



Managing the Western Australian Grain Supply Chain in a Changing Environment

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Grain Operations

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- 
- A large solar tower (CSP) system is shown, featuring a central receiver tower and a field of heliostats (mirrors) that reflect sunlight onto the receiver. The heliostats are arranged in a grid pattern, and the receiver tower is a tall, cylindrical structure. The scene is set in a bright, sunny environment, likely a desert or a high-altitude area. The heliostats are white and have a ribbed texture. The receiver tower is a dark, cylindrical structure. The overall scene is a high-angle view of the solar tower system.
- **More adaptive**
 - **Need to change**
 - **Need to listen**

- **Storage**
- **Transport**
- **Shipping**





What has changed?

Regulated Environment

Two major exporters

Standard industry transport resource

Even outturn of grain for shipping

Quality focus

Risk taken by pool "Grower"

Full understanding of Supply Chain Operation

**W
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De-Regulated Environment

21 WEA Marketers

Uncapped transport capacity

Uneven outturn of grain for shipping

Different views & requirements of quality

Increasing risk taken by Marketers

Limited knowledge of Supply Chain Operation

Our previous supply chain



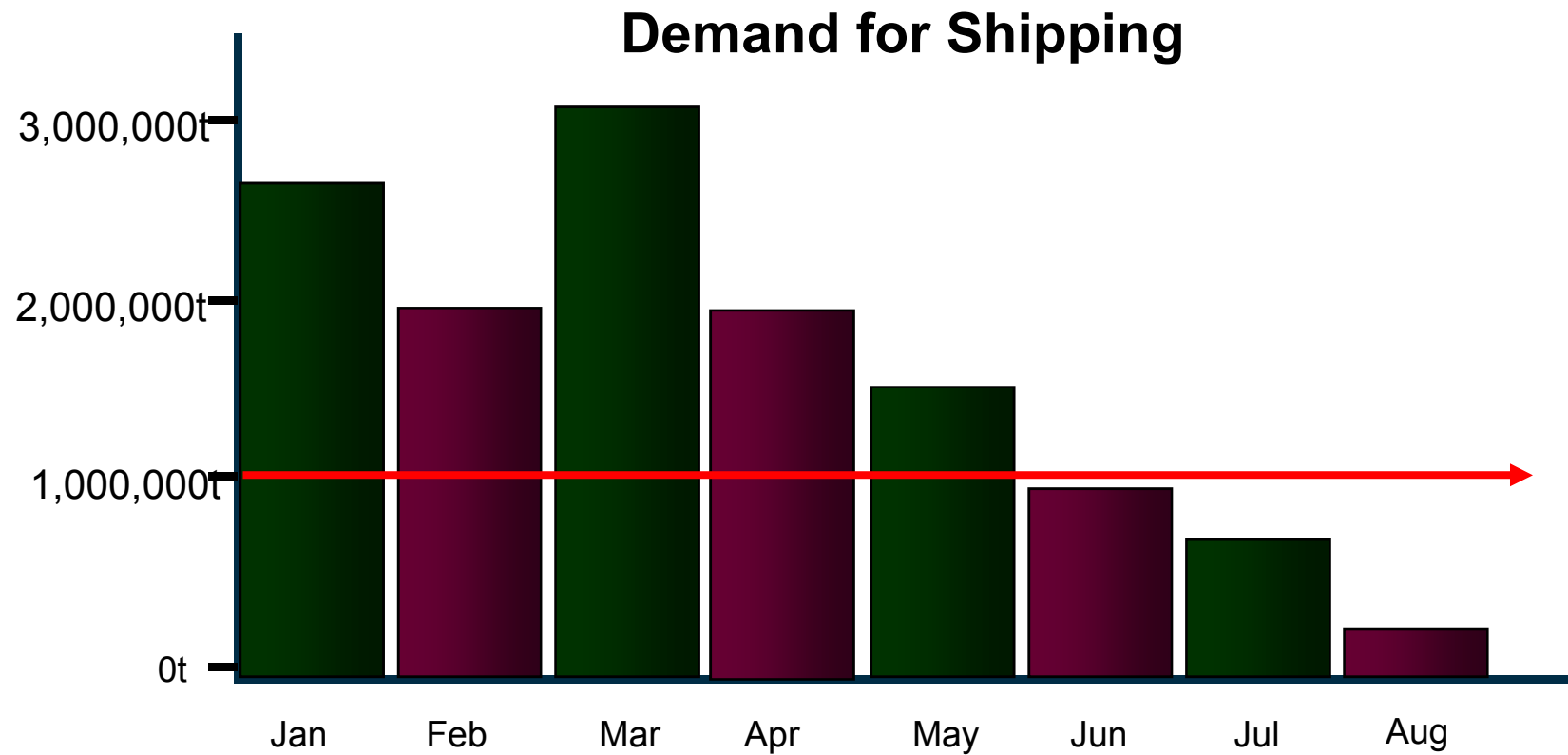
Two customers: AWB & GPPL



The future supply chain



Multiple Customers





How did we perform?

Grain Express failing to meet loading pressures

Farm Weekly March 5, 2009

and most cost efficient option and will bring the most economic benefits for growers and the industry as a whole."

However, it was a different story at a meeting held after the breakfast where members of the WA National Agricultural Commodity Marketing Association (NACMA WA) received a similar presentation.

NACMA-WA spokesperson Anthony Fitzgerald said while the mood of the closed meeting was mostly positive, several issues still needed to be progressed.

Mr Fitzgerald said Grain Express was a major proposal for change to the way grain was handled.

He said each of the individual issues relating to that change, needed to be addressed thoroughly before a final opinion could be formed on it.

The main focus of questioning will be on CBH's ability to manage grain quality.

