May 6, 2008

Committee Secretary
Senate Select Committee on Agricultural and Related Industries
Department of Senate
Parliament House
Canberra, ACT, 2600

Dear Sir/Madam,

I make this submission to the Committee for one reason and one reason only – to hopefully paint a picture of the fertiliser industry from the view of a person that has been a part of, watched and observed changes over the last 28 years.

My name is Greg Barison and I commenced my working life with Pivot Fertilisers (back when they were still The Phosphate Co-Operative Company of Australia) on December 5th 1980. Straight out of Form 5 with a basic Maths Science core, I started in the Laboratory at the Yarraville site as a Sample Tester at the age of 16.

I note my start date for a very important reason – the industry was a very different one back in 1980 as it is to now – 28 years on. The fertiliser industry in Australia from the mid 60's through to the early part of the 1980's (up to 1985 to be more precise) was a protected industry and any finished product coming into the country incurred a bounty that made it cost competitive with locally produced and manufactured product. Over and above this were the well defined borders that stopped fertiliser companies selling into each others states – for example:

The Phosphate Co-Operative Company of Australia trade in Victoria and into Southern NSW
Adelaide and Wallaroo traded in SA
CSBP traded in WA
Australian Fertiliser Limited (AFL) traded in NSW
Incitec traded in QLD
EZ (now Impact) traded in Tasmania
(Of all the above only IPL, CSBP and Impact have the ability to manufacture – but even then, in limited capacity due to imposed restrictions.)

Each of the above had the ability to manufacture and supply, not only single super but a variety of products that we now currently import. To be fair, our manufactures were never to the production level of the overseas suppliers – but what we produced was of a quality that was more than compatible with imported product. I can only reflect from the point of view of The Phosphate Co-Operative Company of Australia at the time, but dare say all the others were in a similar position in the early eighties.

When I started, my first role with The Phosphate Co-Operative Company of Australia was that of a sample tester. Along with a manufacturing plant we also brought stock from AFL and that was trucked down from Newcastle. My role was to test the product coming into Yarraville in trucks – we had 3 products that we brought from AFL; Double Super, Starter 18 (now known as DAP) and Starter 12 (now known as MAP). We also brought in sulphate of ammonia crystalline from BHP to go into blends. We manufactured a variety of products and we had the ability to manufacture compounded fertilisers – fertilisers that had all nutrients in the one granule. At the Yarraville site we had anhydrous ammonia tanks that supplied the N, phosphoric acid and sulphuric acid tanks to react with rock to produce SSP (single super) and TSP (triple super) that supplied the P and potassium chloride that was added to supply the K. This was the Yarraville site, The Phosphate Co-Operative Company of Australia other 2 sites were Geelong and Portland and their role was to produce SSP and lots of it. Yarraville was traditionally the cropping supplier and the other two supplied the pasture market. This was Victoria and I dare say the other states were all in a similar position.

In 1984 a committee was established by the then Hawke government – at the request of the farming community – to look into the bounty and the lifting of… reason being, if fertiliser could be sourced at better pricing then it should be available. All the manufacturers argued against… as you would expect, siting the demise of manufacturing as the outcome if the bounty was removed. Australian manufacturing – until the completion of the Phosphate Hill project - could never compete with manufacturing plants overseas. In 1985 the bounty was removed and the industry started to change. Manufacture did suffer and plants started to close – and true competition started in the industry with HiFert starting up operations in all states.

On top of the demise of manufacturing the borders that defied all the fertiliser companies came down, takeovers started (the most notable early one in 1990 was Pivot's acquisition of TOP Adelaide – the

old Adelaide Wallaroo). Not sure when, but Incitec had taken on the old AFL site in Newcastle… gloves were off and Pivot moved north and Incitec south. The removal of competitors had started and the number of suppliers was getting smaller. The only difference back then was (up to late 90's early 2000), traders – due to the availability of supply and suppliers on the world market – had sprung up (eg: in Victoria – Backery Fertilisers, Far Eastern Fertilisers to name 2). Overheads were minimal and there ability to compete was strong. Fertiliser – in many cases – is a bulk commodity easily stored and despatched using very basic techniques. Traders used these methods and they drove pricing down. Major suppliers had no choice but to match pricing.
It is my opinion that traders were to eventual demise of Pivot and the eventual merger / takeover by Incitec to form IPL.
In my own way, I hoped that I might paint a picture of where we were and where we are at. No industry can escape change and many industries have had to merge to survive – fertiliser is no different. The industry was once protected and then thrust into competitive market that it was unfamiliar with. Companies suffered and people lost their jobs due to rationalisation – again, no different to other industries.
But as the changes occurred through the 80's and 90's the challenges being faced now are far greater. The fertiliser companies have painted a picture – unfortunately a very realistic picture:

1. Supply is tight and world suppliers – at present and in the short term – cannot meet projected demand. Plant capacities have been caped and plants shutdown over the last few years. Demand increased and suppliers weren't ready… this will change.
2. Biofuels are eating up fertiliser stocks. As the world demand increases for Biofuels fertiliser for food crops are being drawn on… this will be an issue and an issue that the world as a whole needs to address. Biofuels are not the answer and countries need to be very careful and scrutinised.
3. Fertiliser is a traded commodity and as such pricing is set by the world markets. Arguing that companies are monopolising and forming cartels to protect the high prices is born by not understanding how the market works…

It is a difficult time for farms and in the short term it will not ease up... but it will. I believe the answer to the current plight is suppliers (IPL, HiFert, CSBP, Impact, etc…) working with distributors and the end users to better utilise the current supplies at hand and develop farming techniques that minimise fertiliser required to produce crops – whatever crops they might be. Farming has to become smarter and the utilising of input - not only water as we already have done – needs to be addressed.

On a final note, I am still involved in the industry now working for Campbells Fertilisers, a wholly owned fertiliser company of E E Muir and Sons. We specialise in horticulture more than broadacre and pasture, but we have not escaped the inherent issues faced by all in the industry. The industry is one that I have now been involved with for 28 years; it is an industry that I enjoy being a part of and feel for all involved… it will get better, just not in the short term.

Thank You.

Greg Barison