

# Senate Rural Affairs and Transport References Committee

## Questions on Notice – Tuesday, 30 August 2011 ADELAIDE, SA

### Inquiry into operational issues in export grain markets

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**SENATE RURAL AFFAIRS AND TRANSPORT  
REFERENCES COMMITTEE**

**Inquiry into operational issues in export grain markets**

**Public Hearing Tuesday, 30 August 2011**

**Questions Taken on Notice – Wheat Exports Australia**

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**1. HANSARD, PG 2**

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**CHAIR:** Thank you very much. You have given us the national figures for export. Can you break that down? We hear that, while there is competition in the market, there tend to be regional monopolies in the market, so are you able to break down a state-by-state share?

**Mr Woods:** They were state-by-state figures. For example, Viterra at the moment only has 24 per cent of the exports—

**CHAIR:** I heard that. What about New South Wales?

**Mr Woods:** For the eastern seaboard—so not specifically New South Wales—GrainCorp is currently exporting 31 per cent of wheat exports. I can break it down by state on a tonnage basis for these 10 months.

**CHAIR:** What I was really looking for is where they have the infrastructure and the regional monopoly on the infrastructure. What wheat comes out of the southern zone of New South Wales, where GrainCorp has a lot and AWB has a lesser amount? What does the infrastructure mean in terms of what market share you get from a regional monopoly? You don't think there is one?

**Mr Woods:** It equates to around 30 per cent of exports.

**CHAIR:** Across the state, but what about section by section?

**Mr Woods:** We have not looked at it on a port-by-port basis.

**CHAIR:** Wouldn't that be sensible?

**Mr Woods:** Yes.

**CHAIR:** So you might provide that to us on notice.

**Mr Woods:** We can have a look at that for you and see where we are at.

**CHAIR:** Thank you very much.

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**2. HANSARD, PG 7**

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**Senator XENOPHON:** South Australian Farmers Federation have made a number of specific complaints. Have they come to you with those complaints in the past?

**Mr Woods:** They have spoken to us about a number of those complaints. We know the people from South Australian Farmers, who are sitting behind me. There are number of areas that they are concerned about and complaining about that are outside our powers.

**Senator XENOPHON:** How do you deal with complaints?

**Mr Woods:** We would certainly consider them and talk to them about it, but if they are outside our powers it is difficult for us to do anything.

**Senator XENOPHON:** Perhaps you could provide the basis, on notice, how you define whether something is outside your powers, given the powers you have to accredit and to audit.

**CHAIR:** It might be more defining if you were to give us the complaints that have been made that you have rejected because they are outside your control.

**Senator XENOPHON:** Thank you, Chair.



**Senate Rural Affairs and Transport Legislation Committee**

**ANSWERS TO QUESTIONS ON NOTICE**

Public Hearing, Adelaide, 30 August 2011

**Operational issues in export grain networks**

**Question:** 1

**Division/Agency:** Wheat Exports Australia (WEA)

**Topic:** Wheat Exports by BHC

**Hansard Page:** PG 2

**CHAIR:** Thank you very much. You have given us the national figures for export. Can you break that down? We hear that, while there is competition in the market, there tend to be regional monopolies in the market, so are you able to break down a state-by-state share?

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**CHAIR:** Thank you very much.

**Senate Rural Affairs and Transport Legislation Committee**

**ANSWERS TO QUESTIONS ON NOTICE**

Public Hearing, Adelaide, 30 August 2011

**Operational issues in export grain networks**

**Answer:**

Percentage is equal to the tonnes that the bulk handler has shipped through each port divided by the total tonnage (for all exporters) through that same Port. Period is Marketing year to 20 September 2011.

**GRAINCORP OPERATIONS LIMITED**

Port	Percentage
CARRINGTON	43%
PORT KEMBLA	31%
FISHERMAN ISLANDS	26%
GLADSTONE	8%
MACKAY	18%
GEELONG	31%
PORTLAND	34%

**VITERRA LTD**

Port	Percentage
ADELAIDE (inner)	0%
PORT ADELAIDE (outer)	46%
PORT GILES	16%
PORT LINCOLN	15%
THEVENARD	12%
WALLAROO	30%

**CBH GRAIN PTY LTD**

Port	Percentage
ALBANY	47%
ESPERANCE	54%
KWINANA	26%
GERALDTON	44%

**Senate Rural Affairs and Transport Legislation Committee**

**ANSWERS TO QUESTIONS ON NOTICE**

Public Hearing, Adelaide, 30 August 2011

**Operational issues in export grain networks**

**Question:** 2

**Division/Agency:** Wheat Exports Australia (WEA)

**Topic:** WEA – Complaints received

**Hansard Page:** PG 7

**Senator XENOPHON:** South Australian Farmers Federation have made a number of specific complaints. Have they come to you with those complaints in the past?

**Mr Woods:** They have spoken to us about a number of those complaints. We know the people from South Australian Farmers, who are sitting behind me. There are number of areas that they are concerned about and complaining about that are outside our powers.

**Senator XENOPHON:** How do you deal with complaints?

**Mr Woods:** We would certainly consider them and talk to them about it, but if they are outside our powers it is difficult for us to do anything.

**Senator XENOPHON:** Perhaps you could provide the basis, on notice, how you define whether something is outside your powers, given the powers you have to accredit and to audit.

**CHAIR:** It might be more defining if you were to give us the complaints that have been made that you have rejected because they are outside your control.

**Answer:** Since July 2008 WEA has received one (1) complaint received in writing.

The private individual (a grower) complained about a contract issue and asked WEA to reconsider its accreditation of the exporter.

No fee was paid and the request was outside the legislated time frame for consideration of a reconsideration of a decision.

WEA called and wrote to the complainant, (in a confidential manner) and informed that in order to progress the issue WEA would require evidence of this apparent act occurring. No further evidence was received by WEA from the complainant.



**SENATE RURAL AFFAIRS AND TRANSPORT  
REFERENCES COMMITTEE**

**Inquiry into operational issues in export grain markets**

**Public Hearing Tuesday, 30 August 2011**

**Questions Taken on Notice – Australian Grain Exports Association**

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**1. HANSARD, PG 12**

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**CHAIR:** To the best of your knowledge, have there been any export consignments that have been rejected because of weevils or whatever since we have deregulated?

**Mr Green:** I cannot quote you specifics. I know there have been some difficulties in the container trade but I have not got the specifics to comment any further on that, I am sorry.

**CHAIR:** You might take that on notice, because obviously it has been a great year for weevils.

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**2. HANSARD, PG 15**

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**Senator NASH:** If I can just pull you up there because we are very short of time, what I am specifically asking—and I am very happy for you to take this on notice—is: can you give the committee some information which outlines exactly what you mean when you talk about 'uncommercial behaviours' in that sentence? I am happy for you to take that on notice because we need to move on.

Could you also take on notice to provide for us a list of your membership? That would be really useful.

**Mr Green:** Yes.

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**3. HANSARD, PG 16**

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**Senator URQUHART:** If I can take you to page 3 of your submission you talk about, again, capturing the potential gains from deregulation. You have outlined some of the key areas and you have given four examples of that. Are there other examples? I do not necessarily want you to expand on them now, but if you could take that on notice.

**Mr Green:** I think we will take that on notice if that is okay.



**SENATE RURAL AFFAIRS AND TRANSPORT  
REFERENCES COMMITTEE**

**Inquiry into operational issues in export grain markets**

**Public Hearing Tuesday, 30 August 2011**

**Questions Taken on Notice – Australian Grain Exports Association**

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**Mr Green:** I cannot quote you specifics. I know there have been some difficulties in the container trade but I have not got the specifics to comment any further on that, I am sorry.

**CHAIR:** You might take that on notice, because obviously it has been a great year for weevils.

We are not aware of any significant variance in number of bulk shipments rejected due to evidence of insects. However, to obtain accurate data we would recommend you contact AQIS as they are the body that would have industry-wide data.

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**2. HANSARD, PG 15**

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**Senator NASH:** If I can just pull you up there because we are very short of time, what I am specifically asking—and I am very happy for you to take this on notice—is: can you give the committee some information which outlines exactly what you mean when you talk about 'uncommercial behaviours' in that sentence? I am happy for you to take that on notice because we need to move on.

Could you also take on notice to provide for us a list of your membership? That would be really useful.

**Mr Green:** Yes.

**AGEA Members**

Bunge Agribusiness Australia Pty Ltd

Cargill Australia/AWB

PentAG Nidera Pty Ltd

Elders Toepfer Grain

Emerald Group Australia Pty Ltd

Gavilon Grain Australia Pty Ltd

Glencore Grain

Goodman Fielder Consumer Foods Limited

Greentree Farming

J K International

Louis Dreyfus Commodities Pty Ltd  
Noble Resources Australia Pty Ltd  
Riverina (Australia) Pty Ltd  
Touton Australia  
Viterra

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### 3. HANSARD, PG 16

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**Senator URQUHART:** If I can take you to page 3 of your submission you talk about, again, capturing the potential gains from deregulation. You have outlined some of the key areas and you have given four examples of that. Are there other examples? I do not necessarily want you to expand on them now, but if you could take that on notice.

**Mr Green:** I think we will take that on notice if that is okay.

The examples outlined in our submission are the key areas but potential gains are listed below. We have not undertaken a formal study to quantify gains and thus, the following are based on observations by our members. Potential gains include:

- Exports have continued with the export program expected to reach a record in 2010/11 even though there was a smaller WA crop, floods on the East Coast and a wet harvest
- Container trade has grown alongside maintenance of bulk exports
- Growers have access to multiple buyers who compete for the growers' grain, thus providing the potential for higher silo prices
- More marketing choices for growers and growers have been paid
- Expanded broker and advisory services and increased use of these services by growers
- Increased use of warehousing as first choice by growers
- Direct grower exposure to daily global moves – commodity and currency – and wide use of daily communication/marketing/price services
- New investment and expanded number of buyers. Many of the new players have investments across a range of agricultural commodities
- Starting to see innovation and investment in supply chains



## ANSWER TO QUESTION 2 CONT. :

AGEA appreciated the opportunity to appear before you at the recent hearings in regard to the enquiry on Operational issues in export grain networks. Please see below some additional information about AGEA and aspects of our submission that was requested during our presentation.

### AGEA members

AGEA members represent around 70% of the grain and oilseeds exported from Australia. Members include:

- Bunge Agribusiness Australia Pty Ltd
- Cargill Australia
- PentAG Nidera Pty Ltd
- Elders Toepfer Grain
- Emerald Group Australia Pty Ltd
- Gavilon Grain Australia Pty Ltd
- Glencore Grain
- Goodman Fielder Consumer Foods Limited
- Greentree Farming
- J K International
- Louis Dreyfus Commodities
- Noble Grain
- Riverina (Australia) Pty Ltd
- Touton Australia
- Viterra

### Updated table from page 2 of the AGEA submission

**Table 1: Australian wheat export performance indicators**

Measure	2008/09	2009/10	2010/11 YTD (Oct 10-Aug 11)
Wheat production (mt)	20.9	21.7	26.3
Bulk wheat exports (mt)	12.3	12.1	14.0
Accredited exporters (No.)	23	27	26
Active exporters (No.)	17	18	18
No of export destinations (No.)	42	36	48
Volume shipped by top 8 (%)	90	89	88



**SENATE RURAL AFFAIRS AND TRANSPORT  
REFERENCES COMMITTEE**

**Inquiry into operational issues in export grain markets**

**Public Hearing Tuesday, 30 August 2011**

**Questions Taken on Notice – Southern Agventure Limited**

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**1. HANSARD, PG 22**

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**Senator NASH:** Thanks for that. Could you take this on notice: I am also particularly interested in your suggestion in the submission of looking at things like appropriate taxation concessions for bulk grain storage, which I think is an extremely good idea.

**Mr Breust:** Yes.

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**2. HANSARD, PG 22**

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**Senator NASH:** In the interests of time, perhaps you would not mind taking on notice and providing for the committee particular types of taxation arrangements that you might see would assist.

**Mr Breust:** Yes





**Southern Agventure Limited**  
**ABN 62 139 814 592**  
**Suite 2, 17 Gurwood Street**  
**PO Box 5180**  
**WAGGA WAGGA BC NSW 2650**  
**Ph: 02 6932 4404**  
**Fax: 02 6921 8404**

22 November 2011

Ms Jeanette Radcliffe  
Committee Secretary  
Senate Rural Affairs and Transport Committee  
Parliament House  
**CANBERRA ACT 2600**

Dear Ms Radcliffe

### **Inquiry Into Operational Issues In Export Grain Markets**

At the public hearing in Adelaide on 30 August Senator Nash requested I provide further detail in regard to appropriate taxation concessions / arrangements which might assist with the establishment of grain storage facilities. These details are set out briefly below.

#### **Write off of Investment in On-Farm and Community Style Grain Storage**

It is proposed grain producers have the ability to fully write off in the first year, investment in grain storage facilities on-farm. This will make such capital investment far more attractive with the taxation relief being able to support interest payments and assist in attracting institutional finance.

The non-availability of quality on-farm grain storage is an impediment to reducing the pressures on grain export logistics requiring growers to place grain in the major bulk handlers' storage facilities whether sold or warehoused. It is also considered an impediment to growers effectively marketing their grain by maintaining ownership until market conditions are favourable.

This approach also has benefits in assisting growers to "drought proof" their farms by being able to put grain away for better growing times and / or more favourable markets.

Such concessions we propose, should also be extended to investment in grain storage and logistics systems where such investment is made by an organisation which includes substantial ownership by grain growers in that locality. For example, Southern Agventure was successful this harvest in joining together with sixteen local grain growers in the Ungarie district of New South Wales, to lease and operate a substantial grain storage facility. This is a model we are keen to replicate across the region to develop more effective storage supply, improve access to growers and reduce the stranglehold of the major grain bulk-

handlers. We propose this be extended to not just the physical silos, sheds and bunkers but also to grain handling systems, earth works, fencing and security, associated buildings as well as machinery and equipment used to provide the storage – augurs, loaders, tractors etc – any equipment used in operating the site.

If full write off in the first year is not possible, then as a measure to gain some benefit from this approach we would propose write-off over two to three years maximum.

### **Use of Job Seeker Support Systems for Harvest Labour**

While Employment Services Providers (under contract to DEEWR) currently provide some direct assistance it is clear more can be done in selecting, training and subsidising job seekers into work in harvest and grain storage and logistics activities. One of the criticisms of the major bulk handlers is the consistency and quality of grain sampling assessment which is directly related to the training and capability of operators.

It is suggested much more can be done in training and making job ready job seekers in regional and rural areas to meet this need. Coupled with providing wage subsidies to employers, much more capability and storage services can be achieved as current experience shows attracting and maintaining good staff is difficult. While not a direct taxation measure, it does rely on taxpayers funds to provide the service.

### **Grants and Low Interest Loans for Grain Storage and Logistics Facilities**

The experience of the extended drought across much of Australia highlighted the need for farmers and others to make greater efforts to drought-proof their operations. Questions have also been asked about the effectiveness of much of the drought assistance package provided to farmers during the period – Exceptional Circumstances assistance, interest rate subsidies, Centrelink payments and other assistance such as water rate rebates, productivity grants and financial planning assistance. It has been suggested that some of these schemes are inequitable and often support farms which are not viable.