Mr Fitzgerald said how freight charges were calculated, and flexibility in setting price signals for the movement of grain to port, whether for bulk exports or in containers, would also be a key concern of the questions.

"Of course CBH has the support of the industry because they have a specific

important details.

"We have asked questions to them for the near future to

"There's no doubt it's thorough because

"We have to be

A bid by grain storer and handler CBH to handle transport with its storage and handling services, giving it greater control of the WA grain supply chain, will be put to Australia's competition watchdog in June.

Dubbed Grain Express, CBH sees its new concept to manage stock as "industry solution" for dealing with an

Handler's bid for express platform

one or two owners and a train could be used to that shed and close it out - potentially now that stock could be owned by up to 60 owners in the case of coarse grains and trades may go to many sites, picking up parcels of 2000 tonnes to accumulate enough grain for 55,000A shipment.

"The new system is essentially about simplicity and a new way of managing stock. It's an initiative that has been evolving for a number of years brought head with the opportunity to

A bumper harvest for a season of firsts

Farm Weekly February 5, 2009

Need for CE

BROOKS Grain WA logistics manager Stephen Brooks said CBH's Grain Express model was the future for grain handling logistics in the deregulated wheat market.

"At the moment we like everyone else in the

out of so many sites

"Co-ordinating it Being able to executing those additional achievement if you e

"Grain Express maturity in the hands of CBH have gone to great length our concerns in terms quality."

Mr Brooks said he had a relationship with CBH

That's something not genuine was the existing system and CBH says it has had overwhelming support from industry.

Company logistics executive manager Tim Collins, speaking at an industry event last week, said the core aim of Grain Express was linking freight with storage and handling services, which had Trade Practice Act implications.

And to this end, CBH was hoping to deliver with its submission to the ACCC letters of support showing it had engaged and consulted with industry.

"If they choose not to support Grain Express, the whole issue will begin to unravel," he said.

"It will be catastrophic from the point of view of freight, managing

Larsen said the "otherwise inevitable" closure of the entire 1700km grain branch railway network.

