

CREATING AND  
RETURNING VALUE  
TO GROWERS

# PORT ACCESS AND SHIPPING OF AUSTRALIAN GRAIN

Presented by Colin Tutt  
GM Global Food Supply Chain  
November 2013



---

# BACKGROUND

How the Australian grain export environment has changed

# EXPORT ENVIRONMENT

From single desk to deregulation



SINGLE DESK

DEREGULATION

# EXPORT ENVIRONMENT

## Regulation vs Deregulation



### REGULATION

### DEREGULATION

2 major exporters

21 accredited exporters



Standard industry transport capacity

Uncapped transport capacity



Even shipping demand

Uneven shipping demand



Risk taken by grower (national pool)

Increasing risk taken by acquirer (cash)



Full understanding of supply chain

Limited knowledge of supply chain



Long term relationships with markets

Short term, opportunistic spot markets

---

# PORT ACCESS

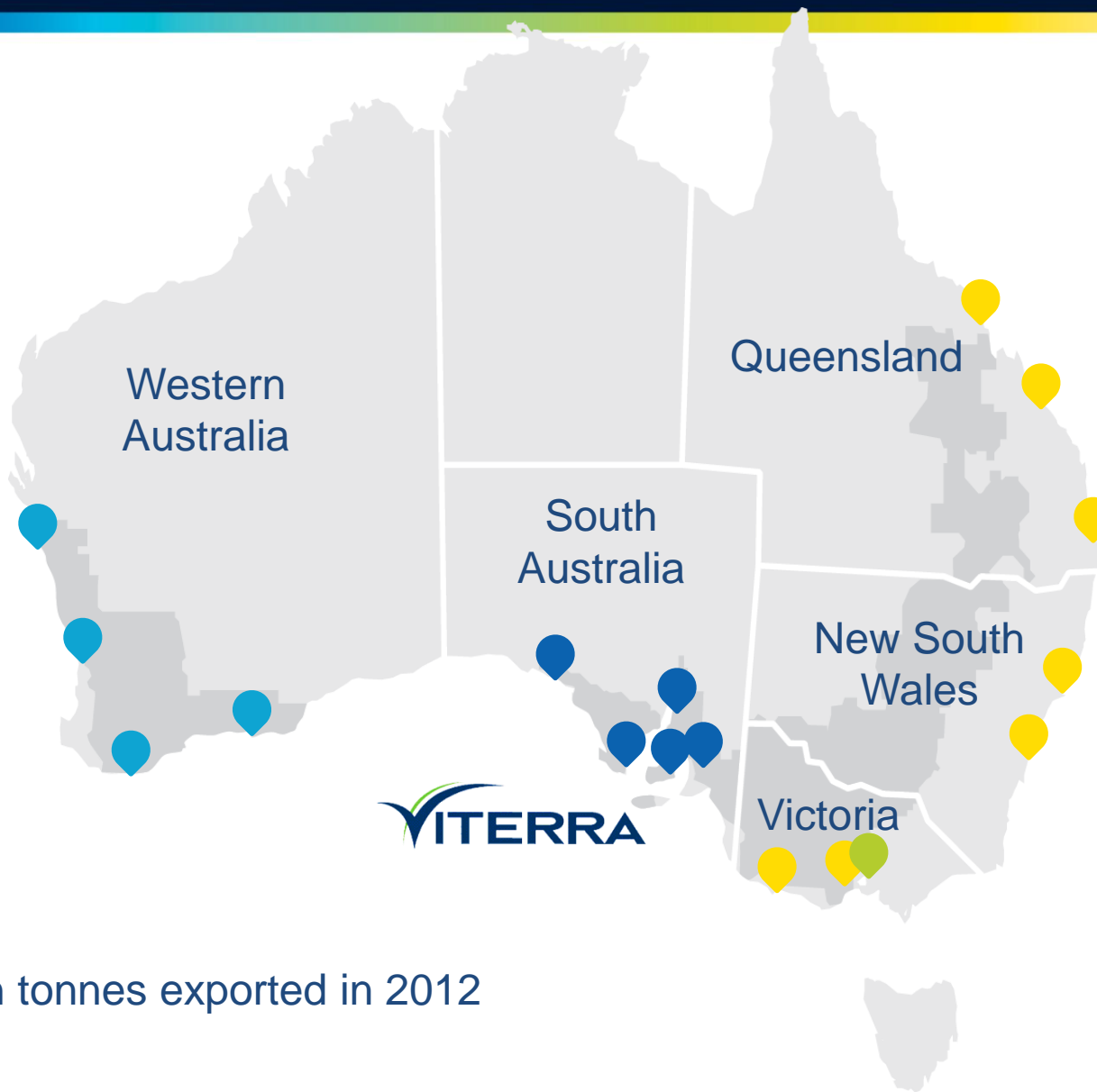
Bulk handlers must provide access to grain port terminals