Various State based farmer organisations have called for a review of the measures with an emphasis on tax rebates to encourage investment on farm for drought mitigation measures. We understand the Federal Government launched a pilot scheme in Western Australia as part of the review which offered farmers grants of \$40,000 to \$60,000 to boost drought resilience by investing in on-farm storage, no-till farming systems, water infrastructure and related measures. The program could also include low interest loans for such purposes with extended terms. While such a program would not be a replacement for Exceptional Circumstances assistance, it would go a long way over time to reduce the impact of drought.

Southern Agventure supports this approach and recommends the Government introduce such a program widely with particular emphasis on enterprises which can show viability for the development of on-farm or community grain storage facilities (as per that outlined above).

Thank you for the opportunity to provide this information and please contact me further if there are additional questions or clarifications required.

Yours sincerely,

Geoff Breust  
Managing Director





**SENATE RURAL AFFAIRS AND TRANSPORT  
REFERENCES COMMITTEE**

**Inquiry into operational issues in export grain markets**

**Public Hearing Tuesday, 30 August 2011**

**Questions Taken on Notice – South Australian Farmers Federation Grains  
Industry Committee**

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**1. HANSARD, PG 31**

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**Senator XENOPHON:** Are you able to give details of those members who had complaints without identifying those members, even if it was generic in terms of some of the specific complaints that could have led to a prosecution? This is either on notice or now.

**Mr Schaefer:** I would rather do it on notice.

**Senator XENOPHON:** Sure. And I understand you need to be careful not to identify those people. I understand what could happen.

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**2. HANSARD, PG 32**

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**Senator XENOPHON:** Your submission is very clear about some key reforms. Would you perhaps highlight the top three or four reforms that you think would make a difference, maybe on notice, and some suggested legislative amendments.

**Mr Schaefer:** I think we can do that now, but we are happy to do it on notice. The first would be information on the qualities right across the board, applying to all grains. Secondly, third-party access in South Australia is a seriously important issue to look at. Thirdly, the shipping stem needs to be sorted out so that all parties are at risk, not just everyone else.

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**3. HANSARD, PG 34**

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**CHAIR:** When all the rain came in April, in your experience, what other options would they have had? What proportion of South Australian Farmers Federation members have a multi-enterprise rather than a single enterprise?

**Mr Schaefer:** We represent all the grain growers. They pay a levy to our operation—

**CHAIR:** How many of them are multi-enterprises?

**Mr Schaefer:** I would say probably 70 per cent.

**Mr Arney:** We do not have the exact figures, but ABARES have listed the number of farmers in South Australia that are grain growing only, and I have that here—

**CHAIR:** Anyway, you can take it on notice.

**SENATE RURAL AFFAIRS AND TRANSPORT  
REFERENCES COMMITTEE**

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**SAFF Grains Industry Committee (SAFFGIC) Response**

Case 1:

In a submission from SAFFGIC to the ACCC in 2010 we wrote –

Earlier this year SAFF Grains were given details of how Genesee & Wyoming Australia have put unreasonable controls on their rail lines in South Australia and are charging exorbitant fees. For example, on the line from Pinnaroo to Tailem Bend, a distance of 145 km, it has been calculated that for one train carrying 2,200 tonnes that Genesee & Wyoming Australia would charge \$59,400 compared with VLine \$6,224, Australia Rail Track Corporation \$2,482 and NSW Rail \$2,317. This pricing structure virtually precludes any other company from using rail in South Australia easily and cost effectively. There is also an additional rail weighing fee of \$2.75 a tonne (2 to 5 cents would be reasonable).

Cases 2-11:

Attached as appendix 1 to 10 are correspondence received by SAFF Grains regarding issues during last year's harvest. (Names have been blacked out for confidentiality).

Case 12:

Attached as appendix 11 is correspondence in late August / early September 2011, with a grower with significant tonnes of wheat in the EP Grain pool. The grower was upset with the decline in the pool estimate by approximately \$50 per tonne post harvest, which saw him lose equity of roughly \$1.25 million. He is of the opinion that the pool operator was aware that they may not have been able to achieve their estimate, however left their pool estimate high (similar to harvest cash prices) to gather additional tonnage. Had the grower been aware that there was a reasonable likelihood that the pool estimate would deteriorate, he would have sold for cash.

He intends to pursue this issue through the WEA.

(Names have been blacked out for confidentiality).

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## **2. HANSARD, PG 32**

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**Senator XENOPHON:** Your submission is very clear about some key reforms. Would you perhaps highlight the top three or four reforms that you think would make a difference, maybe on notice, and some suggested legislative amendments.

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### **SAFF Grains Industry Committee (SAFFGIC) Response**

The SAFF Grains Industry Committee recommends:

1. The abolition of anti-competitive third party access charges and that equitable access to load bulk vessels is provided to all competitor storage and handling sites.

Currently powers exist through the Port Terminal Services Access Undertaking for port access reference prices of fees to "Approved Third Party Approved" bulk handlers to be published-negotiated-arbitrated with Arbitration by the ACCC. This only applies to wheat and not other grains. It does not include some Up country access fees.

Amendments need to be made to the Wheat Export Marketing Act and other legislation to:

- Enhance the powers of WEA and the ACCC to cover all grains
  - Increase the coverage of the legislation to cover all supply chain fees on all grains, charged by an entity that has greater than 40% market share of storage and handling facilities in any one port zone
2. Changes to the management of the shipping stem to promote fair and equitable access to grain shipments and that the process be standardised nationally

There is a requirement to have vessel loading slots equally available to all grain exporters, from Viterro Operations Ltd port terminals. In the past, slots were allocated on a first come first serve basis which advantaged Viterro over other competitors.

This requirement is currently being pursued through the approval process of Viterro Operations Limited Port Terminal Services Access Undertaking with the ACCC. Yet to be



finalised, it has been proposed by Viterro Operations to carry out an auction system, similar to that conducted through CBH in Western Australia.

3. Open and transparent Information on commodity, grade, quality and tonnage of grain (per cell / bunker) be made available to stakeholders in real time and at no cost

Under Viterro Operations Limited Port Terminal Services Access Undertaking, Viterro are only required provide limited information on aggregated stocks held in a port zone. As part of their "Post Harvest Review", Viterro have offered to provide additional reporting of stock positions, however are not bound by this under their agreement with the ACCC.

Given that:

- Viterro Operations operate 95% of the bulk storage facilities in South Australia and
- Viterro Operations control all the port terminals in South Australia and
- Viterro Trading market share in South Australia is much higher than in other states

Then information on stocks held by Viterro Operations would provide an unfair market advantage to Viterro Trading over other competitor grain buyers.

Therefore SAFFGIC recommends that information on the commodity, grade, quality and tonnage of grain (per cell / bunker) be made available publicly in real time, in an accessible format and at no cost. Failure to comply would result in suspension of Viterro Trading purchasing from Viterro Operations sites.

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**3. HANSARD, PG 34**

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**CHAIR:** When all the rain came in April, in your experience, what other options would they have had? What proportion of South Australian Farmers Federation members have a multi-enterprise rather than a single enterprise?

**Mr Schaefer:** We represent all the grain growers. They pay a levy to our operation—

**CHAIR:** How many of them are multi-enterprises?

**Mr Schaefer:** I would say probably 70 per cent.

**Mr Arney:** We do not have the exact figures, but ABARES have listed the number of farmers in South Australia that are grain growing only, and I have that here—

**CHAIR:** Anyway, you can take it on notice.

### **SAFF Grains Industry Committee (SAFFGIC) Response**

We have sought the details of SAFF membership ratios and received the following response from SAFF CEO Carol Vincent:

For more details on the membership of the South Australian Farmers Federation, Carol Vincent the Chief Executive Officer, is willing to speak to any Senator who requires more information.

In South Australia all grain growers pay a levy of 5 cents per tonne on grain sold. This levy is collected by the Department of Primary Industries and Resources of South Australia and forwarded to SAFF. Grain producers can write to the Minister for Agriculture to request a refund of the levy, of which approximately 10 grain producers do.

Australian Bureau of Statistics data indicate that in 2008-09 there were 12,758 farms in South Australia with an estimated value of agricultural operations of more than \$5,000.

	South Australia	
	no.	%
Grains	2547	20
Mixed grain - livestock	2363	19
Sheep	1271	10
Sheep - beef	680	5
Beef cattle	1318	10
Horses	98	1
Other	4480	35
Total	12758	100

Source: ABS

Therefore the ratio of "grain only" producers to "grain and livestock" producers in South Australia is 52% to 48%.

APPENDIX

①

**Deane Crabb**

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**From:** FrontDesk  
**Sent:** Friday, 21 January 2011 8:04 AM  
**To:** Deane Crabb  
**Subject:** FW: Binning downgraded wheat [Scanned][Spam score:8%]

**Cathy Bennett**  
**Administrative & Membership Officer**  
Email: [frontdesk@saff.com.au](mailto:frontdesk@saff.com.au)  
Direct: (08) 8410 7233 Facsimile: (08) 8211 7303



Business: (08) 84107233 Facsimile: (08) 8211 7303  
Level 1 / 67 South Terrace, Adelaide 5000  
Postal Address: PO Box 6014 Halifax Street SA 5000  
ABN: 75 266 051 838  
Website: [www.saff.com.au](http://www.saff.com.au) Email: [info@saff.com.au](mailto:info@saff.com.au)

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**From:** [REDACTED]  
**Sent:** Thursday, 20 January 2011 9:28 PM  
**To:** FrontDesk  
**Subject:** Binning downgraded wheat [Scanned][Spam score:8%]

Dark tipping of wheat has been a big issue this year. Consequently a large quantity of wheat is being downgraded to AGP1. The concern that I have is that Viterra are grading the wheat AGP1 and putting it in the ASW1 bunker. The grower is getting paid for AGP1, so let me guess who the winner is. I have it reinforced to me all of the time how important it is to maintain the standard of our industry, and now I see it being threatened for the sake of a quick and easy dollar, or is it possible that the issues with the grain quality are not there in the first place.

21/01/2011



(2)

8<sup>th</sup> January 2011

Mr. Michael Schaefer  
Chairperson  
Grains Industry Committee  
South Australian Farmers Federation  
PO Box 6014  
Halifax St  
SA 5000

Dear Michael,

I am a grain grower in the Loxton region of South Australia and I am writing to you to express my concern with my experiences at several Viterra sites during the current harvest.

The **waiting times** at Loxton Tookyerta (Tooky) have been up to 5 hours for us. During a bumper harvest delays can be expected, however in my view these delays, (causing truck driver and grower anger and frustrations) could have been shortened considerably by:-

- Adequate preparation and pre harvest planning to ensure the promised operating hours of 7am to 11pm actually happened. Instead the hours were reduced to 7am to 7pm. Inadequate lighting and OH&S issues should have been addressed pre harvest and not been an issue in peak delivery time.
- Keeping open nearby smaller sites so not to create a bottleneck of trucks trying to deliver to the one main site in the region. These smaller sites each had an extra weighbridge and classification hut which could have helped reduce the congestion at Tooky. (Viterra policy was for these sites to be "fill and shut")
- Much improved pre season equipment maintenance and staff training to reduce the number of excessive equipment failures and breakdowns.
- Yard marshalling (as promised) to prevent;- queue jumping, unfairness in multiple queue lines, and disorderly bunker queue lines at times of break downs and sudden grid changes.

Another major concern to me is the **lack of a falling numbers test** being available to me. I have been running two trucks drawing from the same field bins. There were inconsistencies between ASW and FEED1. I had no opportunity to be satisfied by having a falling numbers test performed. This is just

one example of the unsatisfactory visual assessments we have received this year and I have lost confidence in the system.

Yet another major issue I have is that we delivered 700t of wheat assessed as FED1 grade. The stack was then upgraded to SFW1 then to GPSF. I asked for those tickets to then be upgraded to the next grade and was told that this was not possible. I feel that I have not received the correct segregation for my grain and so not the correct value. The quality of grain I deliver cannot be a moving target to suit Viterra.

The delivery of **Rye to Meribah** was another frustrating experience. I was directed to deliver to this site where my truck waited for at the site 3.5 hours despite being second in line at opening time. When staff they arrived they didn't have the correct site keys, then the circuit breaker failed causing further delays. It was then noticed that there was no moisture meter at the site and so a farmers was borrowed which the staff didn't know how to operate. The classifier had never classed or seen Rye before. Our second and third loads were turned away for reasons of sprouting, bin stain and burnt grain. They seriously had no idea about normal rye appearance. The load was then taken to Adelaide to a miller who was very happy with the quality and there were in fact no issues with the grain. The miller did want a falling numbers test performed on the rye but Viterra refused even after many phone calls to staff. This experience caused an enormous loss of time as well as cost considering I am paying two truck drivers.

These are just some of my experiences. The losses and additional handling costs I have incurred this harvest have been massive and have caused me considerable stress. I have lost confidence in the grain logistics systems in place. The large harvest has put pressure on the system but the failure of Viterra in so many ways is inexcusable.

I hope Grains Council may be able to act to improve the situation. I have from my discussions with other key industry people come to the opinion that whilst on ground staff and lower and middle management may be doing their best, Viterra grain logistics and receivals are a shambles mainly due to arrogance and ill informed policies dictated to from senior management and board direction. Please feel free to contact me for further information and clarification.

Yours sincerely



.....





3



5<sup>th</sup> January 2011

Mr. Michael Schaefer  
Chairperson  
Grains Industry Committee  
South Australian Grains Committee  
PO Box 6014  
Halifax St  
SA 5000

Dear Michael,

I am a grain farmer at Pinnaroo in the Mallee region of South Australia. I am writing to you to express my concern at my recent experience at the Pinnaroo Viterro site.

In recent weeks I took 2 loads of wheat to the site and the grain was classed as feed. I was not able to satisfy myself that this was a correct grading as the policy of Viterro is for visual assessment only. If my grain was classed as feed with falling numbers I would accept that, but I am not confident of correct classing by a subjective visual assessment. For this reason I then took these loads to the Grain Flow site at Pinnaroo where the falling numbers test was applied and the wheat was classed as AGP. The price difference at this time was approximately \$50 / t.

I am hoping that by explaining my own unsatisfactory experience your committee can take this matter further. Please feel free to contact me for further details or clarification.

Yours sincerely

A black rectangular redaction mark covering the signature and name of the sender. A dotted line extends horizontally from the right side of the redaction across the page.

(4)

4th January 2011

Mr. Michael Schaefer  
Chairperson  
Grains Industry Committee  
South Australian Farmers Federation  
PO Box 6014  
Halifax St  
SA 5000

Dear Michael,

I am a grain farmer at Lameroo in the Mallee region of South Australia. I am writing to you and your committee to express my concern at my recent experience with grain segregation issues this harvest at Viterra.

In recent weeks I have been delivering H1 and H2 quality wheat to Lameroo Viterra site with no issues of sprouting or fungal stain and with protein averaging about 14%. I then used a contract truck to cart some of this grain to Taillem Bend and Port Adelaide. These trucks picked up the grain from the same paddock and bin as I was putting in my own truck and delivering to Lameroo.

The truck that went to Taillem Bend was downgraded to Feed with sprouting too high and at Port Adelaide downgraded to AGPS due to sprouting. Due to Viterra's new rules of refusing to perform a falling numbers test I was unable to satisfy myself that this was a correct assessment. I had no choice but to deliver these loads given the distance from home. I then delivered some of this same wheat to Pinnaroo GrainFlow Site where it was tested with falling numbers and it passed and was again classed as H1 or H2.

