

B.S. GLENNIE & SON

ABN: 98 239 894 784

"NORWOOD"
P.O. BOX 505
MOREE NSW 2400

Telephone: (02) 6751 1700
Facsimile: (02) 6752 4658
Email: admin@bsglennieandson.com.au

September 29, 2015

Dr Richard Chadwick
General Manager, Adjudication
Australian Competition and Consumer Commission
GPO Box 3131
CANBERRA ACT 2601

Dear Sir,

Australian Cotton Shippers Association – application for authorisation A91505 – interested party consultation.

BS Glennie and Son have been growing cotton in the Gwydir Valley in Northern NSW continuously since 1976. We are a family farming operation who rely on a competitive cotton market to ensure we get the best returns for the cotton we produce.

I am writing in support of the submission made by the Australian Cotton Shippers Association for the classing of cotton purchased from Australian growers to be assessed for the attributes of colour and leaf to be done by HVI.

HVI has been used for many years to assess the fibre qualities of length, strength and micronaire, but not colour and leaf, which have been determined by a visual assessment. Visual classing is more subjective than mechanical testing and there are more limitations on the degree of accuracy and repeatability of the result.

HVI classing for colour and leaf will assist to reduce classing disputes between growers and merchants by providing accuracy and repeatability not possible with visual assessment. HVI is the most repeatable, transparent and uniform way to class cotton and should give the grower, the merchant and the spinners the confidence that the cotton they are buying and selling is as described in the classing results. With buyers increasingly testing the cotton they receive with HVI, and merchants increasingly selling cotton based on HVI assessment not just visual assessment, the grower wears the risk, in higher discounts, when the two methods do not align.

The colour of Australian cotton is described by grades devised by the USDA, based on various combinations of reflectance and yellowness. The ability of HVI to more accurately measure reflectance and yellowness has enabled the USDA to subdivide the official USDA colour grades (11 to 85) into 4 sub-grades or HVI colour gradients, for example a colour grade of "31" (Middling) will be divided into sub-grades of "31-1", "31-2", "31-3" and "31-4". Currently in Australian cotton is sold to a base grade and a P&D schedule, with premiums applied for cotton over the base grade and discounts for cotton under the base grade. Contracts are agreed at a base grade of "31" (Middling)

for colour, if the colour falls a grade from "31" to "41" (Strict Low Middling) we, as the grower, face a "cliff face" discount of between \$75 and \$100 per bale. The introduction of HVI to measure colour should enable the P&D schedule to be based on the quadrants, rather than full grades, and so a more graduated discount structure can replace the current "cliff face" discount. We would see a more graduated discount structure within and between grades as essential.

With visual classing for colour individual classers and individual merchants can have different policies for classing the same cotton. The individual can be influenced by merchant policy, the cotton they have previously classed and their own perception of colour. This becomes a major issue when there is a savage discount between two grades like from "31" to "41". A borderline "31" can become a "31" or a "41" dependent on the person classing. How it has worked in practice is one classer confronted with a marginal "31" will class it as a "31" because it is a long way from a "41", where as another classer will class it as a "41" because it is not strictly a "31". For a grower a "41" means a huge discount and often the difference between a profit and a loss. The introduction of HVI to measure colour will remove the subjectivity of the classer and provide 4 sub classes for each colour to which cotton can be classed.

We note the international cotton community is moving towards the use of HVI measurement of colour with both the International Cotton Association and the International Cotton Advisory Council supporting the move. We believe the Australian cotton industry has a great opportunity to standardise the move to HVI classing for everyone at a point in time, rather than being ad hoc and delaying the benefits of HVI classing. When HVI classing is introduced for colour and leaf there needs to be a standardized calibration of all HVI equipment.

We hope this assists the ACCC in its deliberation on this subject and would be happy to answer any questions.

Yours Sincerely

A handwritten signature in black ink, appearing to read "Peter Glennie", with a small flourish at the end.

Peter Glennie.