



Electronic trading documentation: A promising innovation opportunity

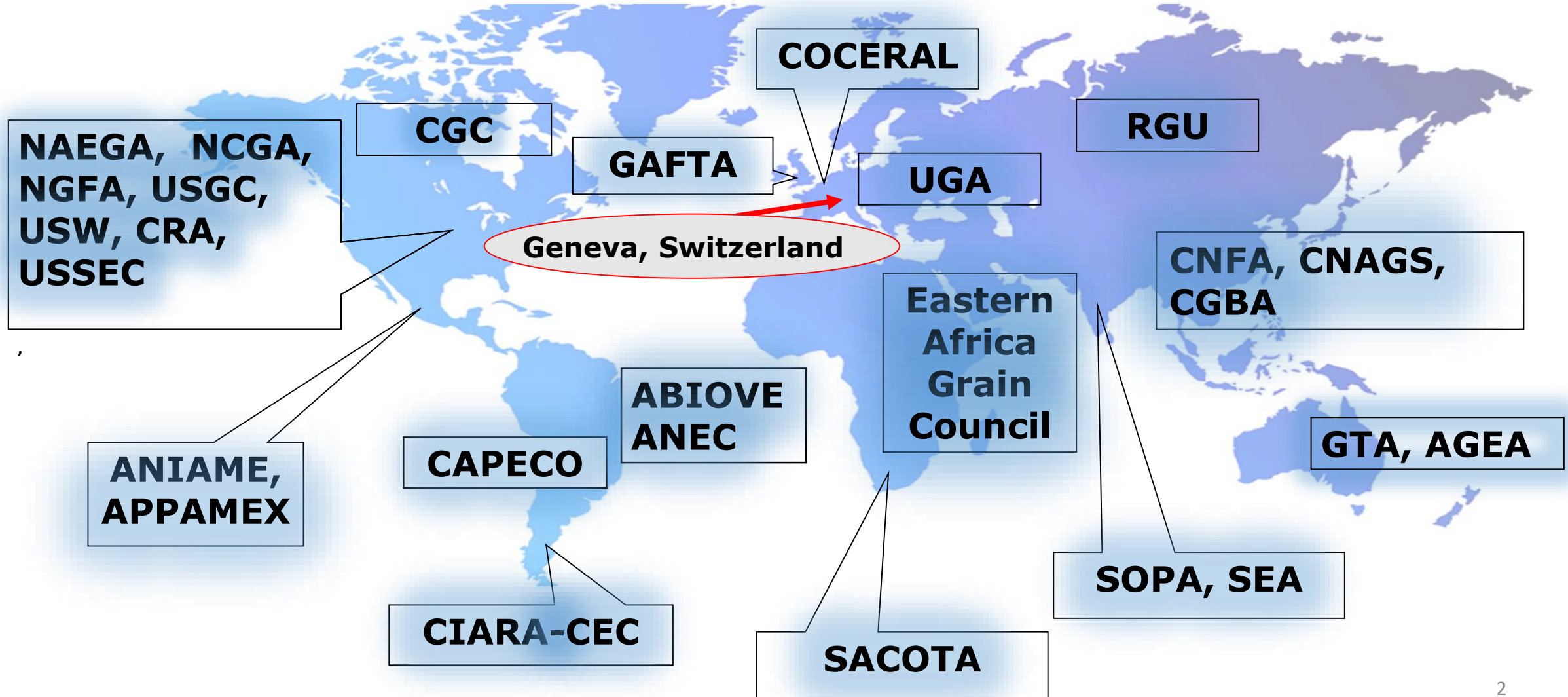
Gerard McMullen, Grain Trade Australia

23rd January, 2018 – Kuala Lumpur, Malaysia



International Grain Trade Coalition

27 associations, 8000 businesses 85 countries





IGTC agenda

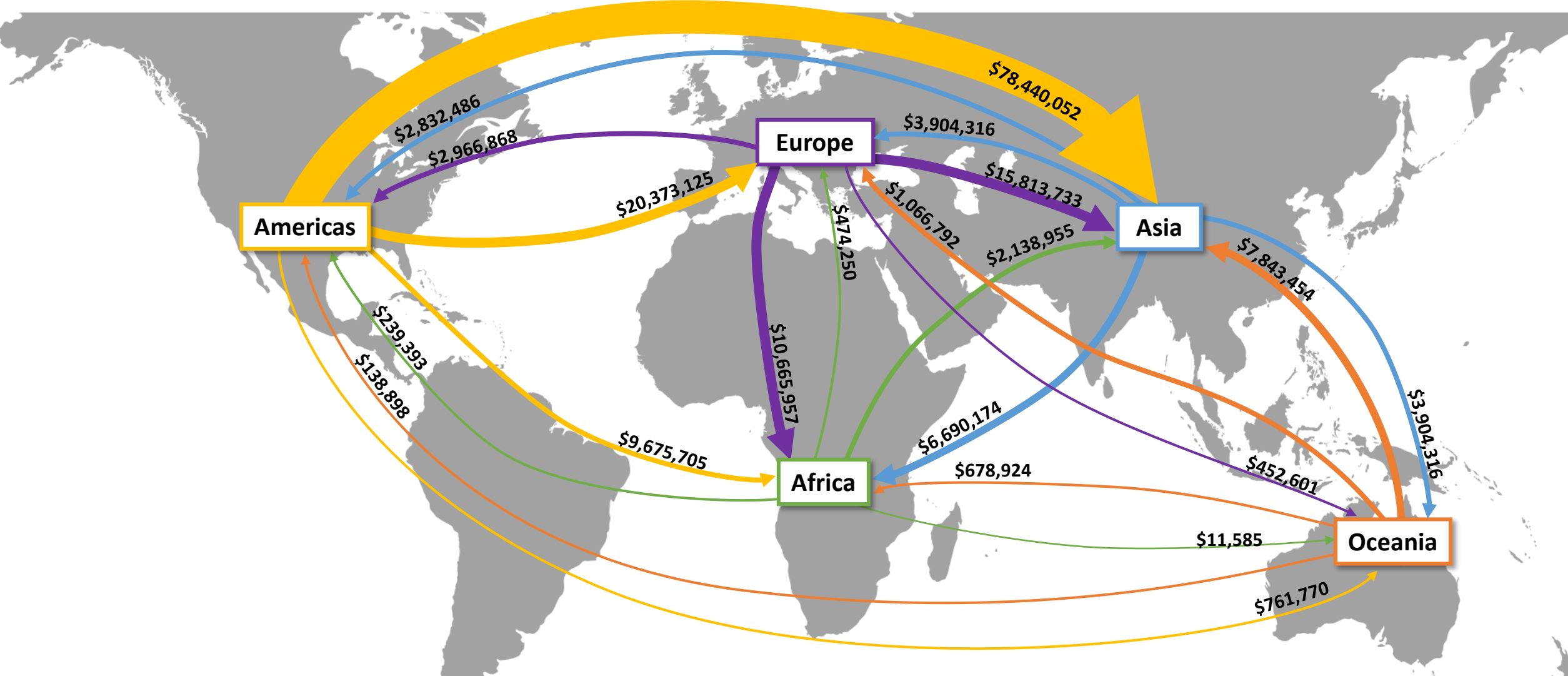
**Innovate information
management – digitization**