# PORT ACCESS

## Australian grain ports



Australian Bulk Alliance



17 ports

30.8 million tonnes exported in 2012

# PORT ACCESS

Port operators must provide access to ports they operate



---

Port operators must provide access agreements to exporters who wish to use port services

---

Port Access undertakings are currently required from the 4 major port operators until October 2014

---

A mandatory 'Port Access' code of conduct covering all wheat export ports may then be imposed under generic Australian competition law





---



# PORT ACCESS

## Differences between bulk handlers



Bulk Handler	Monthly Port Capacity	Annual Port Capacity	Port Capacity Allocation
 GrainCorp	970,000mt	11.6mmt	Booking form
 Australian Bulk Alliance	90,000mt	1.8mmt	Booking form
	570,000mt	6.8mmt	Auction system & Booking form
	1mmt	12mmt	Auction System & Booking form

---

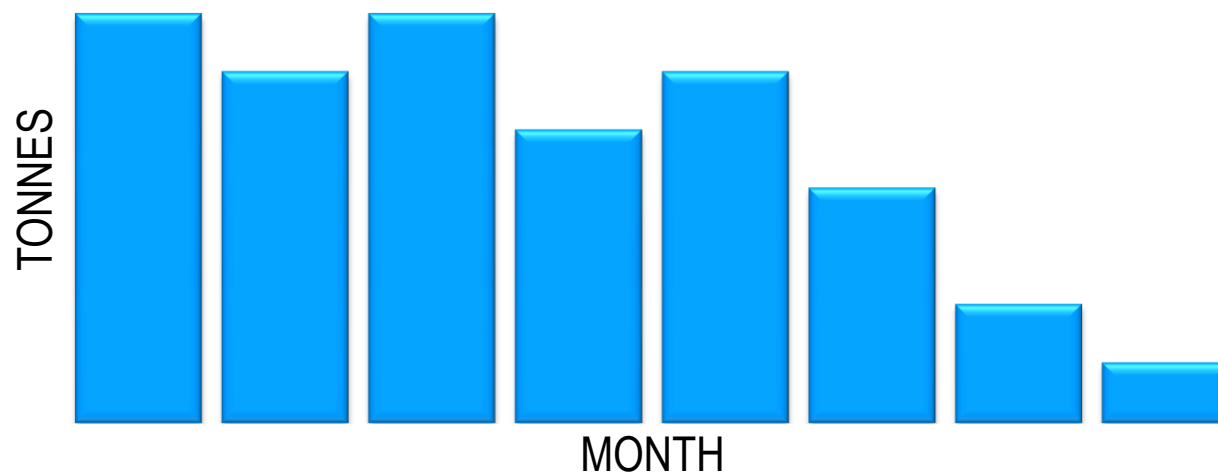
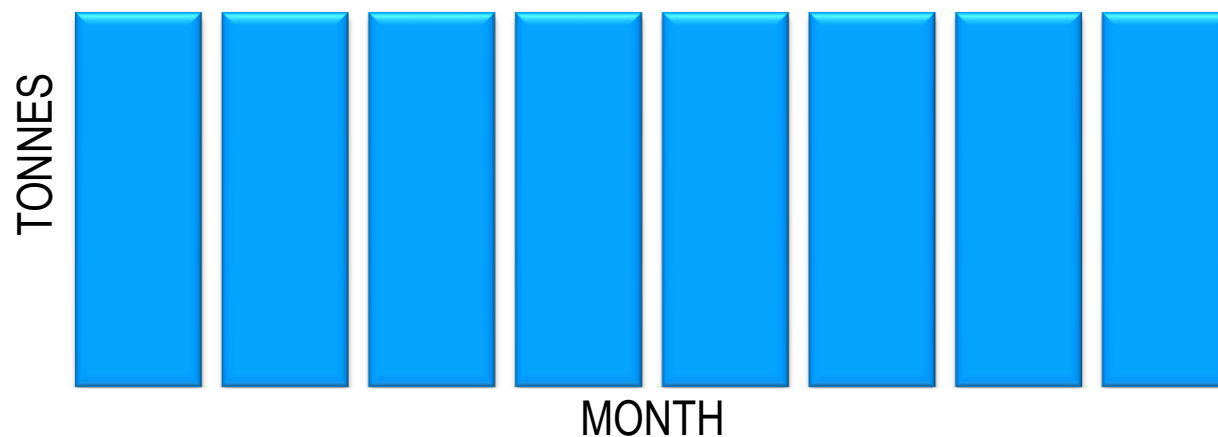
# PORT CAPACITY AUCTION SYSTEM

