ACIPA

End Point Royalties (EPR’s)
Past, Present and Future.
29th May 2014

Denis McGrath – Seedvise Pty Ltd
Today’s Topics

- Overview of EPR Collection System?
- Why a collective industry approach?
- Overcoming Issues – a collective approach
- Outcomes from collective industry approach
- Ongoing challenges
- Export Hay Industry EPR system
Grain EPR System Overview

- EPR = $/tonne – set by breeder / variety owner
- Grower obligation to pay the EPR at the first point of sale of their grain
- Grain Crops – wheat, barley, triticale, oats, canola, lupins, faba beans, lentils, chickpeas, field peas
- EPR is a production based royalty system – plant breeder shares production risk with grower.
- Royalty Managers (variety owners / licensees)
- 2 main systems used to capture EPR
EPR Collection System

Automatic Deduction

- Traders/buyers who auto deduct EPRs from grower payments and remit to Royalty Manager

Data Provision (2 methods)

1. Traders/buyers who provide transaction data for Royalty Managers to invoice growers

2. Grower Harvest Declaration
Grower Harvest Declaration

**HOW TO COMPLETE THIS HARVEST DECLARATION AND OTHER INFORMATION**

- Ensure you complete Part 1 and Part 2 and ensure quantity and accuracy.
- Enter all amounts in Tonnes.
- Please note some trader/buyers are also bulk handlers. EPR’s are not deducted by bulk handlers unless they actually purchase your grain.
- It is your responsibility to ensure that the correct variety is declared at the point of sale/delivery.

**YOUR DETAILS**

PLEASE INPUT OR AMEND DATA BELOW IF INCORRECT OR INCOMPLETE

<table>
<thead>
<tr>
<th>NGR REFERENCE</th>
<th>&lt;NGR CARD NUMBER&gt;</th>
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<tbody>
<tr>
<td>ABN</td>
<td>&lt;&lt;ABN&gt;&gt;</td>
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**PART 1 – GRAIN HARVESTED**

**2011 / 2012 SEASON**

PLEASE PROVIDE DETAILS OF ALL EPR VARIETIES

<table>
<thead>
<tr>
<th>VARIETY</th>
<th>TOTAL GRAIN HARVESTED (TONNES)</th>
<th>USED ON-FARM (E.G. STOCK FEED) (TONNES)</th>
<th>WAREHOUSED (ON OR OFF FARM) FOR FUTURE SALE (TONNES)</th>
<th>RETAINED FOR SEED (TONNES)</th>
<th>I NO LONGER HAVE / INTEND TO USE THIS VARIETY (PLEASE TICK BOX)</th>
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<tbody>
<tr>
<td>&lt;&lt;variety1&gt;&gt;</td>
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</table>

**PART 2 – GRAIN SOLD**

**2011 / 2012 SEASON**

Please Include ONLY the EPR variety Grain Sales

<table>
<thead>
<tr>
<th>VARIETY</th>
<th>SOLD TO</th>
<th>GRAIN SOLD TO NON EPR COLLECTORS (TONNES)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Including all traders, millers and feed users DO NOT COMBINE DIFFERENT BUYERS, VARIETIES AND TONNAGES</td>
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**PART 3 – SIGNATURE**

By signing here, you declare that you have read and agree to the Terms and Conditions overleaf.

<table>
<thead>
<tr>
<th>NAME</th>
<th>SIGNATURE</th>
<th>DATE</th>
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Please be advised that we are unable to process your return if you have not signed.
Why a collective grain EPR industry approach?
Why a collective industry approach?

- Changes in Australia’s plant breeding > Privatisation of breeding companies > reliance on EPR’s for revenue
- EPR Collection > collaboration rather than competition
Why a collective industry approach?

Number of Royalty Managers, varieties and crops.
2013/ 14 Harvest

- 11 Royalty Managers
- 202 EPR varieties
  - 150 Cereal EPR varieties
    - Wheat(120), Barley(26), Oat(4), Triticale(4)
  - 9 Canola EPR varieties
  - 43 Pulse EPR Varieties
    - Chickpeas(18), Field Peas(7), Faba Beans(6), Lentils(10), Lupins(2)
Why a collective industry approach?

- Paper work
- EPR Collection Agreements (Grain buyers)
- Growers bombarded - Harvest Declarations
- Variety Licenses (Growers)
Why a collective industry approach?

• Administration Complexities
  • GST Applicable – need to issue Tax Invoice
  • Varieties have different EPR rates
  • Different to DAFF Levy System

• Inconsistency of industry Variety Declaration arrangements
Why a collective industry approach?

- Variety Codes

<table>
<thead>
<tr>
<th>Commodity</th>
<th>EPR Variety</th>
<th>Royalty Manager</th>
<th>EPR rate (GST excl)</th>
<th>Viterra SA</th>
<th>Viterra Vic</th>
<th>Viterra SNSW</th>
<th>Grainflow</th>
<th>CBH</th>
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<td>VE23</td>
<td>SNE23</td>
<td>474</td>
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<td>VB23</td>
<td>SNB23</td>
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<td>0402</td>
<td>BRW</td>
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<tr>
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<td>Bullaring</td>
<td>InterGrain</td>
<td>$2.50</td>
<td>B26</td>
<td>VB26</td>
<td>SNB26</td>
<td>443</td>
<td>0443</td>
<td>BLR</td>
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<td>WHT</td>
<td>Burke (EGA)</td>
<td>Pacific Seeds</td>
<td>$2.10</td>
<td>E22</td>
<td>VE22</td>
<td>SNE22</td>
<td>456</td>
<td>EBO</td>
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<td>Intergrain</td>
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<td>C18</td>
<td>VC18</td>
<td>SNC18</td>
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<td>VC27</td>
<td>SNC27</td>
<td>487</td>
<td>0487</td>
<td>CPR</td>
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Why a collective industry approach?

