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Wheat Export Marketing Arrangements  
Productivity Commission  
Locked Bag 2, Collins Street East  
Melbourne Victoria 8003

## **Wheat Export Marketing Arrangements Inquiry**

### **Re: Section 5 Wheat classification and market segmentation**

InterGrain is a leading Australian crop breeding company with highly successful wheat and barley breeding programs that target the major cereal growing areas of Australia. InterGrain varieties occupy a significant proportion of the area sown to cereals in Australia. Our submission outlines our views on an issue that has the potential to make a significant impact on the future pathway of the Australian wheat breeding sector.

The wheat industry took a significant move by deregulating wheat marketing, and the industry now has the opportunity to review the effectiveness and operations of the deregulated system. Wheat classification evolved out of a different era implemented for perceived public good and utilised by publicly funded breeding programs and a regulated marketing system. The environment is now different, and the wheat classification system now impacts commercial breeding companies and multiple grain traders/marketers. InterGrain encourages the industry to think broadly and innovatively about the future wheat classification system.

Wheat classification plays an important role in maintaining the quality of the Australian wheat crop, and InterGrain supports the continuation of wheat classification with modifications. Wheat classification plays its most valuable role in the bulk, undifferentiated markets like AH, APW and ASW. In the new commercially driven environment, classification is of lesser importance for speciality lines that meet the needs of specific end products, and it is important that wheat classification does not discourage the development of these, often premium-paying, market segments.

The current wheat classification system has no legal status and operates on inertia and common consent. In the past, this has not been a major issue, but going forward, wheat classification will need to be founded on a clear, transparent, rigorous and objective basis or the process will fail very quickly.

Wheat classification is a cost of doing business that needs to be shared by the industry. There are two components in these costs. The first involves the actual direct cost of having wheat lines classified by an expert panel, and plant breeders should be willing to accept a responsibility for this cost. The direct benefit of this user pays system will ensure that plant breeding companies only submit lines that they consider are worthy of classification. Under the current free service, breeders can submit a large number of lines and use the classification



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process as a free quality assessment program. The second cost component involves the broader costs such as laboratory accreditation. These should either be funded by the broader industry, or in a truly commercial environment, the laboratories would bear these costs and include them in overheads of the service fees charged.

Currently wheat classification has been placed in a holding pattern and is being overseen by the Grains Research and Development Corporation (GRDC), which subcontracted the responsibility to the Bread Research Institute (BRI). Going forward, wheat classification could be moved from GRDC to an existing industry representative body, but the actual task of wheat classification needs to be ring-fenced and protected from political and general industry noise. Wheat classification should not be entwined with other roles a peak body may be responsible for implementing.

The peak body should have the responsibility of managing data access to enable the wheat classification standards to be upheld. Changes to the classification standards need to be linked to actual real market feedback and not imposed due to some perception that the standards need to be increased. Unnecessary and unfounded changes can slow genetic gain and result in significant losses in productivity and profitability for the overall wheat industry.

Unfortunately I am unable to attend any of the public hearings, Tress Walmsley, the Commercial Manager for InterGrain, will attend the Perth forum and would be available to expand on the points raised in this submission.

Yours sincerely

Dr Bryan Whan  
CEO  
13 November 2009