

Long-term port access agreements explained

By **DARREN ARNEY**
GPSA Chief Executive Officer



IN April, Viterra launched a proposal to change how it provides access to the six grain ports it operates in South Australia to clients.

This was to negotiate long-term agreements for up to five years, compared with the current system where exporters bid annually for spaces in the shipping stem through an auction system.

Last month, the Australian Competition and Consumer Commission decided not to accept Viterra's proposals on long-term agreements because it could have, as the ACCC describes, "the ability and incentive to favour its own trading arm" in the event of oversubscription and because the proposal "would appear to give a small number of large exporters an advantageous position in the allocation of long-term capacity".

The ACCC is now seeking more input on how the proposal could be improved and GPSA will make a submission on behalf of SA growers. GPSA continues to engage in discussions with Viterra to ensure grain producers benefit from the new proposed shipping allocation system.

GPSA's key point is that we do not believe the supply chain should be chopped up into segments – which is what the original LTA proposal would have done. There are four key parts of the supply chain which we believe cannot be considered in isolation:

• Port access

Viterra wants to be able to give long-term certainty to exporters along the lines of 'you pay us the money, we'll guarantee you the shipping slots'. However, Viterra's shipping arm is also vying for shipping slots and so the issue of transparency arises for the other companies competing for slots.

• Storage and handling

GPSA believes that if Viterra can commit to locking in shipping slots five years in advance, then why can't it give a commitment on storage and handling fees for growers. Storage and handling and logistics costs makes up one-third of a grower's cost of production per tonne – it is important to growers.

• Stocks information

The key issue for knowing how much shipping space to book is to know the level of grain in storage, called the stocks. If an exporter wants to book at Port Giles then they have to know how much stock is there to ensure there will be access to the slot.

• Freight rates

Port access is impacted by freight rates particularly around the interrelationship between Port Giles, Wallaroo and Outer and Inner Harbours. The structure of Export Select and pricing regimes for specific upcountry sites are likely to impact future port throughput.

The recent Ag Competitiveness White Paper committed to a commissioner for agriculture in the ACCC and this is a perfect example of why one is needed. It is encouraging it has been identified that the ACCC requires more power to deal with agricultural issues.



Grain Producers SA is arguing that port access, storage and handling, stock information and freight rates should not be considered in isolation when deciding on whether to implement Viterra's proposal for long term agreements on shipping slots.

Fairness for producers

Here is where the situation is not fair for growers. The Essential Services Commission of SA sits between Glencore and Flinders Ports to ensure negotiations are fair between the two companies on port access. ESCOSA sits between Genesee Wyoming and Glencore to ensure competitive negotiations around rail access are fair.

Why can't ESCOSA sit between the growers and Viterra to ensure there's a competitive process for storage and handling fees? If ESCOSA does its work and says Glencore are charging a fair margin, GPSA can accept that and go and do something else.

GPSA believes the ACCC has done a good job in analysing the situation. Exporters will negotiate competitive structures that benefit them, not necessarily growers, so recognition of this is a good start.

Young farmers sponsored at national event

Grain Producers SA supported two young people in the grain industry to attend the Australian Grain Industry Conference in Melbourne last month – Nick Greig, Crystal Brook, and Lou Flohr, Lameroo.

The three-day conference is hosted by Grain Trade Australia and is the premier, industry-hosted event for grain market participants and service providers.

Lou said the conference gave her a better understanding of supply chain issues faced by the grains industry and the grower.

"When it comes to growing grain, many farmers are excited and engaged about producing the grain but many are uninformed about grain once it leaves their farm gate. In some cases, post-farm gate costs can be up to 30% of the cost of production," she said.

"Supply chain issues that currently reduce Australia's competitiveness include cost for grain to get to port, logistical issues including the reduction in rail freight and the need to upgrade key roads for high efficiency vehicles, like road trains. It is currently cheaper to freight a tonne



*Left: Lameroo grain producer and consultant Louise Flohr with GPSA CEO Darren Arney.
Right: Crystal Brook grain producer Nick Greig with GPSA directors David Malpas and Stephen Ball.*

of wheat from the Black Sea region to China than to freight a tonne of wheat from Ouyen to Geelong."

Nick said he went to the conference with little knowledge about the grains industry beyond the farm gate but gained a greater understanding of where Australia sits in the global market.

"As a farmer, one thing you don't think of is supply of grain in terms of days. If no more wheat was produced tomorrow, then there was 70 days' supply left in the world but take China out and we are only left with 30," he said. "In some respects, we are just a tiny little pocket of dirt but we are dealing with all these other countries that can almost dictate where we sit.

"I would definitely encourage others to enter for the GPSA sponsorship next year, it's a great learning curve."

GPSA chairman Garry Hansen says the aim of the sponsorship, valued at \$2500 each, was to encourage participation of young people in the grains industry, while helping to build their skills and gain a broader perspective of the industry's key players.

"GPSA will continue to offer the scholarships because we are passionate about upskilling young producers, they are the future of our industry and we need to start now in helping them learn more about the whole supply chain," he said.

Guide to 'safe grain' launched at AGIC

Grain Producers SA has worked with other grains industry organisations from around Australia to develop a handbook demonstrating the integrity of farming practices used by grain growers.

The guide, called *Growing Australian Grain: Safely Managing Risks With Crop Inputs and Grain On Farm*, describes the activities that Australian growers undertake to meet their legal requirements and other practices to consider in each step in the grain cycle: planning, planting, fertiliser, chemical applications, harvest, handling, delivery, transport, storage and safety. These activities give Australian grain its reputation for safety, reliability and integrity. It also has useful information for managing risks with crop management and work health and safety.



More information: Download the guide online at grainsguide.grainproducers.com.au or contact GPSA for a hard copy.

SAVE THE DATE YP Field Days

> **GPSA GROWER DAY**
September 29

> **GPSA ANNUAL
GENERAL MEETING**
September 30

> **SEE GPSA IN
THE PIRSA TENT**
September 29 –
October 1