The Western Australian solution



# EXPORT ENVIRONMENT

Demand for shipping changed



# SUPPLY CHAIN

Store > Move > Load



**197 SITES**  
**10mmt AVG INTAKE**

**RAIL ASSETS**  
**ROAD CONTRACTS**

**4 PORTS**  
**2.8mmt STORAGE**

TOTAL CAPACITY

**20**

**MILLION  
TONNES**



TOTAL CAPACITY

**13**

**MILLION  
TONNES**



TOTAL CAPACITY

**50**

**MILLION  
TONNES**



**STORAGE**

**TRANSPORT**

**PORT**

# SUPPLY VS DEMAND

How do we match it?



# PORT CAPACITY AUCTION SYSTEM

Let the market decide



---

Supply is finite, demand is infinite

---

---

The market places a value on the supply

---

---

Driven by the demand

---

---

Hosted and managed by an independent party

---

---

Fair and transparent – equal access to all

---



# PORT CAPACITY AUCTION SYSTEM

## How does it work?



### Port Capacity Auctions

2nd Annual Period Auction 2013/14 | Start: 2 Oct 2013 07:30 AM WST  
Welcome **Chanelle Moltoni** !

[Bid](#) [Bid history](#) [Bidder details](#)

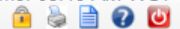
Time until round 2 ends :

