

Viterra and Wheat Export Marketing

Key points Viterra made to the Productivity Commission

- Viterra supports the Productivity Commission's draft findings that the current level of regulation that applies exclusively to the exporting of bulk wheat imposes unnecessary regulation and costs on the Australian industry.
- **Viterra supports the Commission's findings that Part IIIA of the Trade Practices Act 1974 is an appropriate regulatory framework to deal with the issue of access to port terminal services following the withdrawal of the access test.**
- Viterra also supports the Commission's finding that the transition from the single desk to competition has "progressed remarkably smoothly and [that] the industry is performing well under the new arrangements".
- Viterra acknowledges that in the space of just two harvests, the industry has facilitated the rapid and orderly transition from one bulk wheat exporter to more than 29 exporters. However, the benefits have also come at a significant and continuing cost.
- Since October, a number of different parties have exported bulk wheat through Viterra's port terminal facilities, and **approximately 75% of the bulk wheat exported through Viterra's facilities during the 2009/10 harvest has been by non-Viterra parties to date.** This clearly demonstrates the access that other exporters have to terminal facilities and the South Australian shipping stem.
- Viterra believes that the timeframe for winding back the unnecessary and costly multiple layers of regulation should be accelerated. Our view is **there is no justification for extending the accreditation requirements or the access test beyond 30 September 2010.**
- We acknowledge that this timeframe may not be possible given the necessary Commission and governmental processes. Accordingly, if it is not feasible to cease the accreditation requirements before 30 September 2011, we consider that the application of the access test should also cease on that date.
- **Viterra cannot understand why there needs to be greater regulation only for wheat, as opposed to other commodities,** especially when the transition from the single desk to competition has progressed so smoothly.
- In 2009/10 to date, exports of bulk wheat accounted for less than 50% of all grain exports from Viterra's port terminals, yet there is no similar regulatory body – with statutory powers to compel audits and compliance with accreditation conditions – in relation to the export of any other agricultural commodities.
- We are encouraged that our view is consistent with the Productivity Commission's draft report which states that "there is no persistent market failure that requires government intervention in the bulk wheat export industry. There is nothing particular about wheat that requires a system of accreditation that other grains and agricultural commodities markets do not have".
- Viterra also supports the Commission's draft recommendation that the WEA should be disbanded at the same time as the accreditation system. **The most significant costs associated with the access test, and any unnecessary regulation, is the strong disincentive for future efficient investment in infrastructure.** Viterra believes ongoing investment is vital if the grain industry is to continue to grow and innovate and this requires an environment that encourages investment, not one which is blocked by excessive regulation.
- Viterra has invested more than \$150 million into its state-of-the-art grain export terminal at Outer Harbor, along with continued investment and maintenance of its 106 up-country sites and eight port terminals.
- **Viterra has an infrastructure heavy model.** Unlike other grain companies, **we invest in building new infrastructure and maintaining existing facilities** and we are constantly working to attract grain into our system. **It is in our economic interests to generate as much volume through our up-country and port sites as possible.**
- Viterra acknowledges there are strong commercial incentives for port operators to continue to provide access for third party customers to port terminal infrastructure on reasonable terms. This was the case prior to the current access undertakings and remains the case in relation to other non-regulated grains.
- There is a strong history of Viterra providing – and powerful commercial incentives for Viterra to continue to provide – open access to its port terminal facilities on reasonable terms.
- Viterra believes the industry is heading in the right direction and acknowledges there will be further opportunities for improvement as the industry continues to deal with deregulation.

Viterra and Wheat Export Marketing

Update on recent shipping through Viterra's export facilities:

- **More than 600,000mt of grain was shipped from Viterra's South Australian ports during May**, making it the second largest month of shipping since 2002 and **the largest month of shipping since 2004**.
- It was also a diverse shipping program, with **seven different exporters exporting a range of commodities**. As well as the traditional feed barley and wheat cargoes, other commodities to be exported included malt barley, canola, lentils and legumes.
- Ten companies have shipped from the Viterra storage and handling system in 2009/10, with the top 3 companies representing 70% of total exports.
- In 2008/09, nine companies shipped from Viterra's system, with the top 3 companies representing 80% of total exports.
- In the last two months, total shipping has been 1.2 million of the year-to-date total of 2.6 million, representing a significant increase in shipping following a slow start to the year.
- At the same time last year, 2.5 million tonnes had been shipped through Viterra's port facilities.
- **So far in June, we have already shipped an additional 228,000mt and there are reasonable bookings until end of July.**

Viterra's business model

- In Australia, Viterra's operations are focused on grain handling and marketing, agri-products and malt. We have what we call a 'pipeline' approach, which means we are committed to working closely with our grower customers to buy grain and deliver it to our end use customers.
- Viterra works on a daily basis to **strike a balance between its many stakeholders**. This includes working closely with our clients, the grain exporters that utilise our network, as well as maintaining a strong relationship with our grower customers.
- With an Agri-products division selling inputs directly to growers, coupled with a dedicated grain marketing team buying grain directly from growers, **Viterra has a very grower focussed business model**. This model is underpinned by an attitude that **Viterra has to "earn the right to be a grower's partner of choice"** on a daily basis.
- Some of Viterra's industry and community investments include:
 - A multi-million dollar R&D program
 - A Community Fund that has invested more than \$500,000 in rural communities since its inception in 2006
 - A grower education program
 - An extensive sponsorship program, which includes support for various rural initiatives, grower groups and agronomic associations.
- Viterra also employs a significant rural workforce, which includes a dedicated team of employees on the ground, living and working in grain growing communities across Australia.