain or is a better approach in the future to import feed grain and export higher value wheat grain?

Response: This is a risk management question. Being able to supply multiple markets (high value and feed) insulates producers from spikes in the market.

Representation

- Animal Health Australia
- Australian Chicken Meat Federation
- Australian Export Grains Innovation Centre
- Australian Government Bureau of Meteorology
- Australian Lot Feeders Association
- Australian Organic Ltd
- Australian Pork Limited
- Canadian High Commission
- Council of Rural RDCs
- Grain Producers Australia
- Grain Producers SA Ltd
- GrainCorp
- GrainGrowers
- Grains Research and Development Corporation
- Hoffman Donohue
- Inghams Group Limited
- National Farmers' Federation
- NSW Farmers
- Ooma Enterprises NSW Pty Limited
- Port of Melbourne
- Stock Feed Manufacturers Council of Australia
- US Department of Agriculture
- US Embassy

Attendee question

How long does it take to train an Authorised Officer?

Response: Training can take from 3 weeks to several months depending on demand. Where there is a delay it is due to demand on a number of geographically spread locations, the candidates not completing the online training and the limited capacity of the department to service all requests simultaneously.

Stay updated

Get information and updates on bulk grain imports by subscribing to our **online subscription service**.

By subscribing to Biosecurity Risk Analysis Plant you will receive Biosecurity Advices and other notifications relating to plant biosecurity policy.

Questions, feedback, assistance

If you have questions or require further information, data, resources or RD&E to assist your sector achieve future outcomes in a changing climate, contact the Department of Agriculture at **imports@agriculture.gov.au**. Please allow up to 10 working days for a response.

You can also phone us on:

- **1800 900 090** (from within Australia)
- **+61 3 8318 6700** (from outside Australia).