"Deregulation is going to be a free-for-all. If the actions that the Grain Infrastructure Group recommends are not taken, ultimately there will be 150,000 more truck movements a year on the roads," Mr Larsen said.

"I think the biggest issue by far is the environmental and community impacts, which is the extra 150,000 trucks on the road, a lot of which will be coming down Greenmount Hill. Queensland Rail subsidiary ARG chief executive Ken Larsen also warned of closure of the rail network and competition for ported stock assets with the mining industry.

ing stock, and en-

ively for grain

corporate affairs

er said AWB had

Express being t

create a regional

proposal made t

cept CBH's trans

It have been able t

do our own contracts regarding freight arrangements.

Wheat deregulation gets tick of approval

Farm Weekly February 26, 2009

Commission (ACCC).

The letters will form a key component to the presentation but the ACCC will have the final say on whether or not Grain Express succeeds.

"The general feeling at the meeting was that we were not seeing all the details we need from CBH in order to form a stronger opinion on Grain Express," Mr Fitzgerald said.

"And until we get those details we can't say anything. That's conclusive."

Mr Fitzgerald said a list of questions would be

doing."

Mr Brooks said the Grain Express initiative provided more confidence because it considered more of his company's logistical needs.

"Basically, the current system was set up to deal with two customers," he said.

"Even in the last couple of years we have been consistently critical with the way the item had been set up.

"It has been a huge challenge to accumulate grain for a vessel at port with grain coming

ket can clearly see... grain handling and market

to export wheat for the... the 1970s.

Mr Collins said that where in the recent past, a stack of grain may have had

part...

arrangements.



GRAIN EXPRESS

Grain Express - a simpler logistics system



- X One of the biggest crops on record, the first year of full deregulation as well as a rain-delayed harvest
- X Shipping congestion in February/March
- X Rail system failure

External factors

but we still achieved...

- ✓ Better coordination of upcountry movements of grain
- ✓ Reduction in mobilisations
- ✓ Reduction in re-fumigations & fumigation protocol breaks
- ✓ Protecting grain 'at-risk'
- ✓ Shipped record monthly tonnages

Has it delivered a simpler logistics system?



