

PURCHASING WHEAT ON A QUALITY BASIS: LOGISTICS

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In most commercial transactions the purchase process that is generally followed is for the buyer to assess the product he is being offered and then make a purchase decision based on particular criteria. When it comes to New Zealand wheat, that process can only be followed in very broad terms because of the specific marketing conditions which apply to the sale and purchase of wheat.

In the New Zealand market, all wheat has to be offered to the New Zealand Wheat Board and, if that wheat is of milling grade, the Board has to find a purchaser for it. The standard or criteria used as a basis to purchase the wheat must also be used as the standard to sell it.

Wheat is used in New Zealand for a variety of purposes. The principal end use is the production of flour. Users of flour include bread bakers, grocers, pastrycooks, starch manufacturers, biscuit manufacturers, cake manufacturers and last, but no means least, the housewife. Each of these users have different criteria to assess quality.

The standard used to assess if wheat is of milling standard is an MDD baking test carried out by the Wheat Research Institute on a harvest sample provided by the grower. While this is a broad measuring device, the procedures used by the groups described above measure quality in their own terms and use methods which enlarge upon the test on which the wheat is purchased and on which the New Zealand grower can rely to determine whether his wheat is, or is not, of milling standard.

The New Zealand grower is now paid on a basis which relates New Zealand wheat to the f.o.b. price of Australian Standard white wheat. You might say that we only need to be sure that the quality of the New Zealand wheat is the same as that of ASW and structure payments for quality around this concept. We do know that some New Zealand wheat, even if it was of a better baking score than Australian ASW, cannot produce a satisfactory end product. I allude here to the starch industry which cannot use solely Takahe from Southland. The biscuit manufacturer requires a wheat which would be regarded by a bread baker as being of poor quality. That same poor quality to the baker is good quality in the eyes of the biscuit manufacturer.

Such is the concentration of activity at harvest time and when wheat is being moved into the market, that a quick, easy to perform, reliable and repeatable test is needed if quality is to be measured in practical terms for the purposes of accurately determining payment. As a buyer, I need to be sure what I am paying for. As a seller, I need to be sure I am being paid for what I, in fact, have to offer.

The present MDD baking score test has too high a standard deviation to permit a satisfactory basis for a sliding scale payment. Another test which could perhaps be used is the protein test but I would suggest that we do not

yet know enough about protein, especially about protein quality, to use this as a basis for payment by quality-either.

I have listened to arguments advanced by various groups who say that New Zealand wheat is as good as, if not better than Australian wheat. They can produce baking score figures to show this but they usually choose their seasons wisely. You can also produce baking score figures in other seasons to prove the reverse. Suffice to say, there are some New Zealand wheats which, in some seasons, may be as good as, if not better than, Australian ASW wheat.

The Wheat Board has been promoting the concept of two categories of wheat since it first held in 1977 an inter-industry meeting to discuss quality. This concept allows wheat to be classified into two broad categories and, properly implemented, it will permit end users to obtain what they basically require from New Zealand wheat - to be able to perform satisfactorily and consistently in their market. It is an approach which uses the "broad base" measuring approach to quality and it will permit wheat to be used to best advantage in the areas where it is grown.

The movement of wheat is expensive, as is the transportation of anything today and I would suggest that we cannot afford the luxury of moving wheat between areas to make up for quality differences at the margin. Apart from this complication, payment for wheat by quality presupposes that there is a simple and repeatable test, adequate storage at all points from farm through to the final point in the supply chain which allows wheat to be properly segregated.

The concept of segregation through the whole supply system is difficult to achieve satisfactorily with two categories of wheat. At our present stage of development we could not hope to deal with a range of qualities and keep them isolated throughout the chain from farm to end user.

Assuming for a moment that we could overcome all of the restrictions of inadequate sampling, variable testing and unsatisfactory storage, could not a sliding scale of payment for quality lead to a reduction in wheatgrowing? Those areas which could produce high quality wheat would stick with wheatgrowing because the returns were satisfactory. Those areas which could not produce high quality wheat and obtain satisfactory returns would probably go out of wheatgrowing.

You might be tempted to say in response to this; leave the basic payment for wheat where it is and pay all growers the basic price for the minimum milling grade which is 12 MDD — everything above 12 gets a premium. A nice concept but we cannot afford it. The affordable concept would have to be an average so that those at the top of the scale get more than those at the bottom so that the total payout remains the same as it is now.

Bear in mind on this question of cost, that the price of

flour in New Zealand is currently \$445 a tonne. Its Australian counterpart, on the last figures I have available, in New Zealand dollars was \$385 a tonne. Every refinement that we introduce puts more strain on the flour price and if Australian flour is cheaper and better, there will be those who will want to use it to the eventual detriment of the New Zealand wheatgrower.

In a season in New Zealand where we were self-sufficient, we would have to move approximately 170,000 tonnes of wheat to the North Island from the South Island. This wheat is stored largely on farm until it can be moved. Do growers have enough storage to be able to keep wheat separate according to a number of different grades? I would suggest that they are more than stretched to observe our two categories at present.

After wheat is moved ex farm, it can go either to the local flourmill in the South Island or it can be shipped to the North Island. If it is to the local mill, the mill would have sufficient storage to be able to store wheat according to two categories. It is unlikely that wheat can be broken down very much further at this stage into more than two grades.

If the wheat goes to the North Island, it is moved either into port silos for shipment by bulk vessels which carry up to 5,000 tonnes or into one of several grain stores from where it is moved in containers and seafreighters in 10 tonne loads. Depending on the bulk vessels, drops of 1,000 tonnes of wheat can be handled but it is not possible to put a 1,000 tonnes of one grade in a hatch without some contamination due to the restrictions of silos, running gear etc. On the other hand, the movement in 10 tonne container lots is more likely to be controlled by grade but the whole market cannot be kept supplied in this way.

To adequately serve a market which is tied to payment for wheat by quality, we would need to tool up for it and at this stage we do have several very real areas of difficulty which would have to be grappled with before a system emerges.

At this point, I can but see the road down which payment for quality has to travel as being a road which the Roads Board wouldn't touch. It has a lot of potholes and assuming we can get a nice, tarsealed surface in the end, the cost of producing a tonne of flour will be more than it is today.