**Accommodate production
methods**

**Improve regulatory
compliance & trade
communication**

Advance responsiveness

Annual Average Continent-to-Continent Trade of Grains and Oilseeds 2011-2015

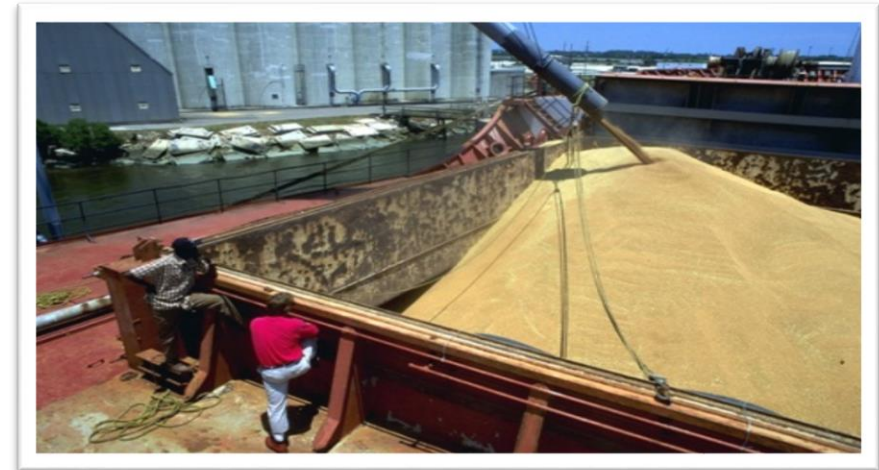


Values in 1000USD
 Source: The United Nations Conference on Trade and Development International Trade Data Center. Updated 10/25/2016 VLM.