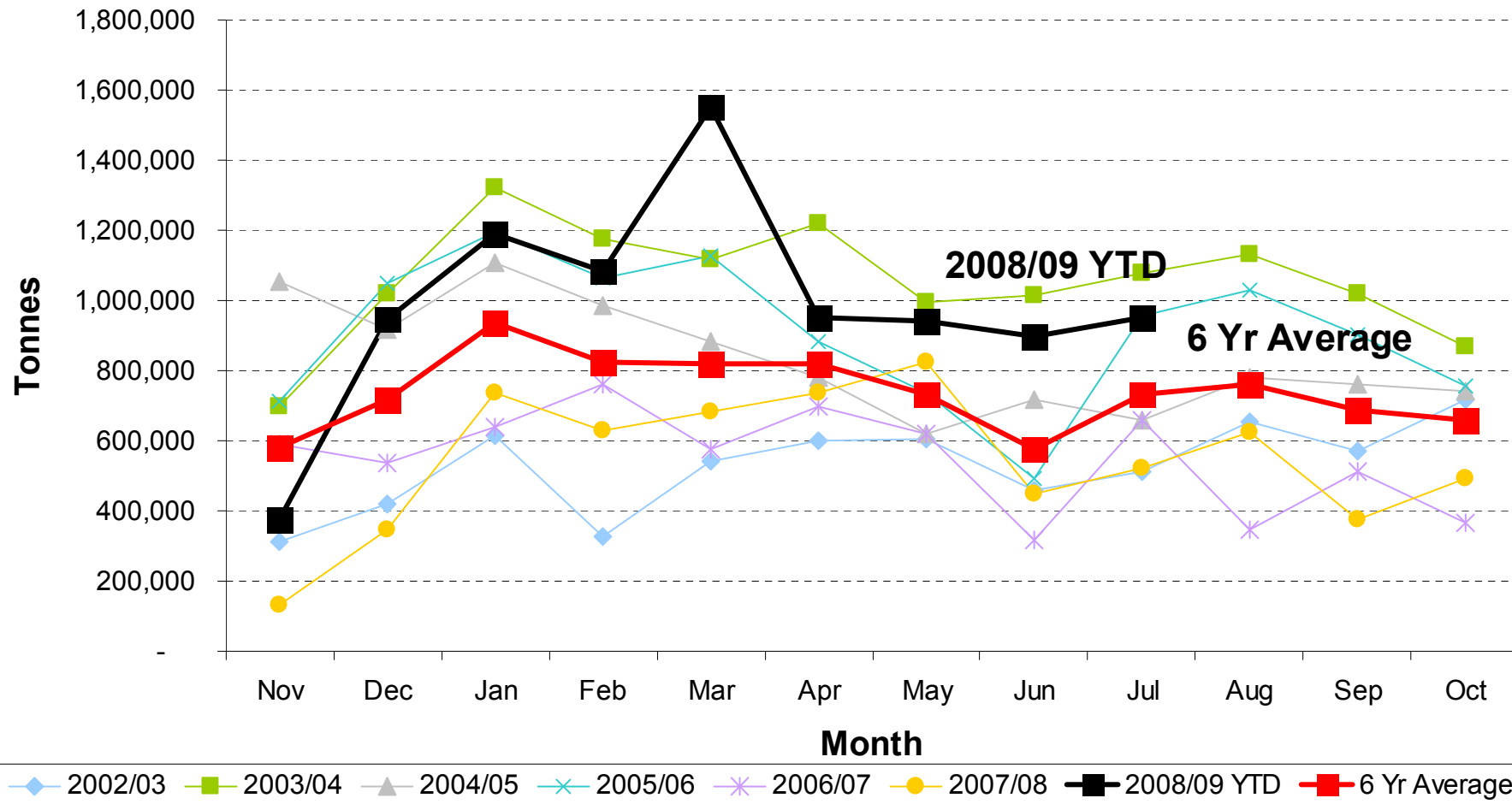
- ✓ Almost 75% of growers believe Grain Express made a positive contribution to the WA grain industry in its first year of operation.
- ✓ 72% of growers believe GE has delivered its promises.
- ✓ 91% of grain was nominated using the LoadNet system by growers and/or their representatives.
- ✓ Over 80% of growers were satisfied with LoadNet.
- ✓ Customers had mixed feelings towards Grain Express given the shipping issues in early 2009.
- ✓ Customers rated stock management and harvest receival services highly but bulk export services rated poorly.

We got it 70% right...

Actual shipping



Shipping by Month



Grain Express II



LoadNet *for growers*

- Freight invoicing adjustments
- Contract validation tool
- Calculation tools
- Daily Grain price discovery
- Auto-nomination tool