**00:09:00**

**AUCTION IN PROGRESS**

Help Desk (03) 9016 9419

Server time: 08:10 AM WST



Total supply: 2,778,000 mt

Total spread: **1,208,453** mt

Avg. premium in this auction \$0.00

My volume limit: 0 mt

My current total bid: 0 mt

My current total spend: \$0

**LOTS ON OFFER**

**SUPPLY**

**DEMAND**

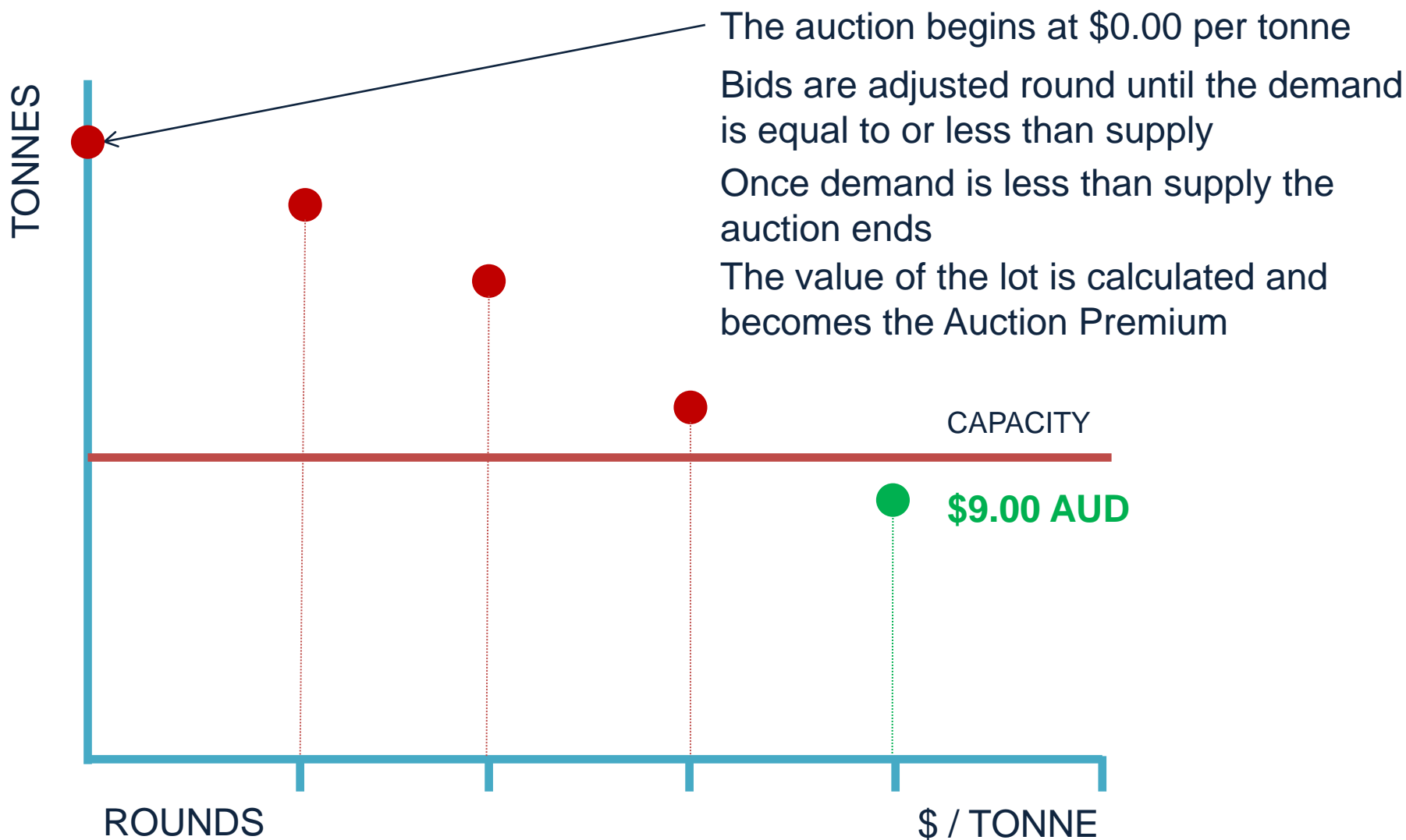
**PRICE**

Watchlist only: ☐ Port: **All** From: **All** To: **All**

Select	Watch	Lot Number	Port	Shipping period	Season	Capacity type	Supply	Total demand in mt (previous)	Spread	My demand in mt (previous)	My demand in mt (current)	Current price/mt
<input type="checkbox"/>	<input type="checkbox"/>	2191	Kwinana	16-31/12	2014	Core	100,000	0	100,000	0	0	\$4.00
<input type="checkbox"/>	<input type="checkbox"/>	2192	Esperance	16-31/12	2014	Core	20,000	20,000	0	0	0	\$4.00
<input type="checkbox"/>	<input type="checkbox"/>	2193	Geraldton	01-15/01	2014	Core	20,000	16,000	4,000	0	0	\$4.00
<input type="checkbox"/>	<input type="checkbox"/>	2194	Kwinana	01-15/01	2014	Core	20,000	20,000	0	0	0	\$4.00
<input type="checkbox"/>	<input type="checkbox"/>	2195	Geraldton	01-14/02	2014	Core	10,000	0	10,000	0	0	\$4.00
<input type="checkbox"/>	<input type="checkbox"/>	2196	Kwinana	01-14/02	2014	Core	85,000	145,030	-60,030	0	0	\$4.00
<input type="checkbox"/>	<input type="checkbox"/>	2197	Esperance	01-14/02	2014	Core	40,000	110,040	-70,040	0	0	\$4.00
<input type="checkbox"/>	<input type="checkbox"/>	2198	Kwinana	15-29/02	2014	Core	20,000	40,020	-20,020	0	0	\$4.00
<input type="checkbox"/>	<input type="checkbox"/>	2199	Esperance	15-29/02	2014	Core	30,000	60,030	-30,030	0	0	\$4.00
<input type="checkbox"/>	<input type="checkbox"/>	2200	Geraldton	01-15/03	2014	Core	5,000	0	5,000	0	0	\$4.00
<input type="checkbox"/>	<input type="checkbox"/>	2201	Kwinana	01-15/03	2014	Core	40,000	105,040	-65,040	0	0	\$4.00
<input type="checkbox"/>	<input type="checkbox"/>	2202	Kwinana	16-31/03	2014	Core	10,000	20,000	-10,000	0	0	\$4.00