Features of the global grain trade



- Well developed and highly globalised
- Large, growing and increasingly complex
- Utilises sophisticated infrastructure and processes to provide safe, cost effective, reliable supply
- Moves product in high volumes with interchangeability of commodity, transportation, handling and infrastructure
- Constant improvement and innovation



Benefits of electronic documentation



Exporters

Savings:

- **Time** – reduced end to end transaction time
- **Costs** – reduced time means faster payment
- **Costs** – reduced resources and effort to supply original and any re-worked documents

Security & Risk:

- Eliminates risk of loss of documents
- Eliminates risk of fraud
- Reduces risk of non payment
- Improved quality & integrity of data

Efficiency:

- No paper documents to process, manage, track, send and archive
- Reporting capability

Importers

- **Early arrival of electronic paperwork** assisting rapid and uninterrupted discharge of grain
- **Potential to reduce demurrage costs**
- **Visibility of transactions** to assist inventory planning
- **Removal of the need to use Letters of Indemnity** to allow discharge of goods

Industry preparing for digitization



- Widespread use of e-docs already occurs
- However, companies currently do not use electronic documents for all transactions
- Increasing number of industry players aiming for at least 50% of transactions to move to electronic documentation by 2018
- Industry planning for the wholesale adoption by 2025 - 75-100% of electronic trade documentation for all documents in one transaction

IGTC poll, 2016

IGTC fostering an enabling environment



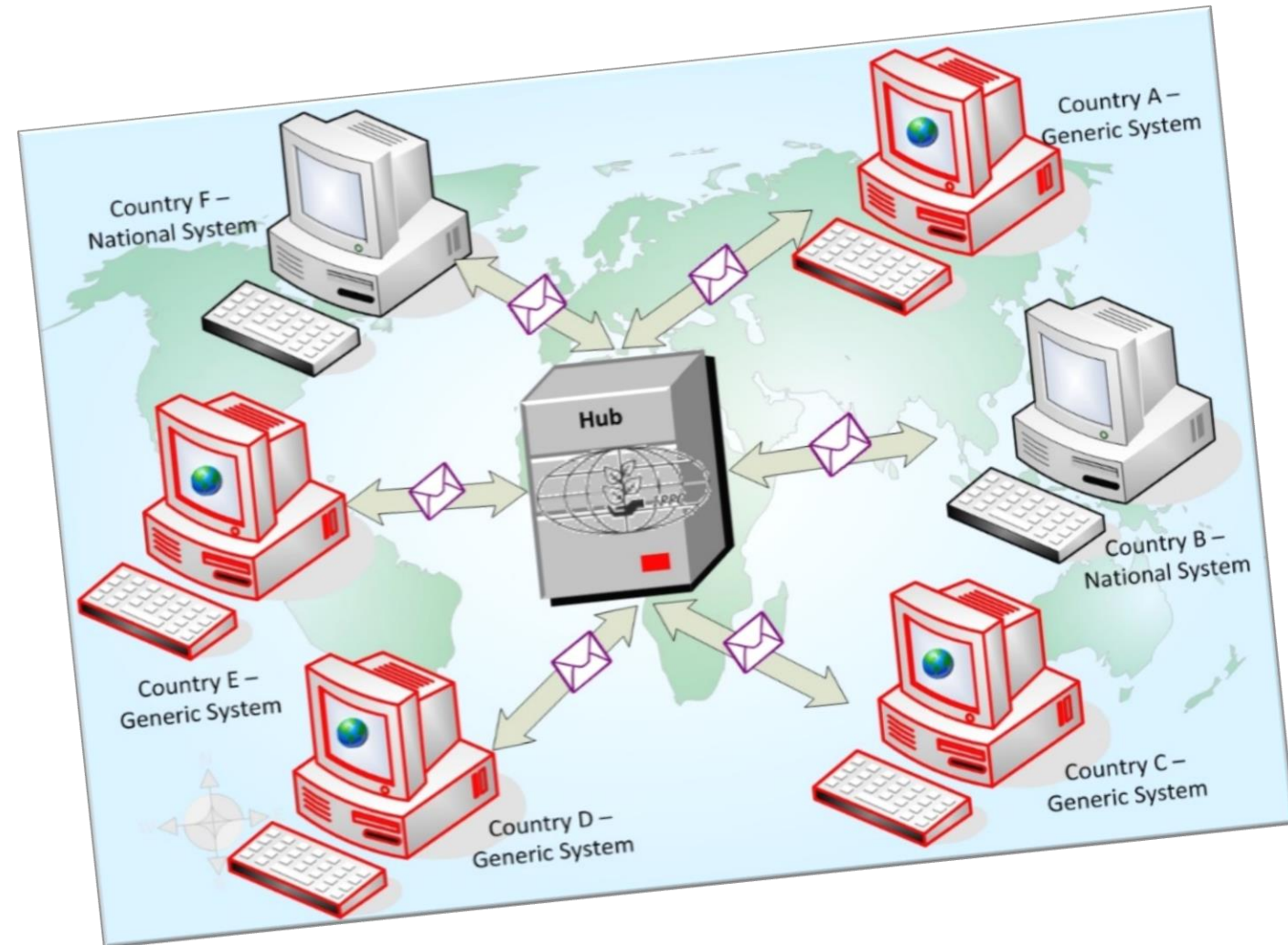
- ✓ **IGTC seat on the 'Industry Advisory Group' of ePhyto Solution**
- ✓ **Grain trading companies ready to assist in 'testing' of the ePhyto exchange ASAP** as acceptable for ESG and NPPOs
- ✓ **IGTC member questionnaire** (2016) revealed clear picture of hopes/challenges for the system
- ✓ **Above all, IGTC seeking more efficient, faster and flexible solutions to facilitate trade documentation**