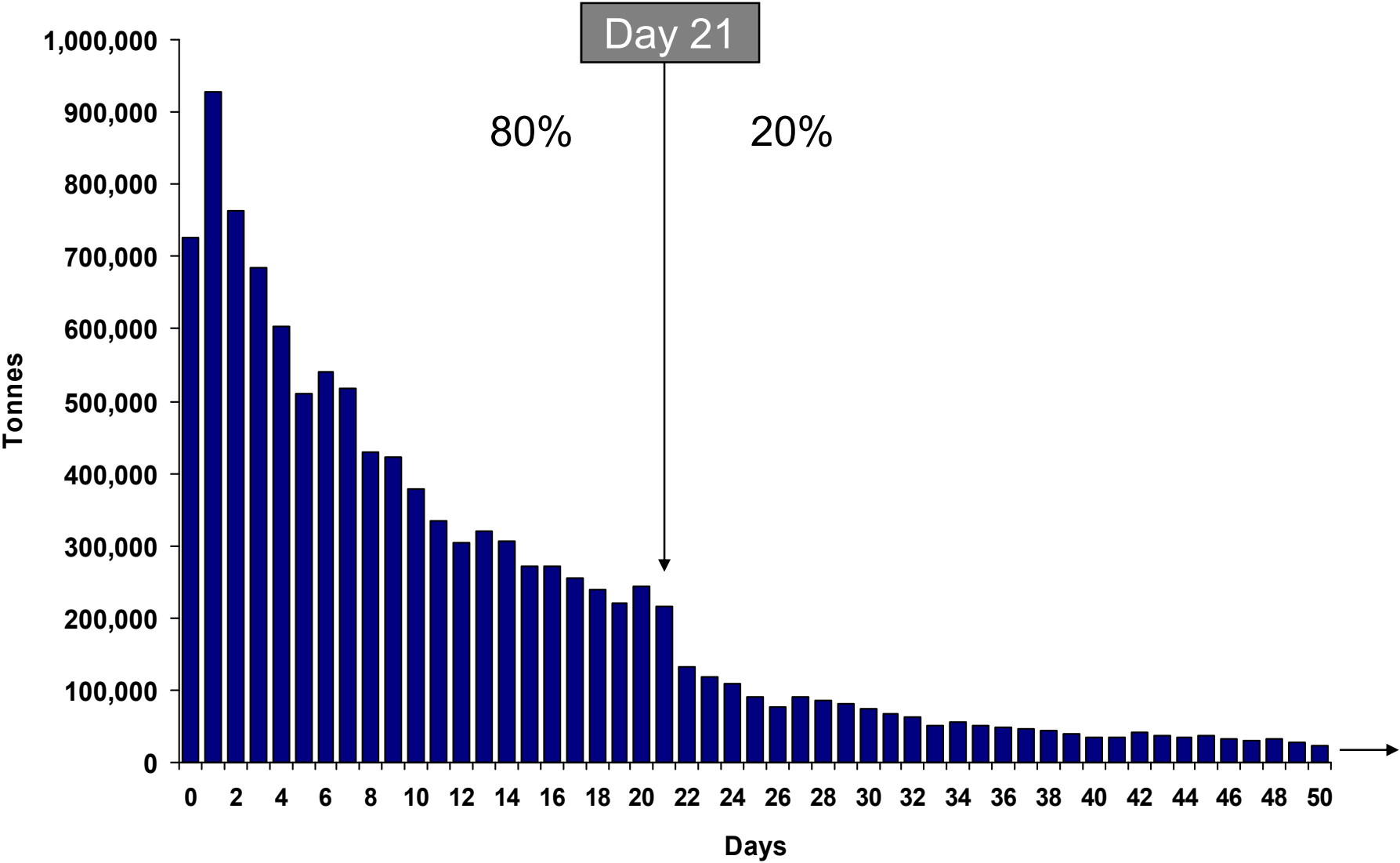
LoadNet *for marketers*

- Shipping slot system
- Contract validation tool
- Improved search & reporting functions
- Improved display functions

LoadNet *for advisors*

- Changes to grower permissions - automated process
- Improved display functions

Days taken to nominate in 08/09 harvest



What is the Problem with Shipping?

- **Supply & demand**
- **3m tonne demand in Feb**
- **Record outturn**



What is the Problem with Shipping?



So what are we doing?