<input type="checkbox"/>	<input type="checkbox"/>	2203	Esperance	16-31/03	2014	Core	20,000	40,000	-20,000	0	0	\$4.00

# PORT CAPACITY AUCTION SYSTEM

How does it work?



# PORT CAPACITY AUCTION SYSTEM

An example



---

**Port:** Kwinana

**Shipping window:** 1-15 February

**Capacity on offer:** 350,000 tonnes

**Auction demand:** 700,000 tonnes

**Start Price:** \$4.00AUD per tonne

**Auction Premium:** \$20AUD per tonne

---



# PORT CAPACITY AUCTION SYSTEM

## Auction Premium



---

Auction premiums are held by CBH in a 'pool'

---

It is then returned to exporters that ship auction capacity throughout the year as a rebate

---

The auction premium rebate is an average across all tonnes purchased in the auction

---

Auction tonnes not shipped forfeit the premium, which remains in the pool

---

# PORT CAPACITY AUCTION SYSTEM

## Benefits



---

Allocates capacity fairly and transparently

---

All participants are on a level playing field

---

Flexibility to move capacity to another shipping window

---

Capacity can be traded on a secondary market

---



# PORT CAPACITY AUCTION SYSTEM

## Challenges



How do we increase supply to match demand?

Capacity restrictions - how do we increase the tonnes to port?

Are there better ways allocate finite resources?



# CBH GROUP Our business

## OUR CUSTOMERS

Flour millers, Maltsters

Feed manufacturers

Food processors



## OUR GROWERS

4500 members

10-14 million tonnes  
production

Largest Co-op in Australia



## PROCESSING

6 flour mills: Vietnam,  
Indonesia, Malaysia

1 million tonne demand

70% from Australia



## STORAGE & HANDLING

197 sites

4 ports

20 million tonnes  
storage capacity



## SHIPPING

Load 10 million tonnes  
per year

Stevedoring

Charter 2 million tonnes



## MARKETING & TRADING

Market 6 million tonnes

WA & EA Accumulation

Export to Asia,  
Middle East, Europe

Largest wheat exporter  
in Australia

