



Kangaroo Island Pure Grain Pty Ltd

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“Naturally farmed pure grain, segregated, traceable and safe”

SUBMISSION TO THE SELECT COMMITTEE ON THE GRAIN HANDLING INDUSTRY

1. BACKGROUND

KIPG was formed in 2009 in response to ABB proposals to increase out storage and handling fees on the island to \$25 per tonne and freight rates from KI to Port Adelaide of \$75 per tonne. It was quite obvious that the cropping industry on KI would cease if these costs had to be borne. However grain must be stored on KI during harvest as the ferry service does not have the capacity to move it to the mainland as quickly as it is reapt. In fact it takes between 5 and 6 months to move it all off the island. KIPG purchased the bunker site and associated classification office and weighbridge from ABB and leased the upright silos for three years. We employed two former experienced ABB site managers and classifiers. By arranging our logistics to suit both Sealink and our road transport operators we were able to reduce our freight rate to \$43 per tonne in the first year. We stored most of our grain in silobags rather than bunkers, and were delighted with the quality on outturn, the complete absence of any weevil, and the fact that we had no wastage due to rodents or water as had been the case with bunkers on KI for many years previously.

In 2010 we went to a great deal of trouble **in training our already very experienced staff and reviewing our site setup and procedures so that we gained accreditation with Viterra as an Approved Third Party Bulk Handling Site**. As a consequence we were able to forward sell contracts for APW and ASW wheat to AWB with payment into our storage. Kangaroo Island, in contrast to most of the rest of mainland SA, was very fortunate in not receiving any rain in the first 70% of harvest. Our classifiers, who have had many years of experience on KI, and who know very well what Fungal Staining looks like because in some years it can be quite a problem in our climate, did not find any instances of Fungal Staining in this first 70% of harvest and classified every load as either ASW or APW. But when we started shipping this grain up to Port Adelaide (and then to Roseworthy for a week because Port Adelaide weren't taking ASW) we had loads being downgraded to FED1 and AGP1 because of fungal staining.

2. PROBLEMS AND LOSS OF INCOME TO KIPG AND KANGAROO ISLAND FARMERS CAUSED BY DELIVERING TO VITERRA 2010/11

On the 11th Jan we were advised that two loads had been downgraded to GP1 due to fungal staining of more than 5%. This seemed to us impossible because our main classifier, Scott had been checking all loads on intake for fungal staining and had not seen any above 1%. He made a point of classifying the outgoing loads to Roseworthy for the next day and found them all to have fungal staining scores of below 1%. Two of those



loads were classified at Roseworthy Viterra site the next day to have scores of 9.66% and 7% fungal staining and were downgraded to GP1.

I drove to Roseworthy that day and inspected the sample that they had classified as 7% fungal stained. It seemed to me that most of the grains they classified as stained were not anywhere bad enough to be called fungal staining. When I said this to Merv, the site overseer, he said that early in harvest our grain would not have been downgraded and would have easily made ASW quality. However they had been visited by quality assurance staff two weeks before and told that they were not classifying fungal stain hard enough. If there was any slight discoloration of 50% of the germ it was to be classified as fungal stain. I said that I was not a classifier and I could not even see the discoloration on a number of the grains they had classified as discoloured, and that I would bring Scott up the following day to see if he could. Merv said that he had lost three classifiers who found it too difficult to discern the discoloration, and now had only young classifiers with excellent eyesight.

Meanwhile Scott called in Max Nimmo at our site to get a second opinion on the classification of the loads being outloaded that afternoon. Max is also an ABB trained classifier who ran the KI site for a couple of years. They consulted the Visual Recognition Standards (1st edition NACMA/GrainCorp/AWB/ABB) as prescribed in 4.2.1.6.2 Stained Grains paragraph of the standards listed on the Viterra Ezigrain web site, and judged all samples to be under 1% fungal staining.

On Friday 14th January Scott and I went to Viterra Roseworthy and inspected the same sample of alleged 7% fungal staining that I had seen the day before. Scott could see the slightest change of colour in the germ on some of the grains, but had to struggle to do so. In no way were these grains displaying " **a distinct dark brown to black discoloration of the germ end**" as stated in the definition of stained grains in the abovementioned paragraph 4.2.1.6.2. Stained Grains.

The point of all this is that Viterra cannot change their classification standards without notifying everybody, especially their approved third party bulk handling sites. It is unacceptable that **KIPG trained and experienced staff classified grain according to the published specifications and KIPG paid growers accordingly, only to find weeks later that the rules have changed.** KIPG received no notification of any tightening of the fungal staining specification and has acted in good faith at all times.

We were then faced with the problem of having sold ASW to AWB and only delivering AGP1 or FED1 to the Viterra system. This is a ridiculous situation. How can we expect any buyer to buy our grain and pay into store, if the classification on receipt can later be over ruled.

We have since had **similar problems with grain being downgraded for falling numbers**, even though it was reaped before any rain fell. On one day when we had four loads of APW downgraded, we sent off our outturn samples to Allied Mills to get them to do the falling numbers tests. The difference in one case was over 100 points, 402 from Allied compared with 286 from Viterra, in another 306 compared with 237. I am afraid we have lost all confidence in Viterra's classification.

3. THE COSTS WHICH WE CANNOT AFFORD TO ABSORB AND A SOLUTION MUST BE IN PLACE BY THE 2011/12 UPCOMING HARVEST

To date we have had 543 tonnes of either APW or ASW downgraded to AGP1 or lower out of 3,000 tonnes delivered to the Viterra system. This equates to a \$50,000 loss, **which is totally unacceptable for a Viterra accredited third party site.** Hardly any of this has been sold to Viterra, most has been sold to AWB or Elders Toepfer Grain, but it still has to go through the Viterra system to be exported in bulk. \$50,000 is only the cost of the loss in grain value. There have been many other costs such as when a load is downgraded and the silo is not accepting the downgraded grade. On the mainland it may not be a major

cost to take the load back, on KI we have to either find storage on the mainland (almost impossible at short notice) or return it to KI at \$45 per tonne and then bring it up again at a later date for another \$45 per tonne (a total loss of approx \$190 per tonne for downgrading the classification made by two very experienced ex ABB/Viterra classifiers).

4. LOOKING FORWARD AND THE MEASURES THAT NEED TO PUT IN PLACE

Next year, to retain the confidence of both growers and buyers, we must have a classification system on the island that will be honoured by Viterra when we deliver it to their system. Whether this is achieved by using more objective testing equipment, or by better training of our classification staff or whatever is needed, it is essential.

Grain has to be stored on the island as it can't be shipped off fast enough during harvest. If we are to classify grain upon receipt for storage purposes, and for making payment to growers, and for selling to buyers based on quality in that particular storage, then that classification must be the same as when the grain passes into the Viterra system later in the year. Otherwise the system is simply unworkable. For example suppose we receive ten loads from ten different growers one morning. They are all classified APW, all put into one APW silo bag, the growers are paid for APW, Elders buys that silo bag of APW (about 250 tonnes). Then in April when we ship that wheat up to Port Adelaide, two loads (50 tonnes) are downgraded to AGP1. Which growers are to be penalized? Where are Elders going to get another 50 tonnes of APW from to supply their client?

I would like to commend you on holding this enquiry and assure you of our willingness to provide any further information that may be of help in your deliberation.

Yours sincerely,

Neil Pontifex

Executive Chairman

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