- Limitations of major grain management software to efficiently collect EPR’s
  - CDA Software – GrainTrader
  - Smartsoft / Grainsmart
  - ProSoft
  - Wimmera Software - Grainsoft
  - Others
Why a collective industry approach?

• Organisation Changes
  – Company Takeovers / change in ownership
  – Change company details – people, address, banking etc
Overcoming EPR Systems Issues
Overcoming EPR System Issues

- Invitation to all Royalty Managers to join EPR Steering Group
- With input of key industry stakeholders create industry standard agreements / forms
  - Common Grower Harvest Declaration Form
  - Industry Standard Variety Licences
  - EPR Collection (auto deduct) Agreement
  - EPR Collection (data provision) Agreement
- Educating and canvassing industry support.
Overcoming EPR System Issues

• Approaching major grain management software companies to improve EPR Collection capability – paying for software upgrades
• Investigate data clearing houses – capture interpret grower variety delivery / sales information
• Consolidate relevant EPR information in one central location
• Appoint EPR Agent – legal representative and coordinator of EPR Collection arrangements
Overcoming EPR System Issues

EPR Agents – Grain Buyers Sales Pitch.

- EPR Agent (Seedvise) represent all Royalty Managers
- Explain importance of plant breeding to grain industry prosperity
- Explain changes in plant breeding industry - importance of EPR’s
- Explain EPR’s – production based / equitable, fair, risk sharing system
- Explain various EPR Collection Systems
Overcoming EPR System Issues

EPR Agents – Grain Buyers Sales Pitch (2).
• Detail grain software upgrades
• Detail common industry agreements
• Royalty Managers willing to pay for EPR ‘auto deduct’ service – collection fee
• WEA Accreditation – fit and proper
• Productivity Commission WEA Review – EPR Collection important
• [URL: www.varietycentral.com.au]
Outcomes of collective grain EPR industry approach
EPR Collective - Outcomes

• Royalty Managers continue to support EPR Collective approach
• No grain buyer has stopped supporting EPR Collection System once established
• Strong support from grower organisations / Grain Trade Australia
• Forecasting 70+ grain buyers supporting EPR Collection 14/15 harvest
## EPR Collective - Outcomes

<table>
<thead>
<tr>
<th>EPR Varieties Market Share</th>
<th>Estimated EPR Compliance</th>
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</thead>
<tbody>
<tr>
<td><strong>2009/10</strong></td>
<td><strong>2009/10</strong></td>
</tr>
<tr>
<td>Harvest</td>
<td>Harvest</td>
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<tr>
<td>Wheat 67%</td>
<td>Wheat 74%</td>
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<tr>
<td>78%</td>
<td>85%</td>
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<tr>
<td>Barley 49%</td>
<td>Barley 43%</td>
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<tr>
<td>77%</td>
<td>70%</td>
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</table>
EPR Collective - Outcomes

- Attracting investment $ in plant breeding

<table>
<thead>
<tr>
<th>Breeding Company</th>
<th>Owners</th>
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<tbody>
<tr>
<td>AGT</td>
<td>GRDC, SARDI, University of Adelaide, Limigrain</td>
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<tr>
<td>Intergrain Wheat</td>
<td>GRDC, Dept of Agric. and Food WA, Monsanto</td>
</tr>
<tr>
<td>LongReach Plant Breeders</td>
<td>Pacific Seeds, Syngenta</td>
</tr>
<tr>
<td>Intergrain Barley</td>
<td>GRDC, Dept of Agric. And Food WA, Syngenta</td>
</tr>
</tbody>
</table>
EPR Collective - Outcomes

• Attracting investment $ in plant breeding
EPR System - Ongoing Challenges
EPR System - Ongoing Challenges

• Improve capture of variety information at the first point of sale
  • domestic feed Industry / export container / direct port deliveries
  • variety declaration – ID testing

• Continue to improve grain software capability

• Attracting/ Retaining grain buyers to support EPR Collection
  • ACCC Submission

• Improve EPR Harvest Declaration Compliance
EPR System - Ongoing Challenges

- Continue improve efficiency of current system
- Establishment of new grain supply chains
  - HFA
  - New export grain port facilities
- New crops - Soybeans
- Continue grain supply chain education – for example
  - Grain Brokers
  - www.varietycentral.com.au
Welcome to Variety Central

Variety Central is an information source for Australian grain growers and industry, encompassing plant breeding, seed commercialization, varieties, royalties and other relevant information. It is a joint initiative, developed by the EPR steering committee and sponsored by the following companies:

Further information on these companies can be found in the Sponsors section.
Export Hay – End Point Royalties

- Licensee of oat hay varieties
- EPR on export hay collected
- 1st purpose to ensure adequate resourcing of oaten hay breeding program.