I estimate from this episode that I have made a loss of \$50,000 and I am not happy. Since this experience I am again delivering to Lameroo with no issues raised. I have retained a sample of this grain. I believe it is unacceptable not to have to opportunity to have the falling numbers test applied to my grain, the results of which I would be happy to accept.

I believe it is important that you know exactly what is happening on the ground this harvest and that is why I am writing to you and hoping that this issue can be taken further by your committee.

Please feel free to contact me for further details or clarification.



5

[REDACTED]  
January 11 2011

Andrew Makin,  
Business Centre Manager, South East Area  
PO Box 671  
Bordertown 5268

Dear Andrew

Thankyou for discussing various Harvest and Tailem Bend silo issues with me on 31<sup>st</sup> December.

I wish to document these issues so that they can be attended to, and would appreciate feedback on Action taken to rectify them. I am also providing further details in regards to some of the points raised – particularly time taken between Weighing In and Weighing Out.

1. Trading Hours, Tailem Bend site, on Ezigrain website. Operating hours were still not posted on the Ezigrain website for 2<sup>nd</sup> Jan as at 4pm on 1<sup>st</sup> Jan. The 1800 Service Centre was not operating . Checking website at 3.30pm on 2<sup>nd</sup> Jan, only hours for that day were posted. You gave me to understand that operating hours are to be on the website for at least 3 days ahead. An SMS was received during the morning of 2<sup>nd</sup> Jan of operating hours at Tailem for the week til Friday 7<sup>th</sup>.

If growers are to use Ezigrain website, it must be regularly updated – in fact an “Updated date and time” included on every page is essential.

2. SMS service is greatly appreciated – a big THANKYOU for the provision of this essential and excellent service advising opening hours, and closing (due to weather) and segregation details.

3. Dust problem at Tailem Bend silo : very little use of water truck has been seen and only around the weighbridge / office area. This certainly needs to be done a lot more regularly – particularly early in the season and also between the bunkers and on main thoroughfares . We add our full support to you in your endeavours to get this situation improved and the sealing of main thorough fares – particularly around weighbridge and to the bunkers.

4. Weighbridge discrepancies. When weighing in, the operator pushes the button to record the lowest weight shown (as it flickers) and then when weighing out empty, the operator records the highest weight. This is not fair to the grower. Surely the middle weight would be a fairer weight both for Inwards (full) weight and Outwards (empty) weight.

We will provide further details in regards to these discrepancies in a separate letter.

5. Complaint re John Rathjen.

When my husband phoned John Rathjen concerning the Weighbridge anomalies, John immediately went on the defensive and got very irate and said that we were making accusations. We were not making accusations, only asking why the above was happening – and asking that if the lowest weight used to weigh in, the lowest weight also be recorded in the weighing out – and John said we were making accusations. He was not prepared to listen, and this is totally unacceptable from a person in charge at this large Receiving site of Tailem Bend.  
(this phone call took place before Christmas)

When John Rathjen saw my husband after Christmas, he proceeded to inform him that he had spoken to his sister about [REDACTED] attitude and how disgusted he was – and claimed that his sister is a relation to [REDACTED] [REDACTED] said “I don’t think so – and who is your sister anyway ?”

He replied “ xxxxx ” [REDACTED] said – “she is not related to me”

What this indicates is that John is

- “slagging” / speaking derogatively of clients / growers to his family
- has his facts wrong re ‘relatives’ and so is talking about some other grower/client



We request that this be recorded in John's HR folder and reported to the HR area – particularly for Performance Review procedures.

6. Time Taken for Deliveries : In our conversation, you stated that you are only responsible for time taken from Weighing In to Weighing Out, and your aim is for this to be 30 mins or less. This season, these times are less than satisfactory – and these times do not accurately reflect the time taken in the sampling area.

You stated you can't do anything about the 'line up' waiting time – fair enough – but longer Opening Hours would certainly help this situation. I understand that staffing has been stretched during this extra-ordinary season – but this huge harvest was predicted!

This is a selection of times as stated on Delivery dockets (I have been 'fair' in my selection)  
The best 'turn around' was 23 mins - up to 1 hr 45 mins

6 <sup>th</sup> Dec	17580092	13.37	14.07	30 mins
13 <sup>th</sup> Dec	17580742	8.21	09.12	51 mins
15 <sup>th</sup> Dec	1315	11.30	12.20	50 mins
16 <sup>th</sup> Dec	1702	11.26	12.15	49 mins
17 <sup>th</sup> Dec	2173	13.02	14.05	1 hr 3 mins
20 <sup>th</sup> Dec	2774	14.06	14.29	23 mins
24 <sup>th</sup> Dec	3636	9.37	10.16	39 mins
26 <sup>th</sup> Dec	4033	13.02	14.05	1 hr 3 mins
27 <sup>th</sup> Dec	4297	10.12	10.53	41 mins
27 <sup>th</sup>	4491	15.54	16.23	29 mins
29 <sup>th</sup>	5276	9.50	10.15	25 mins
30 <sup>th</sup>	5773	13.02	13.44	42mins
2 <sup>nd</sup> Jan	6358	10.42	11.19	37 mins
2 <sup>nd</sup> Jan	6478	13.25	14.27	1hr 2 mins
3 <sup>rd</sup> Jan	6851	10.03	11.48	1hr 45 mins
7 <sup>th</sup> Jan	8528	9.08	10.53	1hr42mins

**\*\*NB** The above times do not include time taken in Sampling/checking station nor the time in the line prior to even getting to the Sampling station

7. Storage availability : Despite the predictions for the last 6 months that this is to be a Bumper harvest, there was not enough provision for storage (bunkers)  
What does Viterra expect – with Karoonda, Peake, Murray Bridge, Strathalbyn, Copeville and others all filled or closed, more grain is delivered to Tailem Bend.

If Viterra is continuing with Tailem Bend as a STRATEGIC SITE - something must be done to provide – adequate bunkers & storage

- sealing of roadways
- additional sampling ,weighbridge , grid provision for more efficient service
- longer opening hours

8. Safety Issues : We note the Safety rules on Viterra sites include Hard hats and safety vests. Have had times when safety vests have been caught on screws sticking out on bunker hoppers. It would be appreciated if some safety issues , particularly on bunker hoppers, were improved – and maybe we wouldn't need hard hats!

Noted that there are dog plates lying on hopper walk strip – very easy to trip over  
No platforms on some hoppers / require getting out of truck & jump onto ground -

Safety issue for growers. We accept that some action is being taken but told "taking its time and hard to get people to do work for us at this time of year" Our comments are: surely these things were noted last season, during the year and prior to harvest and should have been attended to months ago. Viterra needs to generally 'clean up their act' as well as 'chatting' drivers who may have omitted to put on their hard hat, or safety vest – which is more of a hazard than safety!

Does No Smoking also apply to staff ? On occasions, some have been seen to 'light up'!

We note in "Stock Journal" Jan 6<sup>th</sup> 2011 edition "Viterra column" the following and I quote:  
"Viterra is committed to a safe working environment across its storage and handling network"  
Why are employees smoking on site – in fact in grain dust of a side emptying bin – employee stated he did not know that grain dust is as volatile as petrol fumes!  
Why - bits of steel on hoppers – which are easily tripped over as drivers walk to open bins  
Why – no platform on some unloading hoppers for safe walking?  
Why – all bull dust on site – from inadequate watering and lack of sealing of major through fares between bunkers, and sampling station and weighbridges.

STOP THE SPIN – quote" Viterra strives to make all its operations and processes as safe as possible....." "The company is committed to protecting the safety of its employees, customers, ...."

AND TAKE POSITIVE ACTION IMMEDIATELY to remedy these safety issues.

We request that you view this as "Constructive Criticism" to assist Viterra in providing better service to growers and growers to receive better service.

I quote from the Viterra Harvest Pack 2010/11

"We will continue to listen, respond to your feedback and implement new initiatives to support you and your business" (Rob Gordon President South East Asia)

Yours faithfully





6

Marketing Manager,  
Vitera  
224 South Terrace  
Adelaide SA. 5000

Dear Sir,

I wish to officially complain about your extremely unsatisfactory grading segregations for wheat.

We have recently reaped Axe wheat. From the same paddock, the same field bin we had the following results.

Sample taken - no shot grain found in sample

25.22 tonnes graded H2 with a SP of 4 daily cash price \$286.50

26.09 tonnes graded NOTTLERT/001 SP of 9 daily cash price \$162.15

Therefore for a SP difference of 5 \$124.35 difference HIGHWAY ROBBERY

I believe the 26.09 tonne load even if it failed the H2 grading should not have been downgraded to NOTTLERT/001. It should have been at least AGP1 which would have been the case if it had not been delivered to a silo such as Keith with a NOTTLERT/001 classification available.

The daily cash price at the time for AGP1:-

Vitera \$204.50 = \$5335.40 a difference of \$1104.91

AWB \$188.50 = \$4917.96

Cargill \$218.50 = \$5790.25

The total loss on the 26.09 tonne load for a mere SP5 difference \$3244.29

[REDACTED]



(7)

**Deane Crabb**

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**From:** [REDACTED]  
**Sent:** Thursday, 13 January 2011 10:28 PM  
**To:** Deane Crabb  
**Subject:** Bloody pig headed Viterra [Scanned][Spam score:8%]

Mike, Deane,

Please find listed yet more evidence that we are being screwed by Viterra.

I took a sample to Cowell where it was assessed as 10% SPR. & was classified as FED 1. I did a falling numbers test, which gave a reading of 277 & should have been eligible for AGP. I sent a load from the bins I had sampled to Tumby Bay where the assessment was over 10% SPR. & was binned as FED !. The next day I sent a load from the same paddock & bins to EP Storage at Taragora, where it was accepted as APW.

As we have stressed several times **WE MUST HAVE ACCESS TO THE FALLING NUMBERS OF FED 1 CELLS** .

Failure to accede to this request will only further speculation that there is something very shonky happening at our expense.

Also I have included emails between either, me & Viterra, or the Cowell silo Comittee & Viterra, outlining our concerns. To none of which we have any sort of satisfactory reply.

There is definate talk of class action, growers are intending to send Viterra Accounts for the shortfall, & one growers wife said today that this going to cost them their farm.

Growers in the Northern Mallee are saving samples to use as evidence.

We are at wits end. .

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 22

22/12/2010

Hi [REDACTED]

I am certainly aware of this issue and I think you have been talking to Luke Fitzgerald about it as well. I have asked Luke to give you a call today to discuss further.

Paul

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**From:** [REDACTED]  
**Sent:** Wednesday, 22 December 2010 2:05 PM  
**To:** Paul Tierney  
**Cc:** Viterra Australia; Geoff Piggott; susan Norris; Bevan & Cindy Siviour; Paul Kaden; walsh  
**Subject:** Falling numbers 22/12/2010

17/01/2011

Hi Paul,

Please, please **act today** upon our concerns as listed under.

1. Active stack management is not an accurate or equitable method of ensuring growers get paid for what the quality of their wheat.
2. We have documented evidence that grain visually assessed as >5% sprouting & only eligible for Feed 1. has falling numbers greater than 200, & in one case up to 297.
3. We are not asking for every load to be tested but if there is any doubt then growers should have the right to ask for a falling numbers test.
4. CBH in WA have a falling number machine at EACH site. Are we so clever in SA that our classifiers dont need this assurance? After all we now have tests for protein & do not rely on the technology of the 1970's ie "the Farinator".
5. I do not want to be dramatic but, we have been to several workshops, men's nights etc during the past 4 years of drought where we were asked to "watch out for our mates for any signs of depression, suicidal behavoiur etc". I contend that the visual assessment of the livelihood of a persons future may have disasterous consequences. In the extreme case we are talking of \$5000, a roadtrain load of 50 tonnes.
6. We also request that grain received as Feed 1 in Cowell has an **immediate independant assessment** for grain quality & that if the quality is AGP1 or better, then growers are immediately credited with the applicable quality.

Please urge you superiors & any one else in Viterra to urgently reverse this most unfair practice of visual assessment of a person 's livelihood

Please reply ASAP or phone me 0427292088 anytime

Merry Xmas

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24/12/2010 email to Paul Tierney & Luke Fitzgerald Viterra

Hi Paul & Luke,

Just a brief note or two from the Cowell meeting on Friday 24th Dec at 7.30 am. Sorry about the dot points but John Deere & a few hundred acres await me.

- Around 44 growers attended
- Everyone who spoke condemned Viterra's method of **subjective classification**
- There were examples of the visual sprouting not being consistent with independant Falling numbers tests. Since Friday many more indepentant falling numbers test have further shown the visual sprouting test to be flawed.
- There were also many examples of different Viterra sites determining different degrees of sprouting from the same sample
- Why was the GPSF segretation not offered to growers on EP on Dec 13th as it was on other sites in Sth Aust

17/01/2011



- There must be an independant falling numbers assesment of the feed cells in Cowell
- A motion requesting 'That Viterra immediately install Falling Numbers machines at **ALL** sites" was carried unanimously
- Who made the decision to not use falling numbers & rely on visual classification?
- Why was ASM not instigated in Cowell until Tuesday 21st Dec.
- Disatisfaction with the lack of transperancy & information as to the quality of the feed cells in Cowell
- Frustration that ASM in not consistant & has no clearly defined correllation to the grain quaility load by load & that the parameters change without warning.
- Growers are prepared to take grain to other sites & wait for the correct classification. So why is Viterra different?

We look forward to an immediate resolution to an anomaly that is costing growers thousands & in some case hundreds of thousands of dollars all for the sake of a \$40,000 dollar machine & the will to install same.

Cheers & beers [REDACTED]

Ph [REDACTED]

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4/1/2011

Hi [REDACTED]

Thank-you for the hospitality shown on our recent visit. Whilst we do not wish to antagonize relationships between Viterra and CBH Group the opportunity to meet with members of your silo group and discuss possible options for the future was very interesting. We would like to keep the option open for more dialogue to continue discussions with the possibility of an outcome that could suit both parties.

The below summary of our visit is fine, but if there are any changes made it would be appreciated if a copy was sent to either myself or Max Johnson before it was sent to print.

Regards,

**David Cripps**  
CBH Group  
30 Delhi Street, West Perth WA 6005  
P: (08) 9237 9802  
E: David.Cripps@cbh.com.au

17/01/2011

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4/1/2011 email to Paula Thompson ,Stock Journal & David Cripps CBH WA

Hi Paula, David,

Please find under a brief summary of a meeting of Cowell growers held on Thursday 30th December 2010

"Cowell growers in cooperation with CBH WA now have access to a falling numbers machine that can be used to verify the accuracy, or otherwise, of Viterra's visual assessment of supposedly sprouted grain.

Growers are asked to save samples that have been assessed by Viterra & contact any of the Cowell Silo Committee to get a independant falling numbers assessment.

There was discussion with the CBH representatives about establishment of an efficient, independant receival site at Cowell. However, before any committment form outside parties, there would need to be some financial & logistical support from growers.

Many growers stated that the money they have forgone this harvest because of incorrect asesment could have been paid for a modern, efficient, equitable receival centre. One grower alone estimates his losses at \$500,000.

Another issue is the filling of Viterra sites & the lack of: extra bunkers, trucking & shipping programs. Committee members met with Viterra's Storage & handling staff in September & alerted them to the potential size of this years harvest & the need for extra bunker storage at Arno Bay, which Viterra rejected as unnecessary.

