Australian Competition & Consumer Commission

Co-operative Bulk Handling Limited - proposed variation to 2011 Port Terminal Services Access Undertaking

Submission

W.A. Grains Group (Inc)

May 2013

CONTACT
Doug Clarke
W.A. Grain Group (Inc) Chairman
PO Box 53, LAKE GRACE WA 6353
Telephone 08 98654041
wagrainsgroup1@bigpond.com
www.wagrainsgroup.com.au
While ACCC is asking for industry comment concerning the proposed variation to ‘CBH 2011 Port Terminal Services Access Undertaking’, we, the WA Grains Group, ask that consideration to this variation should include any negative affect that this may have on the growers of Western Australia.

Under the existing auction system, large discrepancies in prices offered to growers have appeared between the Ports in WA. The accepted difference in ocean freight has been approximately $2/t from port to port. As can be seen on the graphs supplied by Daily Grain there has been price variation in some grain of up to $43/t. The variation between the ports is increasing as the year proceeds.

This is a huge distortion in the market due to logistical problems within the CBH system we consider that some of this distortion is caused by the current system of paying a high price for the shipping slots. The high prices paid for the shipping slots results in marketers paying more in one Port Zone and less in another. We are told that the price is pushed up initially by CBH Grain securing their shipping slots of 4 to 5 million tonnes of shipping, it does not matter what they pay as the money goes from one division of CBH to another division of CBH. This is revenue neutral for CBH compared with other marketers having to actually find the money to pay for the slots.

Discrepancies in port zone pricing have blown out since harvest, with the grain that has been delivered into the CBH system. Should farmers try to get the best value for their produce and try to move grain from one port zone to another within the CBH system they face an outturn fee or the difference in freight (this can be costly and is not available to all growers in all zones). In 2007/08 this outturn fee was $2.90, it is now $8.90 for the 2012/13 season which is an increase of 307% in 5 years.

Other points to consider;

- The growers always pay for the distortions in the market.
- CBH under this system should be able to offer the best prices to growers consistently but this is not happening.
- Increased competition at port means increased efficiencies.
- If the monopoly company holds the grain, knows the stock available, controls the supply chain and ports, (including shipping slots capacity) then is also a marketer, it is open to a conflict of interest.

In closing we again ask that any changes made to the ‘CBH 2011 Port Terminal Services Access Undertaking’ need to take into consideration the affect that this may have on the growers of Western Australia.
Difference in price between Geraldton and Esperance is $35

Difference in price between Geraldton and Albany is $38
Difference in price between Albany and Esperance is $43

Difference in price between Albany and Geraldton is $43
Difference in price between Kwinana and Albany is $17

Difference in price between Kwinana and Geraldton is $35