- **Bidding system**
- **Defined capacity**

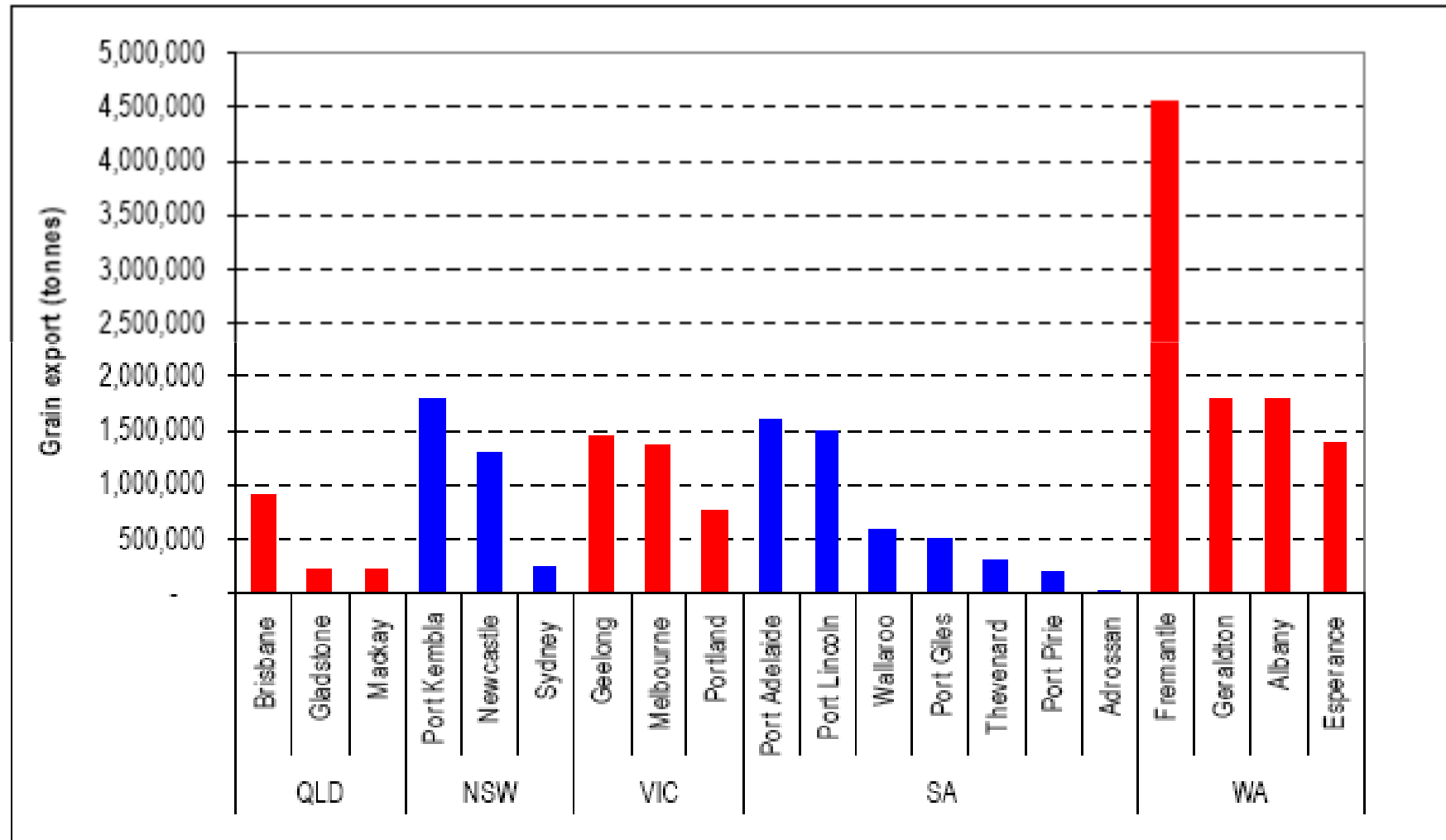


So what are we doing?



