



A SUBMISSION BY VITERRA
in response to the
SENATE STANDING COMMITTEES ON RURAL AND REGIONAL
AFFAIRS AND TRANSPORT

INQUIRY INTO GRAIN EXPORT NETWORKS

May 2015



Purpose

The following submission is in response to a supplementary submission made by Grain Producers South Australia in February 2015.

All enquiries in relation to this submission should be directed to:

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About Us

Viterra's storage and handling operation consists of a network of upcountry receival sites and strategically located port terminals. With a total storage capacity of more than 10 million tonnes it is designed to handle peak capacity requirements for production and shipping.

Viterra's six operational grain port terminals are located along the South Australian coast at Inner Harbour, Outer Harbor, Wallaroo, Port Giles, Port Lincoln and Thevenard.

Viterra's packing and processing facilities are the largest in Australia and service the grain industry with a large range of containerised export options. Facilities include five packing and processing plants across southern and eastern Australia; at Port Adelaide and Two Wells in South Australia; Dooen and Laverton in Victoria and Narrabri in New South Wales.

Viterra works on behalf of both growers and exporters to ensure that services delivered meet the requirements of those two key stakeholders in a cost effective and efficient manner.

We are an important contributor to the rural economy as well as one of South Australia's largest employers, with a workforce of approximately 2,600 people including seasonal workers.



Submission

Viterra is providing a response to specific comments made by Grain Producers South Australia in their supplementary submission to Senate Standing Committees on Rural and Regional Affairs and Transport inquiry into grain export networks.

GPSA Comment 1

“Some exporters are hesitant to negotiate fees with Viterra due to their market dominance and ability to “squeeze” them in the market. An exporter contacted GPSA in January 2015 to complain about the increase in “Transfer In-Store Administration Fee” from \$0.25/tonne to \$0.50/tonne (Viterra Reference Prices 2014/15 section 3.15). For this small to medium sized trader the fees amounted to around \$300,000 per annum to effectively electronically transfer ownership of grain (a very expensive bank charge). The exporter was not going to proceed to arbitration under the Mandatory code for fear of retribution.”

Our response:

Viterra does not have any knowledge of this unsubstantiated claim. Viterra will enter into good faith negotiations with all potential exporters and has a team within its business dedicated to customer service. The fact that 19 exporters committed to export grain from South Australia last year, is testament to the importance that Viterra places on customer service. Viterra works to encourage as many buyers to use its system as possible for its own benefit and for the benefit of South Australian growers. This year, there have been 43 buyers (representing bulk and container, domestic and export) within the Viterra system.

Viterra provides a number of services to the grain trade, including facilitating the trading and execution. This adds liquidity to the market and gives the marketer the ability to effectively and quickly manage stocks with confidence in the physical ability to execute. There is a cost to the provision of these functions and they provide significant value to marketers who choose to use this service.

GPSA Comment 2:

“GPSA further challenge their assumption on page 6 of their submission that “According to the latest Australian Export Grains Innovation Centre report into the Cost of Australia’s bulk grain export supply chains released in June 2014, “Export grain supply chain costs currently are a lesser proportion of the wheat FOB price than was the case in the late 1980s.” “This has been achieved by increasing the efficiency and cost effective operation of the supply chain and has provided greater farm profitability for growers.” This is at best miss leading if not deceptive behaviour when quick research reveals that during the mid-80’s wheat prices were at one of the lowest points for the last 50 years. (CBOT 31st Oct ’86 was 260 cents/bu.)”



Our response:

Viterra strongly refutes that it has made a misleading statement to the Inquiry or participated in any deceptive behaviour.

Viterra used the AEGIC quote to introduce a point relating to supply chain efficiencies implemented over a similar timeframe. The efficiencies referenced by Viterra include:

- the introduction of strategic sites with increased capital investment at key sites, supporting growers through increased services
- increased storage capacity with the construction of modern grain storage sheds and bunker storage with dedicated, high capacity receipt and discharge points
- increased elevation capacity providing faster throughput for receipts
- committing to long term logistics agreements on behalf of industry
- increased shipping capacity at key ports to better service export demands

In addition to these efficiencies, the Viterra system also adds value for growers through the services provided.

Viterra provides more than 60 segregations for grain across the State. These segregations are determined each season in response to quality variations, grower consultation and end use customer demand. Whilst the provision of segregation services adds cost to the storage and handling provider, it avoids grain being downgraded to the lowest common denominator and allows growers to capture additional value for their grain.

Viterra's multi-user storage and handling network gives growers access to the best price on the day from major global grain buyers. The company's world class food safety and quality control systems mean that South Australian growers have access all major global markets.

Growers can choose when and to whom they market their grain. This year, there have been more than 40 buyers (domestic and export) within the Viterra system, with 19 companies buying export shipping capacity. In addition, the IT systems and processes that support the operations streamline stock management and control and give growers the ability to transact with these buyers in real time.

These efficiencies and capacity to ship grain have allowed the industry to meet peak shipping demands as required by export customers and their international end-users.

Viterra is focused on making South Australian grain as attractive as possible to international markets and continues to invest in its storage and handling system to ensure it best meets the needs of grower and export customers.