As well as growers losing money for inaccurate quality assessment, they are now being asked by their carriers to pay waiting time for trucks that are held up in long queues. One carrier is charging \$30/hr for a single & \$50/hr for a road train adding around 50% or an extra \$4/tonne freight charges for onfarm pickups.

As you can immagine their are some very tired, angry & frustrated growers, who just want to see a fair & equitable receival system to receive, what is for some, their only harvest in the past 5 years.

Please email or give me a ring on 0427292088 before you committ anything to print, as I would like David from CBH to add or delete anything from this article. They have been most accomodating towards helping us & it is only fit that they get the maximum positive exposure out of this. We need to be mindful that WA is 2&1/2hours behind SA, so David is probably still in bed as I write this.

Thanks for you assistance is helping us achieve a fair & equitable outcome to an issue that will affect the future of many farmers.

Regards [REDACTED]

Cheers n beers

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----- Original Message -----

**From:** Andrew Hannon

**To:** [REDACTED]

17/01/2011

**Sent:** Tuesday, January 04, 2011 8:22 AM  
**Subject:** Viterra Response

Allan,

Please find attached the response to your recent query.

regards

**Andrew Hannon**

**Country Operations Manager**

124 South Terrace, Adelaide, South Australia, 5000

t: +61 8 8304 1361 / m: +61 408 844 282

[andrew.hannon@viterra.com](mailto:andrew.hannon@viterra.com)

[www.viterra.com.au](http://www.viterra.com.au)

  
Dear 

**RE: Email dated Tuesday 28<sup>th</sup> December, 2010**

Following the significant rain events across South Australia, Viterra is visually assessing wheat at

the point of classification.

This classification is backed by a falling numbers machine test at least every 1,000mt per grade.

Viterra widely publicised the classification process early in December.

Grades are determined at the classification hut and either accepted or declined by the grower or

their agent (carrier).

Viterra maintains grain has been classified correctly under the process we have put in place.

17/01/2011



Yours Sincerely,

Andrew Hannon

Manager Country Operations

Andrew,

Thanks for your response.

It appears that you have not fully understood the inequities that the current system of classification places on growers deliveries.

If the falling numbers is 200 or greater the grain must be classified as AGP1 or better, not by using some arbitrary sprouting % that, despite your assertions, does not correlate with a falling numbers test. We have had many independant documented examples where this is the case.

We also demand that the falling numbers of FED 1 stored at the Cowell site be independantly tested with the Falling Numbers Machine.

Failure by Viterra to accede to this request will add to speculation that Viterra has something to hide & intends to profit from blending---- at our expense!!!!

As to your point about growers or their agents (carriers) either accepting or declining your classification, have you any idea how difficult communications are outside of the CBD of Adelaide? Growers & carriers cannot take grain to several sites to maybe find one that has a higher visual classification %. There are many examples of sound grain being downgraded at a site that previously had a higher % allowed.

Finally, despite repeated letters & contacts from Silo & Stategic site committes, it appears that our warnings of Viterra not being able to handle the tonnage delived for this 2010/2011 harvest efficiently, has been borne out & waiting times of up to 4 hours or extra distances to deliver is now common.

Your system is really of a standard that coped in 1983 when farmers had small headers, small trucks & small tonnages. Our output has increased 5 times, your intake rate has, with a few exceptions, stayed the same.

We want consistancy & equitability. Not the system that you & your company seem to think we are all better off with.

Regards [REDACTED]  
[REDACTED]

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As yet I have not had a reply from Andrew Hannon , but I have had a phone conversation with him, in which he stated;

*"The management team are united & will not change the policy in any way"*

Hence my titling of this email as "Bloody pig headed Viterra"

Cheers n beers  
[REDACTED]

17/01/2011



[REDACTED]

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**From:** [REDACTED]  
**Date:** Thursday, 24 March 2011 5:52 AM  
**To:** <dionlebrun@bigpond.com>  
**Subject:** Strategic sites

Dion,

I'm pleased to hear that the silo committee over there is active and well attended. I've been involved with the Cummins previously for a few years and note that Viterra have opted to continue with this system set up in the ABB days. This tells me that the Viterra hierarchy think it is important and valuable even though it can feel like they don't listen to the committees very often.

I'm an infrequently user of the Tumby silo complex, but a user never the less and believe that it is a highly efficient and clean site. The concern I have this year is that it was the most difficult site to get pulses into because of overzealous nature of classifiers. Rejections were frequent with many farmers opting to deliver to Yeelanna, Cummins, Edilillie or Port Lincoln instead, creating inefficiencies in the overall system. Farmers from the Cummins/Yeelanna area carted to Tumby on a transfer, after classification at Cummins as they were full, only to be rejected at Tumby and sent home. So one site assessed the sample as acceptable, and then they were rejected at Tumby.

From my perspective on the issue it boils down to the volume of grain being assessed. Is the classifier meant to asses only the half litre sample taken for screening, or are they entitled to scrutinise the whole bucket vacuumed from the truck, or can they look through the entire truck load of grain until they find a suspect grain and reject the whole load? It seemed that there was a difference in standards across the Viterra sites with Cummins classifiers looking only at the half litre sample and reviewing that. The Tumby site took a far greater sample and looked at it with the intent of finding something suspect, not with an open mind. This difference in classification standards from one strategic site to another is of great concern to farmers, the grains industry and hopefully Viterra too. It causes inefficiencies in the storage and handling system (with some sites filling prematurely whilst others remain only partially full). It causes grief to the grower and it puts undue strain on relationships between people in small communities (we all know who the ruthless classifiers are, trying to avoid them at the silos, and it is hard not to harbour a grudge against them afterwards). This is not satisfactory and a standardisation of the sampling and assessing procedure needs to be conducted. Farmers (Viterra clients) need to know that all efforts are being made to standardise their system and reduce the chance of human error or bias.

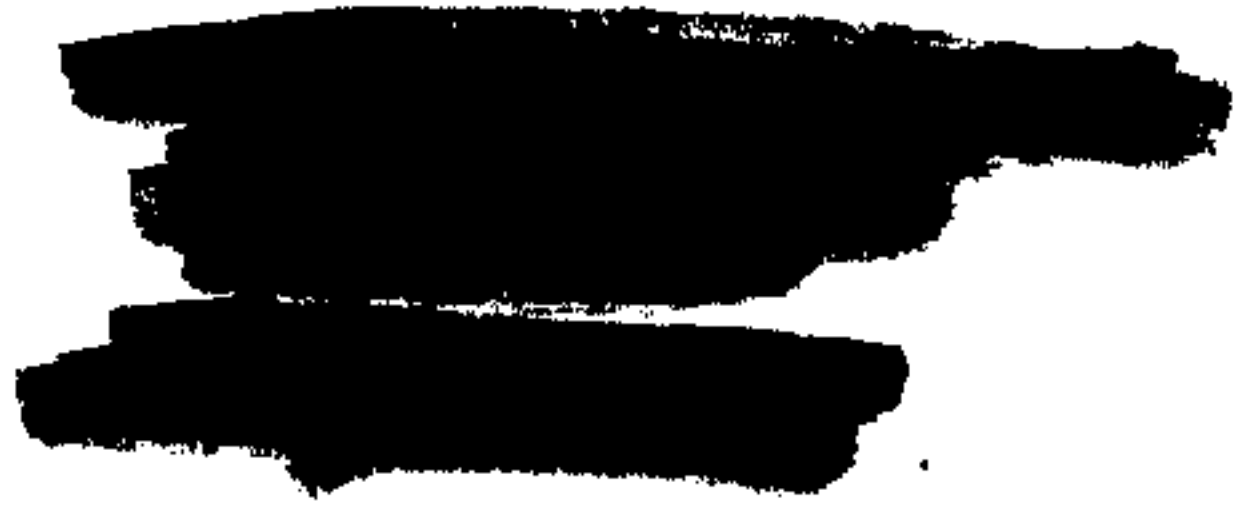
Thank you for the opportunity to raise this issue again. I have done so already with Pacer Murphy and Andrew Hannon as well and through the Wheat Export Authority. Hopefully this observation doesn't continue to fall on deaf ears.

Sincerely,

[REDACTED]

27/03/2011





8<sup>th</sup> January 2011

Mr. Michael Schaefer  
Chairperson  
Grains Industry Committee  
South Australian Farmers Federation  
PO Box 6014  
Halifax St  
SA 5000

Dear Michael,

I am writing to you to express my concern regarding the operation of the Viterra site at Lameroo this harvest.

As harvest commenced in December it became obvious that there were old stocks still on hand in the Lameroo silos. Staff was under great pressure to remove this stock as harvest commenced causing delays. It has been known for a long time that there was a large harvest coming and the silos should have been well prepared ahead of time. To complicate the old stocks on hand issue the grid on silo 1 was broken down at the beginning of harvest and has remained unusable all harvest. Lack of maintenance has been obvious. It has congested deliveries and put extra stress on staff trying to cope. The silos have broken down repeatedly. At the bunker site in Lameroo we have had one grain stacker removed and not replaced. This is another factor that caused inefficiencies and delays. This single stacker has broken down two times to date again suggesting a lack of maintenance. The silo area has become very congested due to the increase in size of trucks and the amount of trucks trying to get through to the weigh bridge to way on and off. Queing area inside the yard to unload is also hazardous and the whole area needs to be upgraded before a serious accident occurs.

At Lameroo we have been really lucky to have excellent staff but at the beginning of harvest there was only 2 staff in the sampling shed which was inadequate for the workload. This has recently been increased to three. Having the bare minimum of staff has meant that there is no capacity to have extended hours or do extra out loading at night to relieve silo congestion.

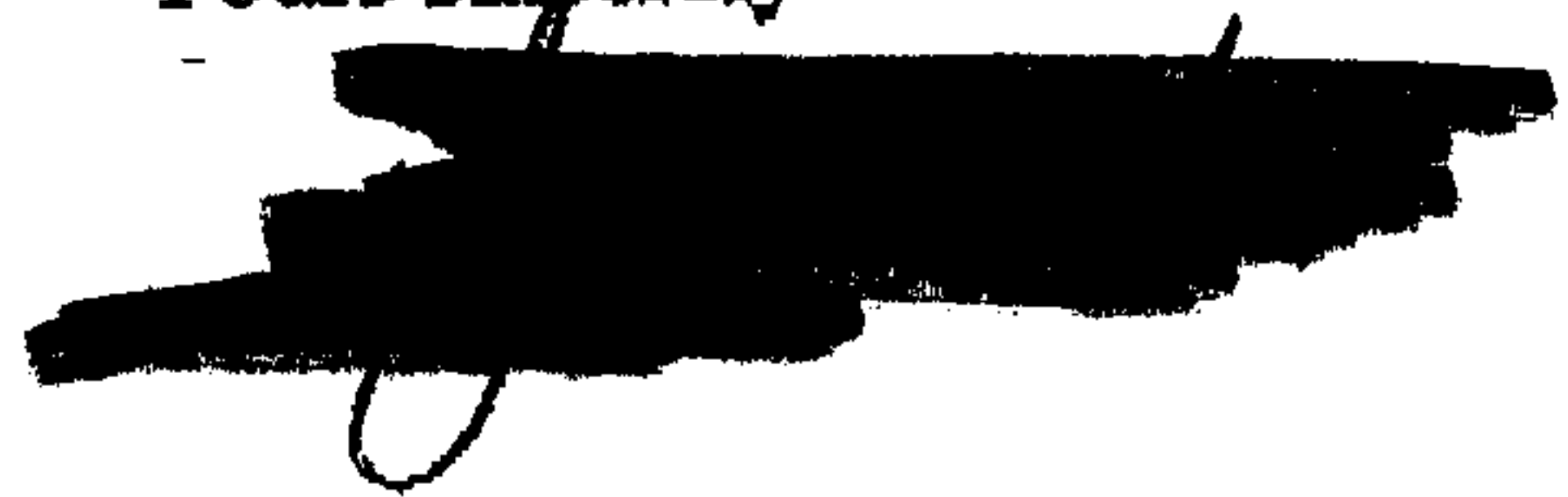
The other issue I am concerned about is that I have not had the opportunity to have my wheat assessed with falling numbers. I believe as a grower I should have the right to



know what I have produced the same as Viterra will want to use falling numbers to know what quality stocks they have on hand and so be able to market it.

In summary I am extremely disappointed with the operations of Viterra in Lameroo. I am hoping your Committee can use my experiences to improve these operations. Please contact me for further information or discussion.

Yours sincerely

A large black rectangular redaction box covers the signature and name of the sender. A small loop of the pen is visible at the bottom left of the redaction.

10

[REDACTED]

5<sup>th</sup> January 2011

Mr. Michael Schaefer  
Chairperson  
Grains Industry Committee  
South Australian Grains Committee  
PO Box 6014  
Halifax St  
SA 5000

Dear Michael,

I am a grain grower at Pinnaroo and am writing to express my concern at my recent experience delivering grain at the Viterra site in Pinnaroo.

On arriving at the Viterra site my wheat was visually assessed and graded as AGP. I was not able to get a falling numbers test as per Viterra policy and so I was not confident that this was a correct assessment. As a result I took the grain to the GrainFlow site in Pinnaroo where the grain was given a falling numbers rate of 390 which puts the grain in the APW grade. Given the large difference in price I find this situation unacceptable. Having produced the grain I believe I should have the right to know its objective specifications as it is sold.

Another issue that concerns me is that during this period I did deliver more wheat to the Viterra site as feed only to discover that as time went on the sprouting tolerances changed and that what was originally classed as feed would later have been classed as AGP or ASW. Surely a grower has the right to know the exact specifications at the beginning of a season so they can deliver and market their grain appropriately. The falling numbers test gives growers the information they need the same as Viterra need that information to market our grain.

By providing your committee with this information I am hoping you can take the matter further and get a fairer result for all grain growers. Please feel free to contact me for further information or clarification.

Yours sincerely

[REDACTED]

**Darren Arney**

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**From:** Darren Arney [darrenarney@bigpond.com]

**Sent:** Monday, 5 September 2011 9:52 AM

**To:** [REDACTED]

**Subject:** FW:

Hi [REDACTED]

I was wondering if you have made any progress getting the letters together.

Cheers

Darren

**Darren Arney**  
Director, Principal



**Arney Consulting Pty Ltd**  
45 Timmins Road; NAIRNE SA 5252  
Office: 08 8388 0684  
Fax: 08 8388 0745  
Mobile: 0448 186 707

**web:** <http://www.arneyconsulting.com.au/>  
[darren@arneyconsulting.com.au](mailto:darren@arneyconsulting.com.au)

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**From:** Darren Arney [mailto:darrenarney@bigpond.com]

**Sent:** Tuesday, 30 August 2011 2:09 PM

**To:** [REDACTED]

**Subject:** RE:

Hi [REDACTED]

Three minimum and it will need to come through this week if possible as WEA and the senate hearing will add to impact to get things done

Cheers

Darren

**Darren Arney**  
Director, Principal



**Arney Consulting Pty Ltd**  
45 Timmins Road; NAIRNE SA 5252  
Office: 08 8388 0684  
Fax: 08 8388 0745  
Mobile: 0448 186 707

**web:** <http://www.arneyconsulting.com.au/>  
[darren@arneyconsulting.com.au](mailto:darren@arneyconsulting.com.au)

21/09/2011

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**From:** [REDACTED]  
**Sent:** Monday, 29 August 2011 1:53 PM  
**To:** 'Darren Arney'  
**Subject:** RE:

Hi Darren,

Please tell me how many letters we would need to write to create some action. Regards [REDACTED]

---

**From:** Darren Arney [mailto:darrenarney@bigpond.com]  
**Sent:** Wednesday, 24 August 2011 8:58 AM  
**To:** [REDACTED]  
**Subject:**

Hi [REDACTED]

Yesterday I was at a conference attended by Pater Woods who is the CEO of Wheat Exports Australia.