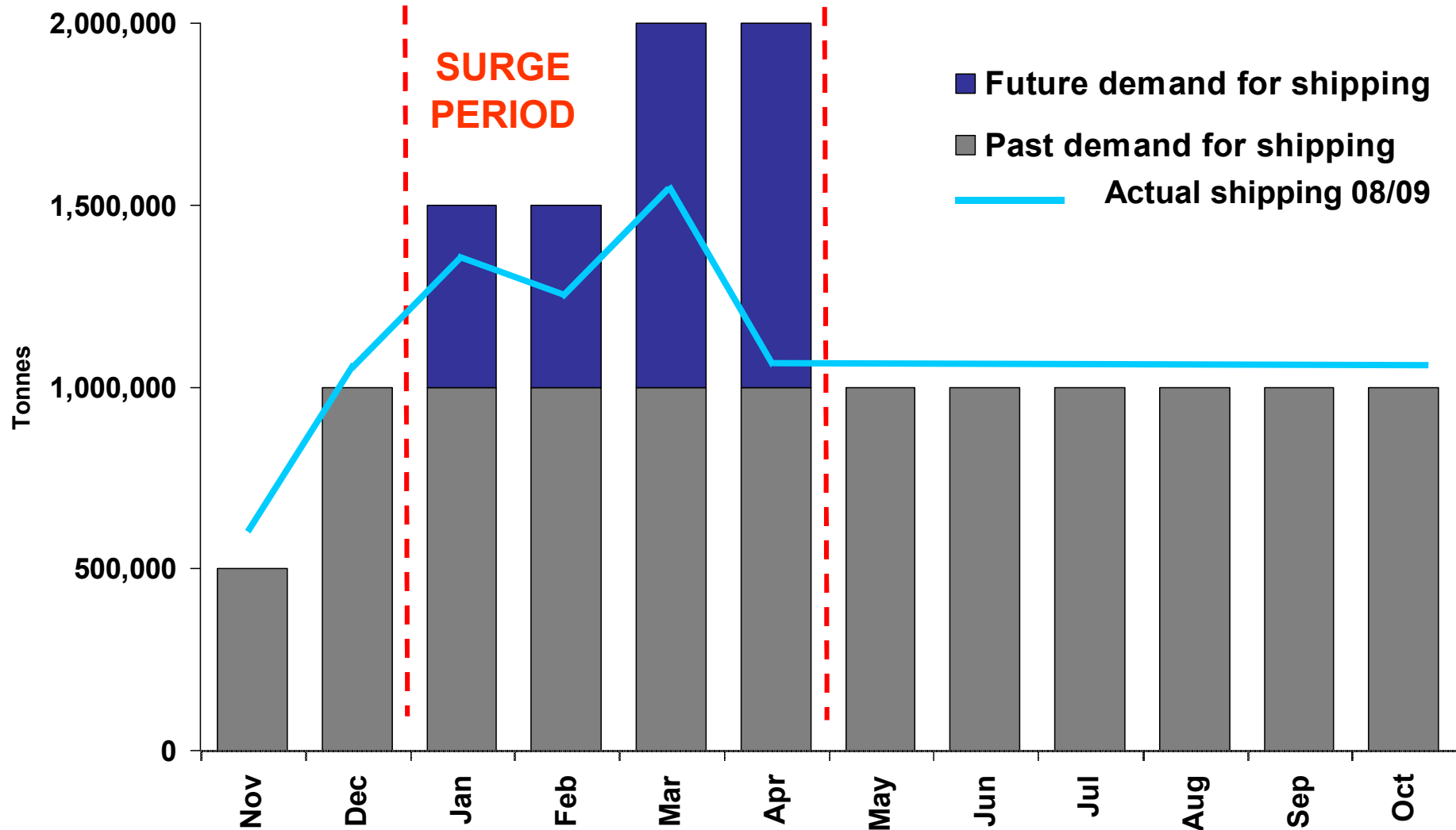
We ship more grain through our Ports than all others combined, yet we are heavily criticised on our performance

Figure 4 - Grain exports average by port 1998 - 2006 (tonnes)



