

ANNEXURE C APPENDIX 1

A Model for Wheat Varietal Classification

Overview

Wheat varietal classification is the categorisation of wheat varieties into grades based on processing and end product quality. Wheat varietal classification together with wheat receival standards aims to deliver grain of consistent physical quality, processing performance and end-product quality to customers and end-users in a differentiated form (grades) allowing exporters (or traders) to optimise value capture from markets for the benefit of industry.

To achieve consistent differentiated end product quality, wheat varietal classification focuses entirely on the genetic potential of wheat varieties. In contrast, wheat receival standards categorise grain deliveries on a combination of:

- the variety, as declared by the grower; and
- the impact specific seasonal conditions and farming practices (the environment) has on various aspects of the grain itself.

While very important, it should be noted that wheat receival standards are operated by the National Agricultural Commodities Marketing Association (NACMA) and are not the subject of this paper.

The two key functions required for wheat varietal classification are:

1. establishing the grades - this involves determining the specific make up of grades required by end-users and the formulation of criteria by which a variety would be considered to be eligible for a given grade. These criteria must, and should, evolve in response to changing market signals.
2. grading of varieties - this is the technical and objective process for assessing a variety or proposed variety against given grade criteria.

Historically AWB(I) has managed both activities as well as a number of support functions including the Late Maturing α -amylase (LMA) Steering Committee, laboratory accreditation and the 'noodle expert' sensory evaluation program.

With the changes in wheat marketing arrangements in Australia that were introduced on July 01, 2008, the GRDC has agreed to manage varietal classification. This is in line with the recommendation from the Wheat Industry Expert Group (IEG) (<http://www.daff.gov.au/agriculture-food/wheat-sugar-crops/wheat-marketing/wheat-industry-expert-group/final-report>).

The IEG:

- recognised that Australia's system of varietal classification is internationally recognised and well regarded
- recommended that it be continued
- proposed a new system of oversight for varietal classification with representation from producers, major exporters and the domestic processing industry.

GRDC has already responded to the IEG's broad recommendation for it taking on the management of varietal classification with a short-term transitional arrangement in partnership with AWB(I). This arrangement sees the current varietal classification processes continue on a 'business as usual' basis until December 31, 2008.

ANNEXURE C APPENDIX 1

Having put the short term arrangement in place, GRDC is now considering models to achieve the oversight function as described and recommended by the IEG.

Purpose of this paper

The purpose of this paper is to communicate to industry the model for Wheat Varietal Classification that GRDC would like to implement. This paper includes revisions based on the feedback received to the Discussion Paper.

Feedback was received from a range of sources covering representative groups, breeders, quality experts, growers and even interested individuals not working directly in the grains industry. The GRDC would like to take this opportunity to thank all parties that did provide feedback.

Much of the feedback received centred on the structure of Tier 1 'Strategic Grade Criteria Setting', which has now been re-named to the Wheat Classification Council (WCC). The consensus was that the composition of the WCC needed revising to ensure increased representation of the marketers and also of the breeders. The role of the other proposed members was questioned. GRDC will consider this feedback further and in doing so will remain cognisant of the Wheat Industry Expert Group's recommendation.

With regard to the structure for Tier 2 'Management of Wheat Variety Classification Operations', the main issue frequently raised was the need for the Variety Classification Panel to have 5 members, including:

- one member with domestic industry knowledge as well as the expertise required to classify varieties for export, and
- one member that is linked to the management support function.

The revisions to the model have embraced this consensus position articulated in the feedback on Tier 2.

ANNEXURE C APPENDIX 1

The Model

Two Tiers: Wheat Classification Council (WCC) and Management of Wheat Variety Classification Operations

To achieve both the oversight function with industry representation as well as, the technical, objective process of assessing varieties against grade parameters, the GRDC recommends implementing a two-tiered system.

