

Auction system attracts price premium



Auctioning shipping slots from South Australian ports is creating competition in storage and handling for producers. A prime location and time - such as Port Lincoln (pictured) in February - would command a premium from exporters.

SOUTH Australian grain producers will have an extra \$90 million in their pockets after harvest 2014-15 because of changes to the way shipping slots are allocated at South Australian ports.

The previous 'first in, first served' policy meant the shipping stem was quickly booked. However, the auction system – now operating in South Australia – has generated increased competition for shipping slots.

ProFarmer claims prime shipping slots sold for \$60/t. This means marketers were keen to secure grain to fill their shipping and rail arrangement obligations, rather than have the space booked and not have any grain to outload.

Grain Producers SA chief executive Darren Arney says the auction system means any trader can compete for shipping slots in an open and transparent process.

"The changes mean there is now a value on the ability to move grain and it has supported demand for grain out of SA this year," Mr Arney said.

"Exporters who see the most value in exporting from certain ports at certain times of the year will pay a premium for access.

"For producers, the quick booking of the shipping stem has increased demand for grain to be exported, which has pushed up prices."

Since GPSA started in 2011, it has called for an auction system to give producers competition in the storage and handling system. It was also a recommendation of the South Australian Grain Handling Select Committee Inquiry and the Senate Inquiry into Grain Handling.

GPSA's continued communication with the Australian Competition and Consumer Commission helped bring about the change.

Mr Arney said the success of the new system was in the fact that South Australian wheat prices had been \$10-\$20/t higher than Western Australian prices, when in the past they had been \$10/t lower.

"GPSA will look to strongly support the auction system moving forward under the new mandatory code for port access," he said.

How it works ...

- > Access to South Australian ports to export grain is auctioned by Viterra using an independent auctioneering group, Trade Slot.
- > The structure was approved by the Australian Competition and Consumer Commission through extensive industry consultation.
- > All shipping slots are available by auction. Some slots are in higher demand than others – such as outloading from Port Lincoln in February – and so attract a higher price.
- > Money paid as part of the auction system is held in trust and is repaid back to the companies involved, depending on the tonnages exported as a proportion of the total. If the slot is not used, the money is not repaid.

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The industry says...

There is no doubt the auction system has created additional competition in the marketplace. We've had times this season where the SA wheat market has been trading at parity or over the Victorian market. We have even seen Victorian grain moving into SA, when Victoria should be trading in a drought market given the Wimmera's tight finish. Victorian prices are often \$15-\$20 higher when they are in drought, attracting SA grain. But this year, because of the early booking, there's a desire to get a large amount of grain into SA to fill the slots.

Chris Heinjus,
Rural Directions, Clare.

The auction system has allowed all buyers, large, medium and small, the opportunity to secure shipping. Over the past three years, we have seen above-average pricing at harvest due to all buyers having the opportunity to participate. This creates more competition, which has led to more volatility through early harvest as marketers look to cover shipping needs. In the past three years, there have been some good harvest prices but that has been against the 10-year trend. The world is increasingly in need of reliable food sources and SA has a great reputation, we don't have the domestic markets and it has created interest internationally.

Stephen Whillas,
EP Integrated Commodities

What we see is the cost of not doing business – marketers are keen to meet these shipping slot obligations, rather than risk foregoing the upfront cost. There are not the same premiums for shipping slots on the east coast. Some merchants may have 'take' or 'pay' rail arrangements that need to be paid for even if they are not used. This can encourage buyers to enter the market when they otherwise may not have.

Hannah Janson,
ProFarmer

Merry Christmas!!

GPSA's board and staff wish you a safe and happy Christmas and all the best for 2015!

The Mount Barker office closes at 2pm on December 24 and reopens on December 29.



GPSA - three years of advocacy

By **GARRY HANSEN**
GPSA Chairman



IT HAS been nearly three years since Grain Producers SA was established. While the time has gone quickly, the organisation has worked hard to be an advocate for growers and represent their interests at a local, state and national level.

This edition's front page is a prime example of GPSA working behind the scenes to communicate and influence policy for the benefit of SA producers – and has created a \$90 million windfall!

Harvest is well under way, or nearly over in some parts, and many producers would be surprised with the final yields they actually received. With the driest spring on record in some areas, crops have been remarkable in both volume and quality.

This is due to many factors – the take up of modern farming techniques and

no-till farming have helped growers. There are many organisations that deserve credit in helping farmers adopt new farming techniques, such as South Australia's farming systems groups, the SA No-Till Farmers Association, the Grains Research and Development Corporation and SA Grain Industry Trust. They are all critical in helping producers get to where they are today – improving water use efficiency to increase the yields generated from dry times.

SAGIT has undergone some changes in the past month. David Shannon steps in to fill the chairman position which was vacated by Jim Heaslip, who completed his three-year term.

GPSA thanks Jim for his commitment to SAGIT and the position and his contribution to research, development and extension in South Australia. Jim's position on the board of trustees will be filled by Jabuk producer and agronomist Tanja Morgan.

Transport survey extended

A joint State Government and Primary Producers SA survey on transport issues has been extended until December 15, 2014.

The survey sought feedback from farmers in three key areas:

- > Extension of existing routes for different trailer combinations.
- > First and last mile access issues.
- > Movement of machinery on public roads.



More than 400 surveys have been received already. The project will develop an action plan to tackle issues, such as simplifying transport regulations or identifying simple infrastructure works that will improve transport efficiency and movement of heavy equipment.

The transport survey is online at www.ppsa.org.au/roadtransportsurvey. For a printed copy, contact GPSA.

Win A Weather Meter

Producers who share their views in Grain Producers SA's Post-Harvest Survey will go into the draw to win a weather meter. The survey is focused in three key areas:

- > Issues producers experienced in storage and handling during harvest, such as turnaround times and contaminants.
- > Grain marketing, such as customer satisfaction, communication, staff expertise, product range available, paperwork, and selling proportions.
- > General questions, such as potential effects of railway closures.

The survey can be completed at www.grainproducerssa.com.au