I mentioned the poor performance of the Emerald pool and the dramatic fall announced to the pool equity earlier this year.

He maybe able to conduct an audit of the pool if he receives complaints from growers in writing.

Let me know if you would like to follow this line further.

Cheers

Darren

**Darren Arney**  
Director, Principal



**Arney Consulting Pty Ltd**  
45 Timmins Road; NAIRNE SA 5252  
Office: 08 8388 0684  
Fax: 08 8388 0745  
Mobile: 0448 186 707

**web: <http://www.arneyconsulting.com.au/>**  
**[darren@arneyconsulting.com.au](mailto:darren@arneyconsulting.com.au)**

**SENATE RURAL AFFAIRS AND TRANSPORT  
REFERENCES COMMITTEE**

**Inquiry into operational issues in export grain markets**

**Public Hearing Tuesday, 30 August 2011**

**Questions Taken on Notice – Viterra Ltd**

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**1. HANSARD, PG 51**

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**CHAIR:** No, how much wheat is in the stack, not the bloody stack average. It would be interesting too, by the way, to get an audit of the stacks where you visually calculated the falling numbers as to what you actually ended up with in the stack, given that it was a visual appraisal. Have you done that?

**Mr Gordon:** We have. We have been—

**CHAIR:** How did it work out?

**Mr Gordon:** We have basically seen that pretty much what we graded is exactly what we have got.

**CHAIR:** Could you provide us with the details of those audits, on notice?

**Mr Gordon:** I do not know that there is a formal audit, but we can certainly provide you with the information we have with regard to the quality of what we have outturned versus what we received, yes.

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**2. HANSARD, PG 52**

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**Senator NASH:** Basically that is just saying that you are going to talk more to growers about the fact that they can opt in, which is not what we are talking about.

**Mr Gordon:** Yes. If you look at Viterra's response 4, effectively it is saying:

*In June last year, Viterra committed to providing this information to registered grain marketers on a monthly basis. Recently, Viterra has increased the frequency of this information to provide fortnightly reports. The company now commits to increasing the frequency to provide weekly reports.*

**Senator NASH:** Yes, I get that. Correct me if I am wrong, but to me that reads as if that is just the opt-in information given to you by the growers on an individual basis. That is not, as Senator Heffernan is quite rightly also talking about, an overall aggregate figure stack by stack. That, to me, is just an opt-in thing. Am I correct in the reading of that?

**Mr Gordon:** Yes. Then, if you go to the bottom of that page 8, to No. 5, it says:

*Viterra also commits to introducing a weekly harvest report ... which provides information on the progress of harvest, including information on grain receivals.*

**CHAIR:** But what is that code for? It says 'information'. Does that say weekly how much and what is in each stack?

**Senator NASH:** Monthly outside harvest.

**Mr Gordon:** Weekly grain receivals.

**CHAIR:** In the individual—

**Mr Gordon:** I doubt it was stack by stack. We would have to release an awful lot of information on a stack-by-stack basis across 120 sites.

**Senator NASH:** Could you take on notice to provide a detailed response on exactly what that information on grain receivals means in that response.

**Mr Gordon:** Yes.

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### 3. HANSARD, PG 53

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**CHAIR:** How many empty slots are there in the system this year?

**Mr Gordon:** I do not know off the top of my head for this year but certainly in other years it would be quite a number.

**CHAIR:** Who does know?

**Mr Krause:** This year we have had a very full shipping program, so there has not been—

**CHAIR:** Is that code for 'there are none'?

**Mr Gordon:** No there have been some, but not many.

**CHAIR:** You might like to give us that on notice.

**Senator NASH:** Perhaps you could take that on notice and provide us with a figure. ...

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### 4. HANSARD, PG 55

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**Senator NASH:** Can you take on notice to provide for each of the sites the average hours of operation over the last harvest?

**Mr Gordon:** Absolutely.



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**5. HANSARD, PG 57-58**

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**Senator XENOPHON:** There is an issue there of information symmetry, but let us move on. Can you explain the increase in margin per tonne due to increased fees and solid lending contributions that were mentioned in your media release of 9 June 2011?

**Mr Gordon:** I would have to see the media release.

**Senator XENOPHON:** I know that it was an increase in margins. You might want to take that on notice.

**Mr Gordon:** I would prefer to, because I do not recall it.

**Senator XENOPHON:** Do you have that handy at the moment?

**Mr Gordon:** No, I don't, I'm sorry.

**Senator XENOPHON:** That's all right, but there is a real issue there about that increase in margin per tonne—about the basis for justifying that increase.

**Mr Gordon:** We will take your question on notice and go back and have a look at that media release in particular.

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**6. HANSARD, PG 63**

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**Senator FAWCETT:** Given the size of the regions I guess some people may not see that as an exactly equal alternative, but I will take that. You talked about efficiency, and one of the key drivers for efficiency is competition, particularly in looking at delivery direct to ports. One of the submissions we have received indicates that the handling costs that you impose—you have explained why you do that in terms of quality and everything else—are in the order of \$17 to \$20 per tonne for receivable shrinkage outturn, whereas some farmers in South Australia who are close to the Victorian border can drive across the border to where there are two competing handlers at a port, and their prices are \$5.50 and \$9.05 per tonne. So I guess the question arises: if in a competitive environment the prices are at that level and in an essentially monopoly environment here the prices are substantially higher, do you have any background you can give us, or explanation for that?

**Mr Krause:** I am not sure where the costs have come from. I think it is important to make sure that apples are being compared with apples. If you can provide more information I am happy to take that on notice.

**Mr Gordon:** What you might find, if you look at the published pricing in other states and at the supply chain cost in total, you would see that whilst different bulk handlers charge different amounts in different parts of the supply chain, on average they are at about the same levels of expense. One of the things that might well be omitted—it is my understanding—is that Grain Corp, which is likely to be the competitor that you are talking about, charges storage at port, whereas we do not. So you should take that into account. We do not charge for the quite

considerable storage that we have as a separate item. I do not know the exact example in your numbers but that might well be one of the issues.

**Senator FAWCETT:** Well, you could take it on notice.





**A SUBMISSION BY VITERRA LTD**  
**TO THE**  
**SENATE RURAL AFFAIRS AND TRANSPORT**  
**REFERENCES COMMITTEE**  
**Inquiry into operational issues in export grain markets**  
**Public Hearing Tuesday, 30 August 2011**  
**Questions Taken on Notice – Viterra Ltd**

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**1. HANSARD, PG 51**

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**CHAIR:** No, how much wheat is in the stack, not the bloody stack average. It would be interesting too, by the way, to get an audit of the stacks where you visually calculated the falling numbers as to what you actually ended up with in the stack, given that it was a visual appraisal. Have you done that?

**Mr Gordon:** We have. We have been—

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**CHAIR:** Could you provide us with the details of those audits, on notice?

**Mr Gordon:** I do not know that there is a formal audit, but we can certainly provide you with the information we have with regard to the quality of what we have outturned versus what we received, yes.

---

**RESPONSE:**

As outlined in Viterra's original submission to the Senate Inquiry, its assessment procedure during the 2010/11 harvest for classifying rain damaged grain for sprouting involved:

- Classifying wheat based on visual assessments supported by a falling number test every 1000 tonnes from a running sample.
- Visual limits were set based on the correlation between visual assessments and the falling number test results.

Grain Trade Australia (“**GTA**”) commodity standards prescribe that when sprouted grain is detected in wheat deliveries, and load by load testing with the falling number unit does not occur, the GTA field assessment procedure (5.14 Defective Grain Assessment of Sprouted Grain – Field Evaluation) is to be implemented in some form. Viterra therefore complied with the relevant GTA reference method for field evaluation.

Viterra provides minimum quality guarantee outturns for grain stored in its network. We confirm that Viterra has met all outturn requirements in accordance with existing standards for wheat exports from South Australia during the 2010/11 marketing year.

**Senator NASH:** Basically that is just saying that you are going to talk more to growers about the fact that they can opt in, which is not what we are talking about.

**Mr Gordon:** Yes. If you look at Viterra's response 4, effectively it is saying:

*In June last year, Viterra committed to providing this information to registered grain marketers on a monthly basis. Recently, Viterra has increased the frequency of this information to provide fortnightly reports. The company now commits to increasing the frequency to provide weekly reports.*

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**Mr Gordon:** I doubt it was stack by stack. We would have to release an awful lot of information on a stack-by-stack basis across 120 sites.

**Senator NASH:** Could you take on notice to provide a detailed response on exactly what that information on grain receivals means in that response.

**Mr Gordon:** Yes.

---

**RESPONSE:**

The issue of 'information provision for the benefit of growers, including warehouse and quality data disclosure during 2010/11' was identified in the Terms of Reference of the 2010/11 Viterra Post Harvest Review, and included in the PHR working group report released on June 28, 2011.

Viterra notes the PHR recommendation no. 5 that "...The working group that Viterra investigates the further disclosure of information to the market, including the frequency of reporting."

At the time, Viterra's response was:

*Quality site data for standard grades has been publicly available on ezigrain since 1 January 2011. Viterra commits to providing this grower receival data year-round, updated on a daily basis throughout harvest.*

*Viterra also commits to introducing a weekly harvest report (monthly outside harvest) from November 1, 2011, which provides information on the progress of harvest, including information on grain receivals.*

Viterra reaffirms its commitment to publish harvest information from November 1, 2011.

The weekly harvest report will include details on tonnages of grain received grouped by Viterra's business centre areas: Eyre Peninsula (including Port Lincoln and Thevenard), Yorke Peninsula (including Wallaroo, Port Giles and Ardrossan), Northern Area (including Port Adelaide), Murray Mallee and South East.

**CHAIR:** How many empty slots are there in the system this year?

**Mr Gordon:** I do not know off the top of my head for this year but certainly in other years it would be quite a number.

**CHAIR:** Who does know?

**Mr Krause:** This year we have had a very full shipping program, so there has not been—

**CHAIR:** Is that code for 'there are none'?

**Mr Gordon:** No there have been some, but not many.

**CHAIR:** You might like to give us that on notice.

**Senator NASH:** Perhaps you could take that on notice and provide us with a figure. ...

---

**RESPONSE:**

This information is currently not captured for reporting purposes.

Viterra is required to produce a Performance Report biannually, in accordance with Clause 11.1 (a) of the Port Terminal Services Access Undertaking (2009). This report details key service standards provided at each grain port terminal operated by Viterra, and is submitted to the Australian Competition and Consumer Commission (ACCC) and published on the Viterra website <http://www.viterra.com.au>

The two most recent reports are attached for convenience:

- Reporting period - 1 October 2010 – 31 March 2011
- Reporting period - 1 April 2011 – 31 July 2011.

Tonnage Loaded Each Month for Each Port Terminal						
Month	ADE	GIL	LIN	OHB	THE	WAL
Oct-10	28,696	25,596.87	112,100.00	161,200.00	98,667.00	59,520.00
Nov-10	0.00	34,652.00	110,574.00	58,200.00	42,284.00	37,347.92
Dec-10	77,897.00	11,253.00	176,157.00	72,845.00	40,748.00	33,892.00
Jan-11	113,005	27,365.01	241,499.05	116,252.29	19,800.00	51,655.00
Feb-11	77,430.78	24,136.00	148,095.95	86,371.71	41,939.00	42,853.19
Mar-11	57,629.22	79,610.00	189,241.00	123,431.00	38,800.00	35,531.81
<b>Totals</b>	<b>354,658.00</b>	<b>202,612.88</b>	<b>977,667.00</b>	<b>618,300.00</b>	<b>282,238.00</b>	<b>260,799.92</b>

Number of Vessels Loaded Each Month For Each Port Terminal						
Month	ADE	GIL	LIN	OHB	THE	WAL
Oct-10	2.00	1.00	3.00	6.00	5.00	3.00
Nov-10	-	1.00	4.00	2.00	2.00	2.00
Dec-10	3.00	1.00	7.00	3.00	2.00	2.00
Jan-11	6.00	1.00	6.00	3.00	1.00	2.00
Feb-11	2.00	1.00	8.00	3.00	3.00	1.00
Mar-11	6.00	4.00	6.00	3.00	2.00	3.00
<b>Totals</b>	<b>19.00</b>	<b>9.00</b>	<b>34.00</b>	<b>20.00</b>	<b>15.00</b>	<b>13.00</b>

Average Waiting Time for Vessels to Complete Loading - Days ( Passed Surveys to Bill of Lading date)						
Month	ADE	GIL	LIN	OHB	THE	WAL
Oct-10	1.50	2.00	2.00	2.50	1.60	3.60
Nov-10	-	4.00	1.50	2.50	1.50	2.50
Dec-10	2.00	1.00	1.60	3.00	1.50	1.00
Jan-11	2.50	5.00	2.80	1.30	2.00	2.00
Feb-11	3.00	3.00	2.60	3.60	1.60	4.00
Mar-11	3.80	3.25	2.50	2.60	1.50	3.00
<b>Ave</b>	<b>2.13</b>	<b>3.04</b>	<b>2.17</b>	<b>2.58</b>	<b>1.62</b>	<b>2.68</b>

\*Note loading time is included in the above times

\*Note waiting times excluded if the vessel is not ready i.e. failed surveys

Percentage of Vessels Failing AQIS or Marine Surveys						
Month	ADE	GIL	LIN	OHB	THE	WAL
Oct-10	50%	0%	0%	17%	40%	67%
Nov-10	0%	0%	0%	50%	0%	0%
Dec-10	33%	0%	0%	0%	0%	0%
Jan-11	17%	0%	17%	0%	0%	50%
Feb-11	0%	0%	0%	0%	0%	0%
Mar-11	33%	0%	0%	0%	0%	33%

**Tonnage Loaded Each Month for Each Port Terminal**

Month	ADE	GIL	LIN	OHB	THE	WAL
Apr-11	97,374.78	108,134.00	245,943.02	119,030.98	43,513.00	113,611.83
May-11	93,211.22	128,228.00	289,022.61	189,750.01	16,233.00	95,450.17
Jun-11	85,500.00	126,578.56	198,732.41	210,004.10	47,561.00	55,750.70
Jul-11	90,020.00	98,017.03	243,216.41	187,247.46	27,581.00	85,243.38
<b>Totals</b>	<b>366,106.00</b>	<b>460,957.59</b>	<b>976,914.45</b>	<b>706,032.55</b>	<b>134,888.00</b>	<b>350,056.08</b>

**Number of Vessels Loaded Each Month For Each Port Terminal**

Month	ADE	GIL	LIN	OHB	THE	WAL
Apr-11	5.00	4.00	9.00	3.00	2.00	5.00
May-11	3.00	5.00	7.00	5.00	2.00	5.00
Jun-11	3.00	5.00	6.00	8.00	3.00	3.00
Jul-11	4.00	4.00	9.00	3.00	2.00	4.00
<b>Totals</b>	<b>15.00</b>	<b>18.00</b>	<b>31.00</b>	<b>19.00</b>	<b>9.00</b>	<b>17.00</b>

**Average Waiting Time for Vessels to Complete Loading - Days  
to Bill of Lading date)**

**( Passed Surveys**

Month	ADE	GIL	LIN	OHB	THE	WAL
Apr-11	6.40	4.30	2.80	7.70	4.50	3.80
May-11	4.30	4.80	2.70	3.80	2.00	4.40
Jun-11	5.30	4.40	3.70	3.80	2.70	4.30
Jul-11	5.00	4.00	4.00	4.70	2.50	4.00
<b>Ave</b>	<b>5.25</b>	<b>4.38</b>	<b>3.30</b>	<b>5.00</b>	<b>2.93</b>	<b>4.13</b>

\*Note loading time is included in the above times

\*Note waiting times excluded if the vessel is not ready i.e. failed surveys

**Percentage of Vessels Failing AQIS or Marine Surveys**

Month	ADE	GIL	LIN	OHB	THE	WAL
Apr-11	20%	0%	11%	0%	0%	60%
May-11	33%	20%	0%	20%	0%	20%
Jun-11	0%	0%	17%	0%	33%	0%
Jul-11	25%	25%	0%	33%	0%	25%

**Senator NASH:** Can you take on notice to provide for each of the sites the average hours of operation over the last harvest?