The first tier (Tier 1) has the strategic oversight function and considers market requirements; any changes that may be suggested to classification grades and requirements will be considered and either accepted or rejected by Tier 1.

The second tier (Tier 2) has the operational, analytical function to determine what grade a variety is classified into.

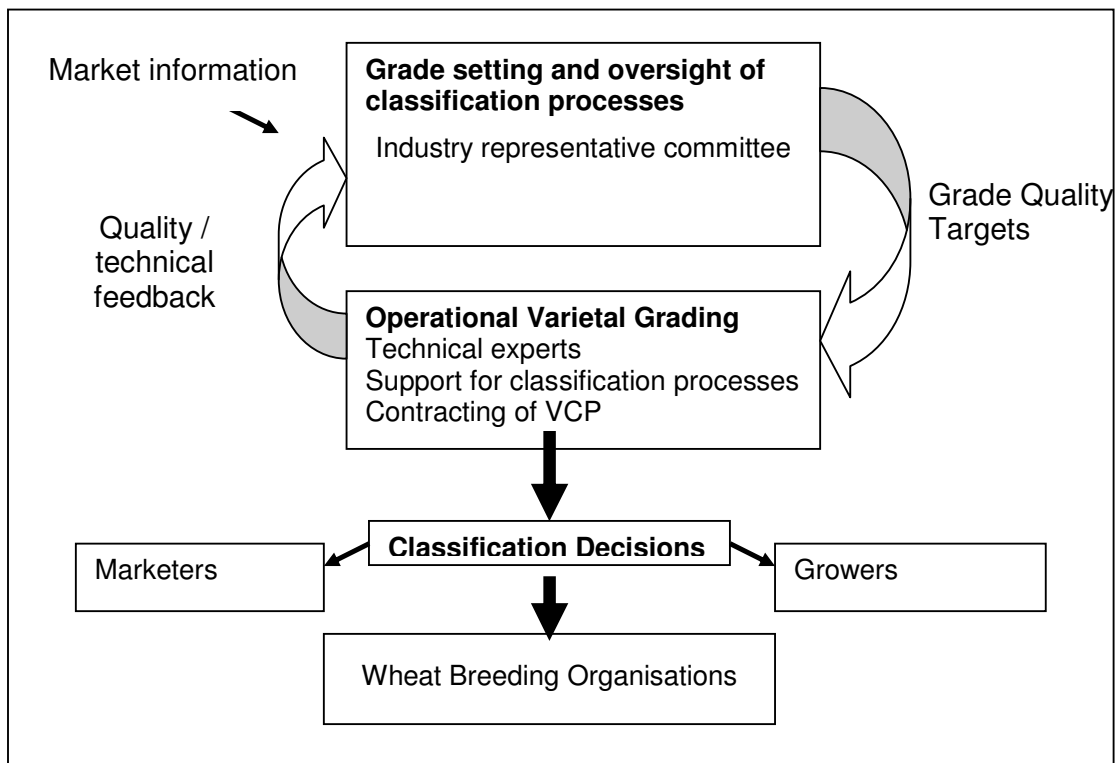


Figure 1. Diagrammatic representation of the proposed two tier model for wheat varietal classification

Operation of this model relies on management and support resources to coordinate the activities of the two tiers and ensure effective and transparent communication of technical requirements between the tiers and with other stakeholders.

ANNEXURE C APPENDIX 1

Tier 1: Wheat Classification Council (WCC)

The Wheat Classification Council (WCC) would consist of a representative committee chaired by a GRDC appointed person. It would rely on market and breeding information contributed by industry participants to establish whether there should be any alterations to the parameters defining classification grades. The WCC may call for industry submissions to suggest changes. Any proposed change would need to demonstrate overall benefit to the Australian wheat industry.

