Western Australia after deregulation: the CBH perspective

Friday, 22nd July 2011
A Co-operative - Impact on grower members

CBH Group – Deregulation initiatives and issues still to face

- Storage, handling and logistics
- Marketing
- Regulation, deregulation and re-regulation?
Deregulation implications

- Only 2 customers were obliged contractually to use rail.
- Leakage from rail system to road growing markedly.
- Different transport resources were being presented at sites.
- In large harvest years CBH couldn’t guarantee access to transport resources for all customers.
- Transport resources were not being maximised - increasing environmental damage & safety concerns on country roads.
- Multiple site access – added cost of cargo accumulation
- Break fumigation protocols and increased costs of refumigation pushed back to the customer.
Pre deregulation
2 export owners – 3 sites for 1 cargo

55,000 tonnes

17,500 t
22,500 t
15,000 t
Post deregulation potential
20+ export owners – 37 sites for 1 cargo

55,000 tonnes
Grain Express objectives:

- Streamline grower receivals.
- Provide growers with full and flexible marketing options.
- Virtual grain deliveries – acquirers buy at all 197 receival points.
- Secure investment and encourage better utilisation of the transport network.
- Minimisation of freight charges.
- Lower supply chain costs – provision of single acquisition, storage, transport and port loading services to all acquirers at a uniform price.
- Remove supply chain “chaos”.
Post Grain Express
20 export owners – 3 sites for 1 cargo

55,000 tonnes

17,500 t

22,500 t

15,000 t
Grain Logistics – WA Rail network

WA Network 2010  ➔  WA Future Network Proposed
Loss of the Tier 3 rail network in WA

- Increasing damage to roads
- Conflicts between industry and local communities – traffic
- Increased road transport impacts in Metropolitan districts
- Additional capital needs at receival points – road outturns conflicting with growers deliveries
- The environmental foot print will increase due to additional road usage
  - Trains are 5 times more environmentally efficient
- Increasing freight costs to growers
Deregulation through the eyes of the CBH Group
Linking growers to customers
Export marketing on behalf of the WA grower

- Technical focus, managing quality – not just the sale of grain
- Provide industry technical support, without external funding
- Have provided an industry good function in export markets for WA grain since deregulation
- Provision of traceability for customers back through the supply chain.
How is deregulation working?
More choice

2010/11

Under Grain Express
Grower has 60 customers 461 marketing options
More choice, more advice

- Business relationship manager network throughout WA.
- 80 consultants/advisors now operating in WA (around 20 companies).
- Business management consultants also moving into market advice.
- Top 10 WA grain marketing advisors manage 2 – 3 million tonnes
Deregulation – Price discovery

More transparency
- CBH Grain pools are independently audited with direct governance oversight by grower Directors
- Information is freely available on market movements and global SnD’s. Growers can and will make decisions faster than before.

Track market has become more liquid
- Players are operating in different spheres to provide multiple points of liquidity to all market participants:
  - FOB or direct grower accumulation

East-West differential?
- Difficult to attribute to deregulation
- WA premium re-established reflecting freight/logistics benefits and prices based on export parity in most years
Port access undertakings submitted to ACCC for 2011/12 harvest
- GrainCorp
- Viterra
- CBH

Re-regulation of Australian grain ports imposed by WEMA 2008 access requirement:
- Increased costs and decreased flexibility associated with grain ports
- Differential treatment between port operators – not all grain ports in Australia are regulated

Grain Express revocation by ACCC
- CBH appeal pending
Creating and returning

VALUE

... to our growers

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