**Mr Gordon:** Absolutely.

---

**RESPONSE:**

During the 2010/11 harvest, Viterra had minimal closures during the festive period to service growers. Our network was only closed for grower deliveries on Christmas Day and New Year's Day, in recognition of the importance of these occasions for our staff, growers, carriers and their families.

An historical record of operating hours at each storage facility for the 2010/11 harvest has not been captured for reporting purposes.

In order to assist the Senate Inquiry, Viterra has extracted relevant data from its electronic Operation Management System (OMS) that supports its storage and handling network. This data is relevant for Viterra's storage facilities that operate on an automated data capture system.

An extract of this report is attached for information. This report shows the number of hours that Viterra's major sites received grower deliveries.

As outlined in its original submission, Viterra conducts 24-hour operations at a number of grain export terminals, including our facility at Port Adelaide. During harvest, grower receivals at this site take place between the hours of 5am until midnight. Outside of this timeframe, road and rail activity occurs to reposition grain at port for cargo assembly for shipping.



**Title: Average & Peak Hours for Grower Deliveries\***

\* From 1st Load to Final Load at Viterra Sites from 20/11/10 to 19/1/11 (Excludes days under 2 hours)

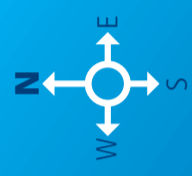
Site	Average Hours	Peak Hours
Port Adelaide	17:10	24:00
Apamurra	8:40	12:02
Ardrossan	10:09	14:09
Arno Bay	8:11	12:03
Booleroo Centre	8:27	11:05
Bordertown	6:53	9:50
Bowmans	8:59	12:06
Bute	7:25	10:22
Coomandook	7:52	11:33
Coonalpyn	7:12	11:11
Crystal Brook	8:52	11:55
Cummins	9:53	14:04
Darke Peak	7:18	9:55
Eudunda	7:47	10:13
Frances	8:26	11:55
Port Giles	9:37	13:30
Gladstone	11:01	15:15
Jamestown	8:29	12:09
Karoonda	8:21	12:03
Ketih	9:13	15:48
Kimba	8:10	11:47
Lameroo	7:54	11:03
Port Lincoln	9:54	12:02
Lock	8:37	12:00
Long Plains	8:15	10:35
Loxton	9:16	15:31
Murray Bridge	7:37	11:45
Melrose	7:27	10:56
Millicent	8:13	12:00
Minnipa	7:55	10:10
Monarto South	7:57	12:16
Owen	7:54	11:17
Paskeville	6:11	9:03
Penong	8:34	10:57
Port Pirie	8:41	11:15
Pinnaroo	9:02	13:17
Poochera	7:56	10:34
Redhill	7:26	10:52

Roseworthy	9:31	13:19
Rudall	9:00	13:16
Saddleworth	8:14	10:55
Strathalbyn	7:28	10:05
Snowtown	9:34	15:16
Streaky Bay	8:09	10:48
Stockwell	8:17	12:57
Tailem Bend	10:17	13:38
Thevenard	9:16	11:49
Tintinara	7:05	12:08
Tumby Bay	10:07	13:30
Two Wells	7:04	11:39
Waikerie	7:25	9:16
Wallaroo	9:44	12:27
Walpeup	9:30	12:44
Witera	8:31	10:59
Wolseley	8:34	12:07
Wirrulla	7:59	9:54
Wudinna	9:19	10:58



# Storage & Handling Commodity Storage Facilities

- Eyre Peninsula
- Northern Area
- Yorke Peninsula
- Murray Mallee
- South East
- Adelaide Area and Kangaroo Island
- Export Terminal
- Strategic Site
- General Site
- Railway Line



**Senator XENOPHON:** There is an issue there of information symmetry, but let us move on. Can you explain the increase in margin per tonne due to increased fees and solid lending contributions that were mentioned in your media release of 9 June 2011?

**Mr Gordon:** I would have to see the media release.

**Senator XENOPHON:** I know that it was an increase in margins. You might want to take that on notice.

**Mr Gordon:** I would prefer to, because I do not recall it.

**Senator XENOPHON:** Do you have that handy at the moment?

**Mr Gordon:** No, I don't, I'm sorry.

**Senator XENOPHON:** That's all right, but there is a real issue there about that increase in margin per tonne—about the basis for justifying that increase.

**Mr Gordon:** We will take your question on notice and go back and have a look at that media release in particular.

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**RESPONSE:**

Senator Xenophon is referring to a public statement issued by Viterra Ltd's parent company, Viterra Inc (Listed: VT:TSX; VTA:ASX). Viterra does not report on margin earnings on its South Australian storage and handling operations. Instead Viterra provides a global pipeline margin for its international grain handling and marketing operations, which incorporates South Australian activity.

On June 9, 2011 Viterra Inc announced its second quarter financial results, titled "Second Quarter Earnings Rise on Strong Australian Contributions".<sup>1</sup>

For convenience, the relevant statements include:

Page 1:

*Viterra's Australian operation achieved record shipments during the second quarter significantly enhancing overall results for Viterra. The business contributed \$65 million to consolidated EBITDA for the quarter and \$181 million on a year-to-date basis, representing increases of 131% and 91% respectively over the corresponding periods a year ago. Viterra's integration of the Australian business was virtually complete as of April 30, 2011, with the Company achieving its targeted \$30 million in gross synergies, six months ahead of schedule. In addition, Viterra has implemented a number of initiatives throughout the region that have not only lowered its costs per tonne for the three and six month periods, but have resulted in sustainable cost reductions throughout the organization.*

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<sup>1</sup> A full copy of the statement can be downloaded via <http://www.viterra.com>

Page 2:

*The Grain Handling and Marketing segment generated \$122 million in EBITDA for the quarter compared to \$74 million in the second quarter of last year. On a year-to-date basis, EBITDA was \$320 million compared to \$183 million a year earlier. The majority of these increases relate to Viterra's Australian operations that contributed \$66 million in the quarter (2010 - \$22 million) and \$180 million (2010 - \$86 million) for the first six months of the fiscal year on stronger shipments, additional storage and handling revenues and increased domestic merchandising margins. North American quarterly EBITDA of \$58 million versus \$44 million last year benefited from increased merchandising and blending opportunities, an increase in higher margin pulse sales, as well as additional shipments through the Prince Rupert Grain terminal. The International Grain group had an EBITDA loss in the second quarter of \$2 million as a result of global events including the earthquake and tsunami in Japan and political unrest in the Middle East, which caused extreme commodity price volatility. The group mitigated the impact of these events by employing effective risk management and hedging strategies to reduce positions consistent with the Company's risk tolerance levels. EBITDA results from the International Grain group for the first six months totalled \$31 million.*

Page 13:

*In South Australia, the majority of grain flows into the system during the first quarter as this is the harvest period, which begins in October and continues through until the end of January. During the second quarter, the operations typically receive the last of the grower grain deliveries, with the exception of a small amount that remains onfarm.*

*Viterra owns and operates approximately 95% of South Australia's storage and all of its port terminal capacity. The grain that is delivered into the Company's grain storage and handling facilities is classified and blended in preparation for export.*

*Viterra and other marketers then buy these grains and oilseeds and market them directly to destination customers. Shipping from the Company's port terminals typically commences in harvest and continues throughout the year. Income is derived from storage and handling fees including receivals and monthly carrying and out-turn (shipping) fees. Additional income is derived through handling and shipping of non-grain commodities year-round from select port terminals.*

Page 14:

#### Viterra's South Australia Volumes

*Viterra's South Australian operations received 0.3 million tonnes of grains, oilseeds and special crops into its system in the second quarter of fiscal 2011, compared to 0.1 million tonnes in the second quarter of fiscal 2010. These volumes brought aggregate receipts during fiscal 2011 to 8.5 million tonnes, compared to 6.2 million tonnes a year ago. As of the end of the second quarter, the vast majority of the available crop in the region was received into Viterra's system.*

*The Company had a strong shipping program in place for the second quarter and moved a record 2.4 million tonnes through its South Australia port terminals, a twofold increase from the 1.2 million tonnes shipped in the second quarter of last year.*

*Fiscal year to date, the Company moved a total of 4.0 million tonnes, compared to 1.9 million tonnes in 2010. High commodity prices and strong demand have motivated the industry to utilize Viterra's system to ship a significant amount of grain in the first half of the year.*

*During the first six months of fiscal 2011, Viterra purchased for its own account 34% of the grain shipped through its South Australian system. There are a large number of marketers competing for south Australian growers' grain and, of this number, more than 10 of them account for the remaining 66% of grain shipped from the Company's south Australian ports.*

*Viterra also originated and merchandised 1.1 million tonnes of grains and oilseeds from third-party facilities throughout the rest of Australia during the quarter. On a year-to-date basis, Viterra has merchandised 1.7 million tonnes from the rest of Australia, which is down from the prior year due to drought in Western Australia and logistical issues caused by wet weather and availability of freight in the eastern states.*

Page 15:

*In South Australia, quarterly margins benefited from high volumes, increased storage and handling fees, as well as solid blending contributions and domestic merchandising margins. Viterra's consolidated gross margin per tonne is expected to grow throughout the remaining quarters as its Australian operations earn more storage, shipping and merchandising revenue. The Company confirms its global pipeline margin guidance to be in the \$33 to \$36 per tonne range for the fiscal year.*

**Senator FAWCETT:** Given the size of the regions I guess some people may not see that as an exactly equal alternative, but I will take that. You talked about efficiency, and one of the key drivers for efficiency is competition, particularly in looking at delivery direct to ports. One of the submissions we have received indicates that the handling costs that you impose—you have explained why you do that in terms of quality and everything else—are in the order of \$17 to \$20 per tonne for receivable shrinkage outturn, whereas some farmers in South Australia who are close to the Victorian border can drive across the border to where there are two competing handlers at a port, and their prices are \$5.50 and \$9.05 per tonne. So I guess the question arises: if in a competitive environment the prices are at that level and in an essentially monopoly environment here the prices are substantially higher, do you have any background you can give us, or explanation for that?

**Mr Krause:** I am not sure where the costs have come from. I think it is important to make sure that apples are being compared with apples. If you can provide more information I am happy to take that on notice.

**Mr Gordon:** What you might find, if you look at the published pricing in other states and at the supply chain cost in total, you would see that whilst different bulk handlers charge different amounts in different parts of the supply chain, on average they are at about the same levels of expense. One of the things that might well be omitted—it is my understanding—is that Grain Corp, which is likely to be the competitor that you are talking about, charges storage at port, whereas we do not. So you should take that into account. We do not charge for the quite considerable storage that we have as a separate item. I do not know the exact example in your numbers but that might well be one of the issues.

**Senator FAWCETT:** Well, you could take it on notice.

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**RESPONSE:**

A full copy of the 2010/11 storage and handling charges and associated explanatory notes, are attached to this document.

In addition, a copy of the factsheet titled 'Viterra export supply chain fees explained 2010/11' is provided for convenience. This was included in Viterra's original submission to the Senate Inquiry.

Further information can be sourced via: <http://www.viterra.com.au>

**ENDS.**

## Schedule A – Storage & Handling Charges 2010/2011

The Company may vary these charges in accordance with clause 5.6 of its Port Terminal Services Access Undertaking dated 24 September 2009. The Client acknowledges that the following charges apply to the Client's Grain for the current season and that, unless this schedule provides otherwise, the charges for all Grain in storage at the commencement of a new season will be made at the rates applicable for that season. All charges detailed below are GST exclusive. These Prices are effective from 1 October 2010.

### A. RECEIVAL & STORAGE FEES & SHRINKAGE

1. **Receival Fee (Payable by the Client at the time of receival or transfer in store)**

	\$/tonne				
	Major Wheat / Feed Barley	Minor Wheat	Malting Barley	Minor Cereals, & Canola	Pulses
Up-Country Receival Facilities	10.70	11.75	11.75	14.75	15.75
Port Terminals	13.30	14.35	14.35	17.35	18.35
Note: Ardrossan & Port Pirie will be deemed Country Sites for the purposes of this Fee.					

2. **Monthly Storage Fee (Levied per tonne for Grain on Hand as at the 1<sup>st</sup> of each month).**

	Month	\$/tonne					
		Season 2010/11 (Table A)			Season 2009/10 (Table B) #		
		Wheat, Barley & Minor Cereals	Pulses	Canola	Wheat, Barley & Minor Cereals	Pulses	Canola
2010	Oct	0.70	0.90	0.70	3.52	3.92	3.71
2010	Nov	0.70	0.90	0.70	4.20	5.00	4.79
2010	Dec	0.70	0.90	0.70	1.77	2.03	1.82
2011	Jan	0.70	0.90	0.70	1.77	2.03	1.82
2011	Feb	0.70	0.90	0.70	1.77	2.03	1.82
2011	Mar	0.70	0.90	0.70	1.77	2.03	1.82
2011	Apr	0.70	0.90	0.70	1.77	2.03	1.82
2011	May	1.00	1.85	1.75	1.77	2.03	1.82
2011	Jun	1.00	1.85	1.75	1.77	2.03	1.82
2011	Jul	1.00	1.85	1.75	1.77	2.03	1.82
2011	Aug	1.00	1.85	1.75	1.77	2.03	1.82
2011	Sep	3.00	4.90	4.90	3.00	4.90	4.90

Notes:

- # Means 2009/10 grain in store as at 1 October 2010. Vintages prior to 2009/10 will remain at their current prescribed rate according to the Schedule of Charges for that season until December 2010 when the rates will then be applied in accordance with the "Season 2009/10 (Table B)" schedule above. The rates will replace any on-going prior season's rates previously published.
- Monthly Storage Fees accrue on a cumulative basis.
- The Client will be charged warehouse's accumulated Storage Fees for all transfers in store.