Objectives:

The objectives of the WCC are to:

- compile and prioritise export market information with the view to determining an agreed industry position on the structure and parameters of classification grades
- identify and prioritise quality related issues facing the broad industry and agree approaches to resolve them (e.g. LMA standards, downgrading of varieties, new quality traits to be considered, the application of new technologies)
- formulate and develop strategies to manage emerging issues
- develop and manage a communications strategy to keep industry informed of wheat classification issues
- general oversight and ownership of the wheat classification process including communication any wheat classification operational issues that need further management to GRDC.

Key Activities:

- meet annually to discuss and agree grade and grade quality requirements
- marketers to discuss and agree on broad industry export quality targets based on consolidated market signals and these targets converted into specific grade criteria. This may require a process where individual marketing organisations contribute export market data to confidential clearing house for compilation and analysis prior to the annual meeting of the WCC.
- individual breeding organisations to contribute information on breeding constraints or otherwise of quality targets
- benchmark current crop quality through discussion of analysis of current crop quality so as regional and national trends in specific grade quality can be identified
- discuss quality related issues facing industry, prioritise them and agree approaches to resolve them e.g. LMA standards, sponge and dough bread making ability and other traits, varieties no longer meeting grade requirements, test requirements for classification including addition of testing new technologies etc.
- set direction for Management of Wheat Variety Classification Operations Tier

Resourcing:

- administration resources to provide a secretariat would be provided by the Management of Wheat Variety Classification Operations Tier

ANNEXURE C APPENDIX 1

Composition:

Below is a revised composition for the WCC compared to what was presented in the Discussion Paper. GRDC intends to have further consultation with industry on the composition of WCC before finalising its membership structure. The final composition will need to take into account IEG recommendations.

- GRDC appointment (Chair)
- 1 grower
- 4 market representatives (export)
- 1 representative from the Flour Millers' Council (FMC)
- 3 breeder representatives representing each of the 3 major, national wheat breeding companies
- 1 representative from the Wheat Breeders' Alliance to represent wheat breeders other than the 3 major national wheat breeding organisations
- Wheat Quality technical experts.

Administration and technical support will be supplied by the operational Variety Grading Tier.

Operating Budget:

- hosting of Annual Meeting at GRDC - to be borne by GRDC; participants (excluding chair, grower representative and additional technical representatives) to fund own attendance at meeting.
- contracting the grower representative and additional technical resources as required
- other administrative functions (and associated costs) to be provided by the Operational Varietal Grading Tier

GRDC Chair

The role of the GRDC-appointed Chair is to ensure that the WCC is:

- appropriately representative (GRDC will rely on feedback to determine the appropriateness of the structure recommended above)
- resourced to undertake its function
- effective in carrying out its role
- providing oversight and direction to the Operational Varietal Grading Tier
- effective in communicating with industry stakeholders.

GRDC will have responsibility to:

- based on industry feedback, determine appropriate composition of the WCC
- ensure that operating policies and procedures for the WCC are established
- contract the grower representative and any additional technical experts to ensure a representative committee.

The WCC will not be established until early 2009.

ANNEXURE C APPENDIX 1

Tier 1: Management of Wheat Variety Classification Operations

The Management of Wheat Variety Classification Operations Tier will consist of:

1. a variety classification panel (VCP)
2. a classification management resource supporting the operation of the VCP and the activities of the WCC.

Variety Classification Panel (VCP)

Objectives:

The objectives of VCP are:

- with reference to the current wheat classification guidelines, assess quality data of new wheat lines relative to the performance of known control varieties and grade quality parameters in order to place those new lines into grades
- provide sufficient information with each decision to provide transparency and meaningful feedback to breeding organisations and marketers/users regarding that decision.

Key Activities:

- attend 4 -5 two day panel sittings per calendar year - March, May, July, September, October
- a sub-set of the VCP is to attend the WCC annual meetings to provide feedback on previous year and, if requested, to contribute to review of grade setting criteria
- assess quality data of given wheat lines / varieties against set criteria
- discuss and agree on classification decisions during panel meetings
- provide feedback on quality of lines to breeding organisations
- provide any feedback from breeding organisations to the WCC
- provide information on the quality of new wheat varieties as released to growers, marketers
- identify issues for discussion by the WCC.

