

**Opening statement – Viterra’s presentation to the  
Senate Inquiry into Operational Issues in Grain Export Networks**

**Delivered by Dean McQueen**

**Monday, February 20, 2012**

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Good afternoon.

Thank you for the opportunity to provide further evidence to this Senate Inquiry.

My name is Dean McQueen and I am the Executive Manager of Viterra’s Grain division in Australia and New Zealand.

Today I am joined by:

- Tim Krause, General Manager of Grains Strategy and Compliance,
- Andrew Hannon, Manager, Grain Country Operations, and
- Caroline Rhodes, Manager, Government & Commercial Relations.

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Since our last appearance before this Committee, South Australia has recorded its fourth largest harvest of 7.8 million tonnes, according to the most recent crop estimate by PIRSA.

Viterra’s record shipping program enabled us to clear as much grain as possible from our network prior to harvest. This helped ensure we were well-equipped to handle the above average crop.

The season proved to be early, with favourable weather conditions during harvest. We enjoyed smoother storage and handling operations as a result, when compared to last season.

Generally, the overall quality profile this season was high, with a large amount of wheat received classified as milling grade.

In total, we offered 69 segregations and, as of January 29, we had received 6.5 million tonnes of grain into our South Australian storage and handling network.

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As a Company, we continue to listen, respond to feedback and make continuous improvements to the way we do business.

We introduced a number of new initiatives and made significant improvements as a direct outcome of last year's Viterra Post Harvest Review ---- all in time for the 2011/12 harvest.

We honoured our commitments to our grower customers by:

- introducing weekly harvest reports
- installing 78 new falling numbers machines
- establishing a new classification training unit
- introducing an industry-leading safety induction program, and
- working extensively to strengthen our relationship with Strategic Site Committees

In consultation with the Strategic Site Committee chairs, the grain classification procedure for shot or sprouted grain was developed and published as part of Viterra's Storage and Handling Plan.

In preparation for harvest, Viterra invested more than \$12 million in infrastructure, road works, new equipment and amenities as part of its commitment to implement the recommendations from the Post-Harvest Review.

We believe our service delivery to growers was vastly improved during 2011/12 --- and now that harvest is complete --- Viterra has again commissioned an independent research company to conduct a Post-Harvest Grower Questionnaire to solicit feedback.

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During harvest, large volumes of grain were moved to port to:

- a) keep space available in upcountry locations in order to meet the segregation and capacity needs of growers, and
- b) meet demand to execute the record shipping program, during the months of November and December.

In excess of 8.4 million tonnes of grain was exported from Viterra's ports during 2011 by 15 different exporters --- smashing the previous State record of 6.2 million tonnes.

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More than two thirds of all grain from South Australia is being shipped by companies other than Viterra. This demonstrates the competitive grain market we have in place today.

Viterra provides port terminal access to third party exporters under terms that meet the requirements of Australia's competition law and current wheat marketing arrangements. We do this in a manner that ensures fair and open access to all exporters.

Following nine-months of consultation with regulators and the broader industry --- which commenced in December 2010 --- the Australian Competition and Consumer Commission ( or "ACCC") approved Viterra's new access Undertaking for port terminal services on September 28, 2011.

As an outcome of this approval process, Viterra has introduced new initiatives to improve services to exporters --- including an auction system for capacity allocation by mid-2012.

Furthermore, since October 1, Viterra has already implemented new measures for information disclosure and flexibility for exporters in transferring shipping slots.

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The auction system will be the primary means of allocating shipping capacity for each of the six grain port terminals Viterra operates in South Australia --- and will be operational in time for the upcoming harvest.

The new auction system will drive behaviour towards value-based capacity allocation.

Much like a property auction, successful allocation is geared towards demand rather than first-in-best dressed.

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Viterra has engaged extensively with exporters, industry organisations, government bodies and grower groups during the past few months in designing the system to meet industry needs.

We have been cognisant of the need to meet the ACCC requirements while at the same time delivering a system that will work commercially.

We believe that we have struck the right balance in the auction design, which will enable the strong export program from South Australia to continue under the new arrangements.

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Viterra has now released full details to industry --- including proposed variations to the Port Loading Protocols and the Standard Terms, as submitted to the ACCC for approval on Friday, February 17, 2011.

All documentation --- including details of industry consultation and feedback --- is publicly available on Viterra's website.

The ACCC will now conduct independent market enquiries in considering Viterra's proposed auction system, with a draft decision expected by mid-April.

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To assist the Committee we have now provided a supplementary submission today which includes:

- a summary of our 2011/12 harvest operations, and
- an overview of the regulatory framework of the ACCC approved Undertaking, including the new auction system for port capacity allocation.

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In conclusion:

Viterra requires regulatory certainty to operate its business and derive a reasonable return from its significant and ongoing investment in South Australia.

Viterra believes compelling evidence exists to demonstrate the success of wheat marketing reform, and the industry is ready to manage wheat exports in line with other agricultural commodities.

We are fully supportive of the Government's position to transition to full deregulation of the Australian wheat industry by 2014 --- by abolishing Wheat Exports Australia and the requirements for accreditation --- and governing port access arrangements under general competition law and a voluntary code of conduct.

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On behalf of my team, I now invite you to direct questions to our panel.

Thank you.