



22 March 2012

2012 Ports Pricing and Access Review  
Essential Services Commission of SA  
GPO Box 2605  
ADELAIDE SA 5001

Dear Sir / Madam,

**RE: REVIEW INTO PRICING AND ACCESS AT SOUTH AUSTRALIAN PORTS**

Please find attached a submission from Grain Producers SA Ltd (GPSA) regarding the Essential Services Commission of SA review into pricing and access at South Australian ports.

If you have any questions around the submission, please contact Darren Arney (executive officer) on 044 818 6707 or [darren@grainproducerssa.com.au](mailto:darren@grainproducerssa.com.au).

Yours Sincerely

A handwritten signature in black ink, appearing to read "John Lush".

John Lush

Chairman Grain Producers SA Ltd



## **Submission to the Essential Services Commission, regarding pricing and access at South Australian ports, by Grain Producers SA Ltd (GPSA).**

### **Overview**

Grain Producers SA Ltd (GPSA) is a recently formed organisation that seeks to represent all grain producers in South Australia.

GPSA's objectives are to improve the profitability and sustainability of South Australian grain producers through:

- Representing the views of South Australian grain producers to government, industry and the community on grains issues;
- Working with an effective state farming organisation and other commodity groups to represent South Australian grain producers on cross commodity issues;
- Working with government and industry to develop policies around creating and maintaining an efficient, accessible and cost effective supply chain;
- Working with government, industry and institutions to improve the technical and business skills of South Australian grain producers
- Working with Research, Development and Extension organisations to identify and disseminate research priorities in grain production, handling and management
- Supporting an effective national representative organisation to work with government around national initiatives to support the grains industry
- Providing a program to include and develop young farmers to be prepared to take on leadership roles within the SA grains industry.

GPSA recommends the ESCOSA to peruse the submissions and evidence made to the South Australian Parliament Select Committee on Grain Handling and the Senate Standing Committees on Rural Affairs and Transport Operational Issues in Export Grain Networks Inquiry; in particular those by South Australian Farmers Federation Grains Industry Committee.

### **Submission**

South Australian grain producers are reliant on an efficient, equitable and cost effective port access arrangement, to enable grain exporters the ability to offer competitive grain prices in South Australia.

Total grain production in South Australia for 2011/12 season was 7.936 million tonnes, with a market value of over \$2.5 billion, being predominately wheat (4.445 million tonnes) and barley (2.032 million tonnes). Most of this grain is exported in bulk, as there is a limited domestic market for grain (annual domestic wheat consumption in South Australia is approximately 500,000 tonnes). Grain packing in containers for export is limited by container availability in South Australia and is only available to grain growers in the catchment zone of Port Adelaide.



*South Australian farmers depend on an efficient and cost effective storage and handling system. Every dollar of costs within the supply chain needs to be absorbed by the farmer as they can not be passed onto consumers in a competitive global commodity grains industry.*

Viterra owns and operates approximately 95% of South Australia's storage and all of its port terminal capacity.

Table 1 shows Viterra charges to exporters for shipping in the month of January have increased from \$10.95/t in 2006/07 season to \$21.20/t for the 2011/12 season, an increase of 94%.

These fees do not include "up country" fees from Viterra sites. "Up country" fees have increased from \$12.82/t in 2006/07 to \$17.55/t in 2011/12 for the same shipping month period an increase of 37%.

In South Australia there are several "Approved Third Party" storage providers. They account for around 500 to 600,000 tonnes of capacity, whereas Viterra has a capacity in excess of 10 million tonnes.

*Viterra's definition of an Approved Third Party Store is A non-Company grain storage and handling facility which meets published standards as determined by the company.*

Deliveries from Approved Third Party Bulk Handlers are charged additional fees to deliver through the Viterra port system. There is no other way of loading bulk vessels in South Australia. These fees include; port in loading fee (\$2.70 per tonne rail \$3.90 per tonne road), receipt at port service fee (\$2.50 per tonne wheat) and shrinkage (0.25% wheat) equating to approximately \$7.00 per tonne for wheat delivered by road.

Over the past few years grain growers have made significant investments in on farm storage, predominately to assist with harvest logistics and capacity, as delays to harvest can result in reduced quality to grain caused by weather events, as was the case in 2010/11.

Capital costs to build permanent grain storage on farm range from \$100 to more than \$200 per tonne. Annual facility costs range from \$20 to \$30 per tonne. This is an additional cost burden to the grower as grain exported by ship is still required to go through the Viterra bulk handling system for loading, where costs ranging from \$17 to \$20 per tonne are incurred for receipt, shrinkage and out turn.

A limited number of South Australian farmers can deliver direct off farm for delivery to port terminals in Victoria. Access to these terminals are ABA \$5.50 per tonne and GrainCorp \$9.05 per tonne (source: ACCC). The farmers property may be located closer to Port Adelaide, however the lower port access prices out way the higher freight costs.

These Non Approved Third Party Bulk Handlers may have obtained or are seeking ISO9001 Quality Accreditation.



### **Recommendation**

GPSA recommends the government not allow a vertically integrated access provider to set terms and conditions that discriminate in favour of its downstream operations, except to the extent that the cost of providing access to other operators is higher; and provide incentives to reduce costs or otherwise improve productivity.

GPSA recommends the government increase the powers of the ESCOSA to enable oversight of the entire supply chain to enable arbitration for grain growers around pricing, terms and conditions offered by a dominant vertically integrated access provider.