Resourcing:

- administrative and operating resources to be contributed by the classification management function
- five (5) technical experts - four contracted for up to 32 days each, the fifth contributed by the classification management resource within the Operational Varietal Grading Tier.

Composition:

- five technical experts

ANNEXURE C APPENDIX 1

- four selected on the basis of expertise and experience following a call for applicants. One of these experts must have domestic industry knowledge and linkages to the domestic industry to provide a communication channel with that particular sector.
- one drawn from the classification management resource.
- selection criteria:
 - extensive experience in wheat quality evaluation, assessment of data, and or categorisation of wheats for end-use potential
 - strong analytical skills
 - in-depth knowledge of the end-uses of wheat and the quality factors which impact on the production of those end products
 - understanding of the flour milling process, and its effects on flour quality and resultant suitability for processing into food products
 - a thorough understanding of the complex inter-relationships of wheat quality factors
 - knowledge of the various testing methods employed in wheat quality laboratories, and the extent to which data describing particular wheat parameters are interchangeable
 - knowledge and appreciation of the international wheat market, its quality requirements and the key characteristics of wheats exported by Australia's competitors
 - knowledge and appreciation of the domestic wheat market and its quality requirements (not all members of VCP need to have this expertise)
 - knowledge and understanding of the quality of current control varieties
 - capacity to work in a team
 - excellent communication skills.

Operating Budget:

- resources for the operation of the Variety Classification Panel will be provided by the classification management resource within the Operational Varietal Grading Tier.

Classification Management Resource

Objectives:

The objectives of the classification management resource are to:

- to deliver variety classification against the existing classification grades
- to support the WCC through provision of information and by providing a secretariat function to it
- ensure clear communication, information flow and explanation of classification decisions and quality targets to wheat breeders, growers and other stakeholders as appropriate. This communication function relates purely to

ANNEXURE C APPENDIX 1

normal operations of wheat variety classification. All other communications will be referred to the WCC.

- to manage the relationship between breeding organisations and the VCP including providing an avenue for additional data to be submitted.

Key Activities:

- Classification of varieties according to Wheat Variety Classification Guidelines
- Contract and manage the contracts of the VCP
- Organise meetings of the VCP and WCC (and attend the latter as required)
- Record detailed outcomes and assessments from these meetings for dissemination to breeding organisations and other key stakeholders
- Report classification grading decisions:
 - for pre-release lines, to the owners
 - For released lines, to wheat breeding organisations, marketers, NACMA, growers and other stakeholders
- Identify and capture issues for discussion at the WCC meetings.
- Coordinate udon noodle expert sensory evaluation program
- If requested by GRDC, act as a 'clearing house' for sensitive export market data - compiling, prioritising and analysing data prior to discussion at the WCC to ensure commercially sensitive information is protected
- Analyse current crop quality data (if available) to determine grade benchmark quality
- Chair the Late Maturing α -amylase (LMA) Steering Committee
- Follow up on quality issues identified in WCC and report back on progress
- Liaise with breeding and marketing organisations to ensure flow of information and issues management
- Identify and recommend changes in approaches to variety classification
- Manage laboratory accreditation / proficiency program - including reporting to the VCP on laboratory performance
- Organise annual forum for breeders and marketers to exchange information.

Resourcing:

- 1 - 2 FTEs dependant on skill set

Operating Budget:

- salary
- contractors' fees for VCP meetings
- contractor expenses - travel, accommodation, meals, etc as agreed
- office and facilities as appropriate
- travel to meet breeding organisations, marketers, attend industry forums, and committee's

ANNEXURE C APPENDIX 1

- udon noodle expert program costs
- proficiency program costs
- 'market signals' industry forum costs.