3. Shrinkage

	\$/tonne	
	Wheat, Barley, Minor Cereals & Canola	Pulses
Delivered to a Company Facility	0.60%	0.85%
Received from Approved 3 <sup>rd</sup> Party Stores	0.35%	0.50%
Note – Dust is in addition to shrinkage (refer C5 of this Schedule)		

**B. OUTTURN – DOMESTIC, SITE TO SITE MOVEMENT, PORT INLOAD, RECEIVAL AT PORT & EFFICIENCY REBATE**

1. Road/Rail Out-turning Fee (All Grains)

Domestic Outturn Fee	Port Terminals & Up-Country Receival Facilities	\$2.35/mt
Site to Site Outturn (Road or Rail)	All Company Sites	\$2.35/mt
Domestic Outturn Fee	Franchise Sites (refer Site Categorisation Schedule)	\$3.60/mt
Movement Fee - Inner Harbour to Outer Harbor	POA	

2. Port In-Loading Fee (All Grains)

All Port Terminals by Road	\$3.40/mt
All Port Terminals by Rail	\$2.20/mt

3. Export Select Rebate (applicable to all Grain transferred into Export Select from Up-Country Receival Facilities)

	01 Oct 10 – 31 Jan 11	01 Feb 11 – 31 Mar 11	01 Apr 11 – 30 Jun 11	01 Jul 11 – 30 Sept 11*
2010/11	\$2.45/mt	\$1.95/mt	\$1.55/mt	\$1.25/mt
Prior Season's Grain	\$1.95/mt		\$1.55/mt	\$1.25/mt

4. Receival At Port Service Fee (ex approved third party storage)

	\$/tonne			
	Wheat	Malting Barley	Feed Barley	Minor Cereals, Pulses & Canola
Refer Explanatory Notes for service	2.50	3.80	2.50	POA

## C. OUTTURN - EXPORT

### 1. Booking Fee (All Grains)

A fee charged on booking acceptance (may include un-named vessel). Please refer the Company's Port Loading Protocols & explanatory notes	\$5.00/mt
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### 2. Late Vessel Nomination Fee (All Grains)

*All Ports – Days Notice of Named Vessel Nomination prior to ETA*

	All Commodities
	\$ / MT
> or = 14 days (in addition to Vessel Booking Fee)	-
>10 < 14 days (in addition to Vessel Booking Fee)	0.75
< 10 days (in addition to Vessel Booking Fee)	1.50

### 3. Port Handling and Shipping Fee ( includes Stevedoring, minimum blending services, minimum ship sampling services and ship loading)

	Wheat \$ / tonne	
	01/10/10 – 14/11/10 & 01/05/11 to 30/09/11	15/11/10 to 30/04/11
Port Adelaide	11.00	12.30
Outer Harbour	10.55	11.85
Thevenard	11.00	12.30
Wallaroo	11.00	12.30
Port Lincoln & Port Giles	10.00	11.30
	All Commodities (other than Wheat) \$ / tonne	
	01/10/10 – 14/11/10 & 01/05/11 to 30/09/11	15/11/10 to 30/04/11
Port Adelaide	11.00	12.30
Outer Harbour	10.55	11.85
Thevenard	11.00	12.30
Wallaroo	11.00	12.30
Port Lincoln & Port Giles	10.00	11.30
Note – This table should be read in conjunction with item C1		

**4. Vessel Variation & Shipping Repositioning Fee (All Grains)**

A variation to a vessel as listed in the Explanatory Notes	\$2.00/mt
Positioning to other permanent storage at the particular Port Terminal Facility (and back to shipping block)	\$2.00/mt
Positioning to bunkers at the particular Port Terminal Facility (or Wallaroo block 8 ) and back to shipping block	\$6.00/mt (includes freight cost)
Positioning from Outer Harbor to Inner Harbour (include Outturn at OH, freight & port in-loading at IH)	\$8.10/mt

**5. Dust**

Allowance for dust (for all tonnes out-turned for export) deducted from Client stock balance	0.1%
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**6. Minimum Cargo Lift Fee**

All vessels loaded with less than 15,000mt loaded at any one port (for all tonnes loaded)	\$1.50 per tonne
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**D. OUTTURN – EXPORT (ELECTIVE CHARGES)**

**1. Special Blending Fee**

All tonnes loaded on vessel	POA
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**2. Extraordinary Fumigation**

Refer explanatory note

**3. Reservation Fee**

\$2.50 per tonne

**E. MOVEMENTS, OUTTURN - DOMESTIC**

**1. Re-delivery Fee**

All Grains	\$8.00 per tonne
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**2. Domestic Outturn Surcharge (All Grains and Road only)**

\$2.20 per tonne (Weekend and Public Holidays)

**3. Rail Outturn Surcharge (All Grains) Not applicable to Export Select Option**

\$0.55 per tonne (Weekend and Public Holidays)

**4. Rail Weighing Fee**

\$2.75 per tonne

**5. Road Under-Performance Fee (Outturn/Intake) Not applicable to Export Select Option**

\$2.00 per tonne

## **F. ADMINISTRATION FEES**

### **1. Transfer In-Store Administration Fee**

Client to client	\$0.25 per tonne
Warehouse to Client	No fee (but Client is responsible for outstanding fees owed by Warehouse)

### **2. Outturn Certificates**

Treatment or Quality / Weight	Original or Altered Certificates (and copies) \$100 each
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### **3. Sample Request**

Up – Country Receiving Facility / Grade sample:	
1 October 10 – 31 January 11 (Up to 5kg)	\$120 + courier fees
1 February 10 -30 September 11 (up to 5kg)	\$150 + courier fees
Port Terminal Facility /Grade Sample	
Up to 5kg	\$120 per partition + courier fees
Requests that are required as Urgent (i.e. within 48 hours of the time of the request) incur a \$100 fee in addition to the listed fee.	

### **4. Regrade Fee**

Grade / Season	\$3.50/mt
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## **G. DEFINITIONS**

Approved Third Party Store	A non –Company grain storage and handling facility which meets published standards as determined by the Company
Major Wheat Grades	ASW1, APW1 & H2
Minor Wheat Grades	All non-major wheat grades
Pulses	Broad Beans, Faba Beans, Field Peas, Lentils, Lupins, Chick Peas & Vetch
Minor Cereals	Oats, Triticale, Cereal Rye & Sorghum
POA	Price On Application
N/A	Means currently the service does not apply to a particular Grain.

## **H. PRICE INCREASES TO REFLECT COST INCREASES RELATED TO CARBON EMISSIONS**

Refer Explanatory Notes
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## **Explanatory Notes to the Storage & Handling Charges 20010/11**

The Storage and Handling charge structure for the 2010/11 season is contained in this Schedule A. The following statements explain the application of the charges.

### **A1. Receival Fee (*payable by the Client at the time of receival or transfer in store*)**

Applies to receival tonnage or transfers ex warehouse (ie. delivered tonnes).

This fee includes the services of:

- Receival, ex-grower or from sources external to the Company (not including Receival at a Port Terminal from Approved Third Party Store)
  - segregation services
  - sampling and classification on delivery
  - weighing on delivery
  - inward elevation
  - recording and provision of delivery information on receival weighnote
  - access to transactional information on the ezigrain™ web site
- and a contribution to supply chain transportation costs

### **A2. Monthly Storage Fee**

The rates applicable in Schedule A apply to shrunk tonnes.

The Monthly Storage Fees are to be applied to all 2010/2011 season Grain in storage as at the first month of delivery into the Company's Facilities. Monthly Storage Fees will then be applied to the opening stock balance on the first day of each month thereafter for so long as the Grain remains in storage and charges accumulate for the length of time in storage. The Client will be charged warehouse's accumulated Storage Fees for all transfers in store. 2009/10 Season grain will now be charged at the rates applicable according to the "Season 2009/10 (Table B)". Vintages prior to 2009/10 will remain at their current prescribed rate according to the Schedule of Charges for that season until December 2010 when the rates will then be applied in accordance with the "Season 2009/10 (Table B)".

### **A3. Shrinkage**

A shrinkage factor in accordance with item A3 will be deducted from each load at the time of initial delivery into a Company Facility. The delivered receival tonnage less the shrinkage amount will be to the stock account of the Client.

Note, that the shrinkage factor does not include Dust. Dust will be deducted from Client's stock accounts in accordance with explanatory note C5.

### **B1. Road/Rail Out-turning Fee**

Applies to shrunk tonnes out-turned.

This charge applies where a Client out-turns Grain from a Company Facility and includes both domestic and site to site outturns.

The Domestic Outturn Conditions and Export Standard Conditions (refer Schedule D of the Pricing, Protocols & Procedures Manual) outline the minimum tonnage and notification requirements at Company Facilities. Please note that Domestic Outturn for a particular kind or Grade of Grain will not be available at Company Facilities designated as 'Export Select Only' for that Grade of Grain. At other Company Facilities not generally available for domestic outturn (i.e. Secondary or Restrictive sites) domestic outturn will only be permissible by prior arrangement with the Company's applicable Business Centre Manager.

Where one load is requested from a Secondary or Restrictive domestic site (where permissible) and that request cannot be satisfied in conjunction with any other out-turn arrangements, the Client will be charged a \$200 site opening fee (in addition to the road/rail out-turn fee applicable).

### **B2. Port In-Loading Fee**

This fee applies to all Grain delivered by road during normal working hours or by rail at any time to a Port Terminal regardless of its site of origin excepting where the Grain is delivered direct by a Grower, by individual load. For clarification, direct Grower Receivals delivered on an individual load basis will not incur the Port in-loading fee, but will incur all other applicable charges.

For Export Select, a movement from a rail based Company Facility to a rail based Port Terminal will be deemed to be a rail movement irrespective of the actual mode of movement. Rail based sites are defined in Schedule E of the Pricing, Protocols & procedures Manual).

### **B3. Export Select Rebate**

The rebate will apply when the Client transfers Grain to Export Select and will be credited to the Client on the first invoice issued to the Client in respect of that Grain after it is transferred to Export Select. For the method by which Export Select charges are applied see Schedule B of the Pricing, Protocols & Procedures Manual.

Nominations of a Client's Grain to Export Select will enable the Company to plan and accumulate Up-Country logistics for vessels more efficiently.

### **B4. Reival at Port Service Fee**

#### ***Description of Service***

Subject to the Client complying with the Company's Port Loading Protocols, Pricing, Protocols and Procedures Manual, this part B4 and the third party store being able to comply with the Company's Approved Operator Conditions and Deed of Access (refer [www.viterra.com.au](http://www.viterra.com.au)) and satisfy the Company that it can comply with the Company's objective checklist for Approving third party stores, the Company will receive the Client's Grain from a Third Party Store into a Port Terminal for export Outturn.

Clients wanting to utilise this service must first submit a written request to the Company's Client Account Representatives. In choosing to use this service the Client is accepting the Company's Export Standard shipping service applicable to the tonnage received from the Approved Third Party Store.

#### ***Conditions applicable to Service***

- Grain from an Approved Third Party Store may be segregated;
- Adequate, insect free and contaminant free transport must be presented for discharge

#### ***Level of Service***

- Classification testing will be undertaken in accordance with the Commodity Classification Manual published by the Company at [www.ezigrain.com.au](http://www.ezigrain.com.au) and the Grain may be held in common stock. Where testing occurs in the process of discharge and elevation, the Client accepts full responsibility for any quality issues for the third party parcel of Grain, whether or not it is common-stocked with other Grain in the discharge cells.

- If the Company requires the third party parcel to be segregated at the Port Terminal, the Company will only receive it if sufficient storage space at the Port Terminal is available or if the Company can accommodate and the Client is willing to accept a lease type arrangement on an exclusive cell(s). Pesticide residue testing must be conducted prior to delivery of grain, even if an exclusive lease has been arranged

### ***Charges***

- The Reveal at Port Service fee does not include fumigation costs or any overtime required to accept the delivery prescribed in the Company's Port Loading Protocols.
- In all respects Grain received from an Approved Third Party Store will be subject to the same fees as any other Grain.

### ***Rejections***

- The Company has the right to reject parcels or individual loads where the Grain delivered does not satisfy Reveal (Classification) Standards or the Grain is unsuitable for the quality parameters of the particular vessel;
- The Company will not accept un-fumigated Grain, Grain infested with insects, or Grain that has not been fumigated within a quarterly fumigation regime (fumigation certificate must be provided) or grain which is an unacceptable risk to the Company (i.e. uncertainty to whether contact insecticide has been used). Special arrangements need to be made for grain that has been fumigated with a treatment other than phosphine (i.e. Profume);
- The Company may defer the service due to lack of suitable storage including an inability to segregate the third party grain parcel

### ***Fumigation Certificate***

The Client must provide written notification ("Fumigation Certificate") to the Company of any chemical treatment applied to the Grain parcel. The Fumigation Certificate must contain particulars of:

- the last fumigation, the fumigant used, the rate and duration of application,
- any other chemical treatments, and
- any fumigant or chemical residues

and must be provided to the Company by a person qualified as a licensed fumigator

### **C1. Booking Fee**

The booking fee applies to all vessels nominated by the Client and subsequently accepted by the Company (and made in accordance with the Company's Port Loading Protocols). The booking fee is non-refundable except to the extent that the Company will refund booking fees up to a maximum of 10% of the total tonnage booked, if a vessel booked is loaded with up to 10% less tonnage. The reconciliation invoice of the vessel once loaded will credit the reconciled booking fee taking into account the final loading figure. Similarly if the total tonnes loaded are in excess of the booked tonnes the final reconciliation invoice will charge the client the additional tonnes loaded at the booking fee prevailing rate plus any other additional fees as required. Note that failure by the Client to comply with any of its obligations under the Port Loading Protocols (including but not limited to failing to pay the Company's fees on time) may result in loss of the booking and forfeiture of the booking fee.

The booking fee must be paid by the Client within three business days from the date of the invoice and the Client must provide the Company with the remittance advice relating to payment. If a vessel booking is accepted by the Company within 14 days of the commencement of the booking slot, the Client must pay the booking fee invoice within three business days of receipt of invoice and provide the Company with the remittance advice relating to payment.

## **C2. Late Vessel Nomination Fee**

The booking fee reserves the slot for the Client's vessel. The Client must name the vessel prior to its ETA. If the vessel is named less than 14 days in advance of the ETA a late vessel nomination fee is payable under C2.

Please also refer to the Company's Port Loading Protocols and seek vessel bookings on-line (available at [www.viterra.com.au](http://www.viterra.com.au)).

## **C3. Port Handling & Shipping Fee**

Applies to shrunk tonnes.

This charge encompasses the Outturn to vessel of Grain delivered to or stored within the Company's Facilities. The Port Handling and Shipping Fee includes shipping related positioning (within normal working hours), shipping preparation, stevedoring (excluding the charges detailed below), ship sampling, any related shipping documentation and any blending either:

- a. required by the Company for operational reasons or as a result of mechanical breakdown; or
- b. if requested by the Client, for the loading of different binned grades into hatches to produce outturn grades which do not match original binned grades.

Blending as part of the Port Handling and Shipping fee will not include any other mixing of Grain requested by the Client at either Up-Country Receival Facilities or Port Terminals or on loading the vessel. These blending requests will need to be negotiated with the Company prior to the performance of any such service.

The standard ship sampling procedures (performed as a component of this fee) include a running sample for every vessel's hatch and a composite sample (for the entire vessel). Sampling required in excess of the standard offering must be negotiated between the Company and the Client prior to the offering of any such service.