Table 1: Port Charges ABB/ Ausbulk and Viterra Operations 2006/07 to 2011/12

**ABB/Viterra FOB CHANGES**

These are the costs the buyers are charged that are ultimately paid by the grower as Assumptions  
Schedule A ABB/Viterra 06/07,07/08,08/09,09/10,10/11,11/12 Storage and Handling Charges.

| Harvest Shipment January               | 06/07 per |                  | 07/08 per        |                  | 08/09 per        |                  | 09/10 per        |                  | 10/11 per        |                  | 11/12 per        |                  |
|--|-----------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|  | tonne     | Change           | tonne            | Change           | tonne            | Change           | tonne            | Change           | tonne            | Change           | tonne            | Change           |
| <b>Port Charges</b>                    |           |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Port In-Loading Fee                    | \$ 1.75   | \$ 2.65 \$ 0.90  | \$ 2.80 \$ 0.15  | \$ 2.80 \$ -     | \$ 2.80 \$ -     | \$ 2.80 \$ -     | \$ 2.80 \$ -     | \$ 2.80 \$ -     | \$ 2.80 \$ -     | \$ 2.80 \$ -     | \$ 2.80 \$ -     | \$ 2.80 \$ -     |
| Port Handling                          | \$ 6.70   | \$ 7.65 \$ 0.95  | \$ 10.85 \$ 3.20 | \$ 11.20 \$ 0.35 | \$ 11.20 \$ 0.35 | \$ 11.20 \$ 0.35 | \$ 11.20 \$ 0.35 | \$ 11.20 \$ 0.35 | \$ 11.85 \$ 0.65 | \$ 11.85 \$ 0.65 | \$ 12.65 \$ 0.80 | \$ 12.65 \$ 0.80 |
| Ship Loading Fee                       | \$ 1.85   | \$ 2.00 \$ 0.15  | \$ 2.10 \$ 0.10  | \$ - \$ -2.10    | \$ - \$ -2.10    | \$ - \$ -2.10    | \$ - \$ -2.10    | \$ - \$ -2.10    | \$ - \$ -        | \$ - \$ -        | \$ - \$ -        | \$ - \$ -        |
| Blending Fee                           | \$ 0.65   | \$ 0.80 \$ 0.15  | \$ - \$ -0.80    | \$ - \$ -        | \$ - \$ -        | \$ - \$ -        | \$ - \$ -        | \$ - \$ -        | \$ - \$ -        | \$ - \$ -        | \$ - \$ -        | \$ - \$ -        |
| Sampling Fee                           | \$ -      | \$ 0.15 \$ 0.15  | \$ - \$ -0.15    | \$ - \$ -        | \$ - \$ -        | \$ - \$ -        | \$ - \$ -        | \$ - \$ -        | \$ - \$ -        | \$ - \$ -        | \$ - \$ -        | \$ - \$ -        |
| Ship Loading Efficiency                | \$ -      | \$ 1.00 \$ 1.00  | \$ - \$ -1.00    | \$ - \$ -        | \$ - \$ -        | \$ - \$ -        | \$ - \$ -        | \$ - \$ -        | \$ - \$ -        | \$ - \$ -        | \$ - \$ -        | \$ - \$ -        |
| Harvest Shipment Fee                   | \$ -      | \$ 1.50 \$ 1.50  | \$ 1.60 \$ 0.10  | \$ - \$ -1.60    | \$ - \$ -1.60    | \$ - \$ -1.60    | \$ - \$ -1.60    | \$ - \$ -1.60    | \$ - \$ -        | \$ - \$ -        | \$ - \$ -        | \$ - \$ -        |
| Site Assembly Fee - B & C Sites        | \$ -      | \$ 1.20 \$ 1.20  | \$ - \$ -1.20    | \$ - \$ -        | \$ - \$ -        | \$ - \$ -        | \$ - \$ -        | \$ - \$ -        | \$ - \$ -        | \$ - \$ -        | \$ - \$ -        | \$ - \$ -        |
| Volume Variation Factors Port Handling | \$ -      | \$ 1.00 \$ 1.00  | \$ 1.00 \$ -     | \$ - \$ -1.00    | \$ - \$ -1.00    | \$ - \$ -1.00    | \$ - \$ -1.00    | \$ - \$ -1.00    | \$ - \$ -        | \$ - \$ -        | \$ - \$ -        | \$ - \$ -        |
| Vessel Nomination/Booking Fee          | \$ -      | \$ - \$ -        | \$ - \$ -        | \$ 5.00 \$ 5.00  | \$ 5.00 \$ 5.00  | \$ 5.00 \$ 5.00  | \$ 5.00 \$ 5.00  | \$ 5.00 \$ 5.00  | \$ 5.00 \$ 5.00  | \$ 5.00 \$ 5.00  | \$ 5.00 \$ 5.00  | \$ 5.00 \$ 5.00  |
| Shipping Shrinkage re Dust @ 0.1%      | \$ -      | \$ - \$ -        | \$ 0.25 \$ 0.25  | \$ 0.25 \$ -     | \$ 0.25 \$ -     | \$ 0.25 \$ -     | \$ 0.25 \$ -     | \$ 0.25 \$ -     | \$ 0.25 \$ -     | \$ 0.25 \$ -     | \$ 0.25 \$ -     | \$ 0.25 \$ -     |
|  | \$ 10.95  | \$ 17.95 \$ 7.00 | \$ 18.60 \$ 0.65 | \$ 19.25 \$ 0.65 | \$ 19.25 \$ 0.65 | \$ 19.25 \$ 0.65 | \$ 19.25 \$ 0.65 | \$ 19.25 \$ 0.65 | \$ 19.90 \$ 0.65 | \$ 19.90 \$ 0.65 | \$ 21.20 \$ 1.30 | \$ 21.20 \$ 1.30 |