

# Airpasture

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Senate Select Committee on Agricultural and Related Industries  
Department of the Senate  
PO Box 6100  
Parliament House  
Canberra ACT 2600  
Australia

Dear Sir/Madam:

I am an Agricultural Pilot & Company Manager based at Scone in the Hunter Valley NSW. The company that I Manage and Operate specialises in the spreading of Fertiliser in hilly and mountainous terrain, by aircraft where the terrain is unsuitable for ground based operators.

Over the years the amount of work we do has decreased and now is about 50% of that 10 years ago. 10 years ago this business employed 4 fulltime staff and 2 casual it now employs 1 fulltime and 1 casual. This decline is brought about by many factors some of which include, land subdivision, different uses for the land, economic pressures on farmers and the drought which you no doubt would be aware of. Drought being the biggest factor in the downturn.

The drought seems to have broken here for the last year or so and we were looking forward to better times over the next few years. This appears to have all changed now with the current fertiliser prices on offer.

|               |               |                    |                |
|---------------|---------------|--------------------|----------------|
| Jan-June 2007 |               | July-December 2007 |                |
| Compared to.  | + 38% in 2008 | Compared to        | -43.9% in 2008 |
| Jan-June 2008 |               | July-December 2008 |                |

Table shown above indicates tonnages spread for 6 month periods for Airpasture. You will note that in the first 6 months of 2008 tonnages were up on the previous year. This was due to word getting around about the price rises that were occurring on a weekly fortnightly basis at times and one new customer doing a large tonnage. *If we took the new customer out of the figures it would be basically the same as 2007.* Most of this work was ordered or contracted before prices really started to rocket upwards.

The worrying figure for me is the 44% down for the last six months of the calendar year. If this continues we will be doing 20 to 30% of the work 10 years ago, and if we can now only justify 1 permanent and 1 casual how sustainable will the business and employment prospects will be in the future.

I am not the only one in this situation there are other aerial spreading companies in the same situation. While not having spoken to ground applicators, speaking to transport companies who cart fertiliser they are doing virtually no fertiliser carrying in pasture spreading areas. In fact only one load has been carted way less than 10% of last year. While the full year figures shown above are down 10 to 15%, on 2007 figures, Jul-Dec 2008 figures are the worrying thing as this is when the high prices took full effect. We are hoping this is not the start of a further decline to unsustainability.

From January 2008 to November 2008 Single Super has basically doubled in price and SF45 has done a similar thing. These products would be approximately 90 % of our work volume in an average year. We also bid on forestry contracts which if won could be 30 % of our work. Changing the Single Super work to approx 70% of total tonnage if we are successful with the forestry contracts. Last year the forestry work was down 30 % due to fertiliser pricing.

While price began to rise early last year the price rises really seemed to accelerate post April 2008. This as I understand is when the Chinese Govt put a tariff on fertiliser exports in the order of 100% I believe. This appears to have had the effect of

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removing the cheaper and only real competition in our area. This price rise only relates to Single Super products however reading the evidence on your enquiry the MAP, DAP, UREA products did similar things.

We that are affected by the current pricing situation have all read the headlines about how that fertiliser prices have dropped substantially, while that is true of MAP, DAP, UREA products the same cannot be said for Single Super type products. The price of these products has not reduced at all off the peak.

Speaking to Farmers and supplying Agents it seems a very gloomy outlook for contractors such as myself. Farmers are basically saying that they will wait for the price to reduce before committing to or doing anything. So we have a mexican standoff. Fertiliser Company's saying we won't drop the price until current stocks are sold or price of inputs reduce and Farmers not willing to do anything until the price drops.

It was only a few months ago that Incitec stated that they couldn't drop the price of fertiliser until current stocks were exhausted. Then a few weeks later as word got around about another importer, Incitec dropped their price approx \$600 per ton on DAP, MAP, and slightly less on UREA, which coincidentally was what Direct Fertiliser Imports were going to import and also was slightly cheaper than Direct Fertiliser Imports pricing.

In recent article in the Land newspaper that the Australian Fertiliser Services Association President Rod Abbot, claimed that the price of rock phosphate hadn't fallen as yet and that was the reason for the static price of Single Super Products. According to ICIS pricing on FERTILIZERWORKS website shows that:

- Sulphur has dropped from approx \$800 us per ton in June 2008 to \$50 us per ton in December 2008 this element is approx 11% of Single Super.
- Phosphorus being approx 9% of Single Super compared to 20% of Map & Dap.
- Following on from this it seems 1 of the 3 major elements of single super is now less than 10% of its price at the peak and if what he states as correct in that the rock phosphate being the reason the price is static why has MAP fallen so far when one of its 2 elements analysis is 22% Phosphate and Phosphate is static pricing wise. Nitrogen 10% of MAP analysis, and is approx 25% of its price at the peak. Phosphate is a much larger volume of MAP. MAP has fallen 30 to 40% and Single Super pricing is static. Why? Competition?

It seems to me there are lot of questions to be answered regarding pricing and inputs to create the products. While not against making money it seems to me that the pricing is unreasonable at the moment considering information as to the price of inputs. If the situation over the last 12 months regarding pricing and supply is what competition produces perhaps there is a place for government regulation or controls being introduced in this sector.

As a passing comment this morning I heard that a major fertiliser company has sold 10% of the volume of Single Super that they did at the same time last year.

Speaking with agronomists they are suggesting that at current pricing of Single Super Products compared to January 2008 prices, the cost to use fertiliser by aerial application is approximately halving the profit per hectare for a farmer. This example would be very similar if using ground based applications although slightly less.

From where I am sitting unless someone is able to provide serious competition to the major Fertiliser players on the East Coast and indeed the whole of Australia, the volume of food produced off of the limited agricultural land available, our businesses, and employment in this sector is very uncertain to say the least. If this current trend of work reduction continues for Airpasture it will not be sustainable.

Sincerely,

Greg Maslin

Airpasture