At the Company's major Port Terminals this fee provides for 24 hour shipping / 7 days per week (excluding Public Holidays), subject to Labour Ordering conditions. Please note also that operational conditions may result in additional charges being applied to this Fee (refer Schedule H of the Pricing, Protocols & procedures Manual) and that factors beyond the control of the Company may result in ship loading not being able to be performed on a 24 hour / 7 day basis.

The Port Handling and Shipping Fee allows for accumulation of cargoes during normal working hours. If the Client requires accumulation out of normal working hours it will have to negotiate an additional fee with the Company before the accumulation begins.

These explanatory notes should be read in conjunction with the Company's current Port Loading Protocols (refer [www.viterra.com](http://www.viterra.com)).

The Port Handling and Shipping fee must be paid by the Client fourteen (14) days prior to the first day of the booking slot and the Client must provide the Company with the remittance advice relating to payment. However, if a Client books and nominates a vessel less than 14 days from the ETA within the booking slot, then all invoices in relation to this vessel are payable within (three) 3 business days of the date of the invoice



### **Specific Exclusions to the Stevedoring Component of the Port Handling & Shipping Fee**

In addition to Schedule H of the Pricing, Protocols & Procedures Manual, the following charges apply:

- a. Public Holidays – recovered at overtime differential rates (Supervisor \$72.20 per hour, Hatch-person \$59.83 per hour)
- b. Delays - including air draft, weather, ships delays, draft checks, survey delays (Supervisor \$88.96 per hour, Hatch-person \$77.27 per hour)

Splash trimming: Splashing plates no charge, splashing gang labour at applicable rates

Special conditions will apply to shipping from the Company's Outer Harbor terminal and will be provided upon request by the Client.

*PLEASE REQUEST ESTIMATED SHIPPING COSTS FROM EITHER THE COMPANY'S SHIPPING MANAGER OR CLIENT SERVICES MANAGER.*

### **C4. Vessel Variation & Shipping Repositioning Fee**

The variation to a vessel fee may apply if;

- accumulation has commenced for a named vessel and the vessel or a substitute vessel is delayed by more than 3 days from the original ETA and
  - other vessels accumulation plans are delayed and the delay directly affects those other vessel's estimated load dates; or
  - the Company incurs costs in amending accumulation plans or re-prioritising vessels as a result of the delay
- the vessel or substitute vessel arrives outside of its 15 day booking slot and
  - other vessels accumulation plans are delayed and the delay directly affects those other vessel's estimated load dates; or
  - the Company incurs costs in amending accumulation plans or re-prioritising vessels as a result of the delay; or
  - the Company has to secure additional capacity within future booking slots to accommodate and service the affected vessel and resultant delayed vessels.
- the vessel is unable to load as planned on the latest load date provided on the Company's shipping stem because the vessel fails to pass marine or AQIS survey
- the vessel is unable to load on as planned on the latest load date provided on the Company's shipping stem because the Client Export Standard grain accumulation is delayed.

Factors outside the control of the Company (such as variation in vessel arrival times; failure of vessel to pass quarantine; stability and ship worthiness inspections; vessel congestion; variation in cargo requirements; lack of performance of freight providers) mean the Company cannot guarantee that all of the cargo will be available for loading when the vessel berths and is ready to commence loading. The Company will try to minimise delays in loading and will advise the Client of any potential delays through the Company's shipping stem.

If a variation to a vessel fee applies the other fees in C4 will apply if any repositioning is necessary, however the other fees listed in C4 will only apply if the Company has incurred direct costs as a result of the delay

**C5. Dust**

Dust is in addition to the shrinkage factor. It is calculated on a pro – rata commodity basis at the Terminal for which the Grain is shipped.

**C6. Minimum Cargo Lift Fee**

This fee applies to all tonnes loaded on a vessel at any one of the Company's Port Terminals where the total vessel load is less than 15,000mt. (does not apply to Company Port Terminal two port loads).

**D1. Special Blending Fee**

Special blending requests (outside of the blending offered under the Port Handling & Shipping Fee) will be negotiated between the Company and the Client on a case by case basis.

**D2. Extraordinary Fumigation**

This fee applies where a Client requests harvest shipping, or makes a booking without allowing the Company adequate time to fumigate Grain and the Client requires fumigation.

The Company will negotiate these costs with the Client on a case-by-case basis.

**NB:** Methyl bromide treatments are only available at Port Adelaide (Block 5), Outer Harbor, Port Giles, Wallaroo (Block 8) and Two Wells.

**D3. Reservation Fee**

Subject to agreement with the Company, the Client may request the Company to reserve a Cell. The Company is entitled to charge a Reservation Fee to the Client where the Company agrees to reserve a Cell for the Client.

**E1. Re-delivery Fee**

This fee is applicable to Grain which is out-turned from the Company's Facilities and which, having been rejected at its destination for reasons outside of the control of the Company, is tendered for re-delivery to any Company Facility.

**E2. Domestic Outturn Surcharge (All Grains and Road Only)**

A domestic outturn surcharge will apply where the Client requests labour at Company Facilities during weekends/or on public holidays. A minimum outturn requirement of 200 metric tonnes in a four (4) hour period applies. This fee is in addition to the Road/Rail Out-turn Fee.

**E3. Rail Outturn Surcharge (All Grains)**

A rail outturn surcharge will apply where the Client's stock is out-turned at an Up-Country Reveal Facility during weekends/ or on public holidays. This fee is in addition to the Road/Rail Out-turn Fee.

**E4. Rail Weighing Fee**

This fee applies to all tonnes moved by rail from Company Facilities to interstate or non-Company facilities. This fee covers the additional costs incurred by the Company in ensuring weights can be measured and reconciled between the Company Facility and the interstate or non-Company facility.

**E5. Road Under-Performance Fee (Outturn/Intake)**

The Client, when undertaking movements from either Company Up-Country Reveal Facilities or non-Company facilities to a Company Port Terminal must ensure their road carrier meets the Minimum Daily Outturn/Intake Tonnages at a particular site (refer Schedule E).

Where the Client's road carrier fails to satisfy the minimum daily tonnage requirement for the site (during a normal weather working day of eight (8) hours), the Client will be invoiced for the shortfall between the required tonnage intake/outurn and the actual tonnage received/out-turned at \$2.00 per tonne.

This fee will also apply for road movements undertaken during Company overtime hours. Where overtime hours have been agreed between the Company and the Client, the Client shall convert the applicable Minimum Daily Outturn Tonnage (based on an eight (8) hour day) into an hourly Minimum Outturn tonnage to determine the effective Minimum Outturn rate for the overtime period. Any shortfall in achieving the Minimum Outturn rate during the overtime period will also be charged at \$2.00 per tonne.

#### **F1. Transfer In-Store Administration Fee**

In-store transfers can be performed either manually or automatically (via [www.ezigrain.com.au](http://www.ezigrain.com.au)). Fees are listed in part F1 and are applied to the purchasing client's account.

If an In-store transfer is made from a Warehouse to the Client, the Client will be charged and will be responsible for all unpaid Storage and Handling Charges that have accumulated to the account of the Warehouse in respect of the transferred Grain.

#### **F2. Outturn Certificates**

An outturn certificate (and copies) for each outturn in the standard Company format, outlining treatment and quality details, is available if requested by the Client. Each outturn certificate will incur a separate fee.

#### **F3. Sample Request**

This fee applies where the Client requests a sample otherwise than is allowed for in the Port Handling and Shipping fee.

#### **F4. Regrade Fee**

This fee applies to all regrades. The regrade may occur at the request of the Client or by direction of the Company. The Company is not bound to regrade at the request of the Client. This fee is in addition to the other fees (including receipt and storage) relating to the delivery of the original parcel of grain regraded

#### **H. Price increases to reflect costs increases related to carbon emissions**

- (a) Each of the following circumstances is a **Pass Through Event** for the purpose of this clause:
  - (i) an Emissions Trading Scheme Event;
  - (ii) a Change in Taxes Event; and
  - (iii) a Cost of Business Inputs Event.
- (b) If a Pass Through Event occurs, the Company is entitled, in accordance with the procedures set out in this clause, to increase the charge prescribed in the Pricing, Protocols and Procedures Manual for the provision of any of the Services in order to pass through to the Client the financial effect of the Pass Through Event.
- (c) If the Company intends to pass through the financial effect of a Pass Through Event to the Client, then it must give the Client at least 30 days written notice specifying:
  - (i) details of the relevant Pass Through Event;

- (ii) the dollar value increase in each charge necessary to absorb the financial effect of the Pass Through Event; and
  - (iii) the date on which the increase in charge will take effect.
- (d) In this clause:

**Change in Taxes Event** means:

- (i) the imposition of a new Tax; and/or
- (ii) a change in the way or rate at which a Tax is calculated, to the extent that the imposition or change:
  - (iii) occurs after the commencement date of this Agreement; and
  - (iv) is referable to the amount of greenhouse gases emitted by:
    - (A) the person who pays or is required to pay the Tax;
    - (B) that person's Controlling Corporation;
    - (C) that person's subsidiaries; and/or
    - (D) any joint ventures or partnerships of which that person is a member.

**Controlling Corporation** has the meaning given by section 7 of the *National Greenhouse and Energy Reporting Act 2007*.

**Cost of Business Inputs Event** means any increase in the cost of a component or material, including fuel, used or consumed in the provision of the Services to the extent that the cost increase is attributable to one or more of the other Pass Through Events referred to in clause (a) above, whether or not the impact of the relevant Pass Through Event on the Company is direct or indirect (including, for the sake of clarity, any cost increase passed onto the Company by the supplier of a component or material used or consumed in the provision of the Services if the cost increase to the Company is attributable to a Pass Through Event).

**Emissions Trading Scheme Event** means the introduction of a law which imposes an obligation upon certain persons to acquire and surrender permits (or some other analogous compliance mechanism) which permits are referable to the amount of greenhouse gases emitted by that person, that person's Controlling Corporation, its subsidiaries and/or any joint ventures or partnerships of which that person is a member.

**Greenhouse gases** means gases that cause global warming and/or climate change and includes:

- (i) carbon dioxide;
- (ii) methane;
- (iii) nitrous oxide;
- (iv) hydrofluorocarbons;
- (v) perfluorocarbons; and
- (vi) sulphur hexafluoride.

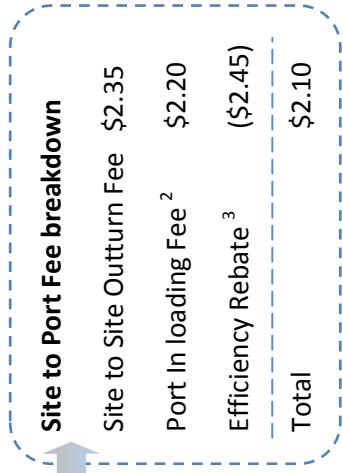
**Tax** means any tax, rate, duty, charge, levy or other like or analogous impost whether at State or Federal level.

# VITERRA™ Export Supply Chain Fees Explained 2010/11

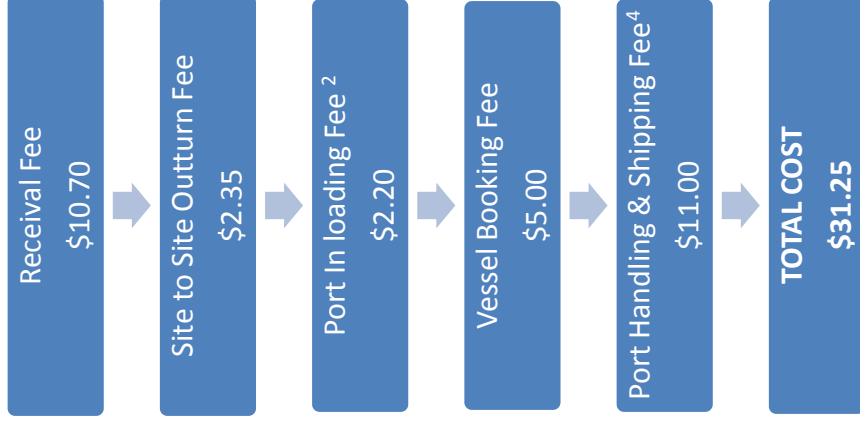
The flow charts below illustrate a marketer's supply chain options and fees for exporting a major wheat grade through the Viterra Storage and Handling network.

## GROWER DELIVERS TO AN UPCOUNTRY SITE

Marketer chooses  
**EXPORT SELECT**

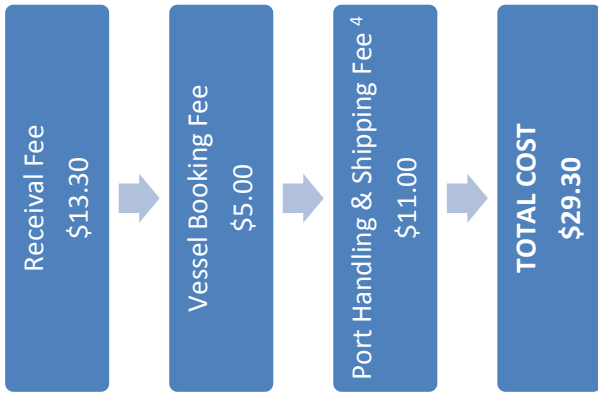


Marketer chooses  
**EXPORT STANDARD**



## GROWER DELIVERS TO PORT

**MARKETER COSTS**



1. Export Select freight charge not included & varies by site. Freight is arranged by Viterra.
2. Port In loading fee varies by transport mode, \$2.20 assumes rail transport utilised.
3. Efficiency rebate varies. \$2.45 is for transfers into Export Select prior to 31 Jan 2011.
4. Rate varies subject to Port and shipping periods – \$11.00 represents Inner Harbor. Freight for Export Standard is to be arranged by the marketer.

# Export Select Supply Chain Cost Comparison 2009/10 v 2010/11

	Upcountry Delivery		Direct to Port	
	09/10	10/11	09/10	10/11
<b>Base Supply Chain Costs</b>				
Receival Fee	\$10.60	\$10.70	\$12.75	\$13.30
<b>Total Receival</b>	<b>\$10.60</b>	<b>\$10.70</b>	<b>\$12.75</b>	<b>\$13.30</b>
Site to Site Outturn Fee	\$2.10	\$2.35		
Port In loading Fee <sup>1</sup>	\$2.20	\$2.20		
Efficiency Rebate <sup>2</sup>	(\$2.45)	(\$2.45)		
<b>Site to Port Fees</b>	<b>\$1.85</b>	<b>\$2.10</b>	<b>\$0.00</b>	<b>\$0.00</b>
Vessel Booking Fee	\$5.00	\$5.00	\$5.00	\$5.00
Port Handling and Shipping Fee <sup>3</sup>	\$9.60	\$11.00	\$9.60	\$11.00
<b>Total Shipping Fees<sup>4</sup></b>	<b>\$14.60</b>	<b>\$16.00</b>	<b>\$14.60</b>	<b>\$16.00</b>
<b>Total Cost</b>	<b>\$27.05</b>	<b>\$28.80</b>	<b>\$27.35</b>	<b>\$29.30</b>

1. Port In loading fee varies by transport mode, \$2.20 assumes rail transport utilised.
  2. Efficiency rebate varies. The \$2.45 transfers into Export Select prior to 31<sup>st</sup> Jan 2011.
  3. Rate varies subject to Port and shipping periods – \$11.00 represents Inner Harbor
  4. Rate varies subject to port and shipping periods.
- Clients still incur carry fees and may be subject to other fees based on service requirements.