(1) IGTC reactions to the Business Modelling report of the ePhyto Solution



- Report was received by IGTC on 1st December, 2017
- Strong interest among global grain trade community in the report - initial reactions are emerging
- IGTC wishes to see a stronger emphasis on ultimate aim: wholesale transition towards ePhytos, with no going back to paper docs
- Like many members of the Industry Advisory Group (IAG), concern is how to ensure sustainable and robust uptake of the ePhyto Solution by countries



(2) IGTC reactions to the Business Modelling report of the ePhyto Solution



- Emphasis on the need for a fully working system to be in place
- There is value in establishing a 'pre-paid' model until the system is fully operational and all other associated elements are completed
- Cost-benefit analysis should be carried out as soon as possible - should include expected costs of implementation, impact on time, impact on efficiencies, reduced costs from less errors and lost certificates, etc. of both NPPOs as well as industry
- What role for bilateral/multilateral agreements? A 'model agreement' could be developed as a reference for countries to use to support ePhyto exchange
- Any transaction fee should take into account efficiency gains obtained by NPPOs, it should be proportionate and not significantly higher than the current average costs of phytosanitary certificates

(3) IGTC reactions to the Business Modelling report of the ePhyto Solution



Questions:

- How reliable are the figures on projected ePhyto uptake and cost per ePhyto (3.4 million/year by 2024, costing 0.31USD)?
- Can private sector be included in the 5-day 'expert missions' to provide training and capacity, especially in developing countries?
- Can the results of the NPPO survey be so simply compared to the results of the industry survey (e.g. pages 6, 13 and 14)? Our impression is that NPPOs and ePhyto 'Users' approached the survey differently, with many 'Users' answering as individuals, including potentially various perspectives from within companies
- How to make sure that industry can have regular updates from IPPC on NPPOs on adoption, transition to system by country and timing?
- Can work be developed on the cost incurred by companies applying for certificates?¹¹

Importance of Government / Industry Partnerships



- **Opportunity for closer working relationship**
- **Implementation of systems that assist both government and industry processes**
- **Adoption of improved practices for key transactions**
- **Ability to link in with all key systems used to support export process**
- **Potential to reduce duplication of effort and inclusive of all documents**
- **Potential to increase transparency of documents required**



A word of thanks to our colleagues on the Industry Advisory Group!



IGTC

International Grain Trade Coalition



International Plant Protection Convention

Protecting the world's plant resources from pests





IGTC

International Grain Trade Coalition

Thank You!

IGTC seeks partnership with governmental bodies and other international interest groups.

For-profit entities supporting IGTC are welcome to be identified as IGTC Corporate Stakeholders and help guide our work. Trade Associations and Councils working to support international trade of grains, oilseeds, pulses and other agri-bulks are welcome to apply for IGTC

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