Source: AAPMA/J Spragg report

Aiming for the future

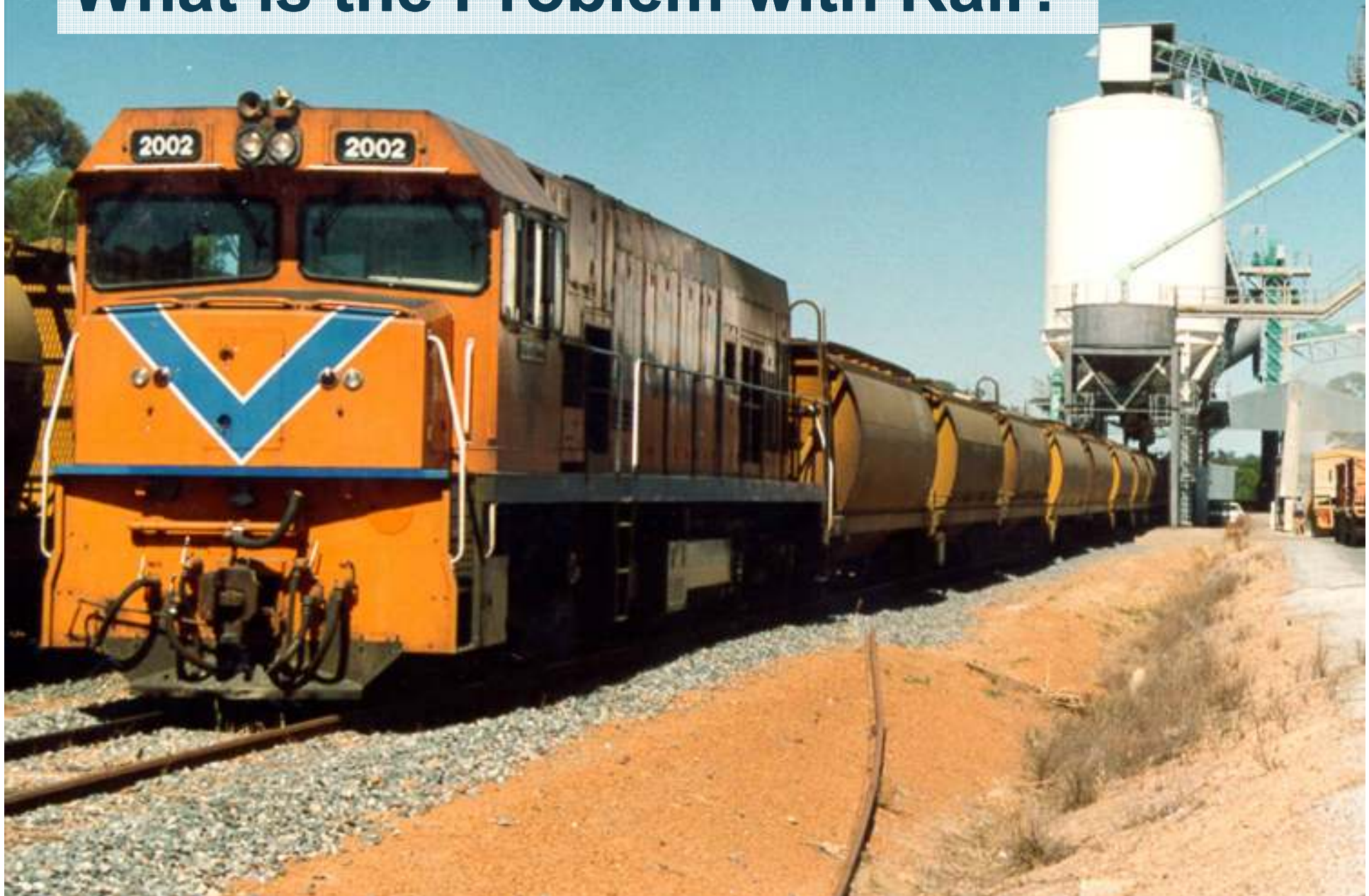




What is the Problem with Rail?

- **Maintenance funds required**
- **Cultural changes**
- **Access fees too high**

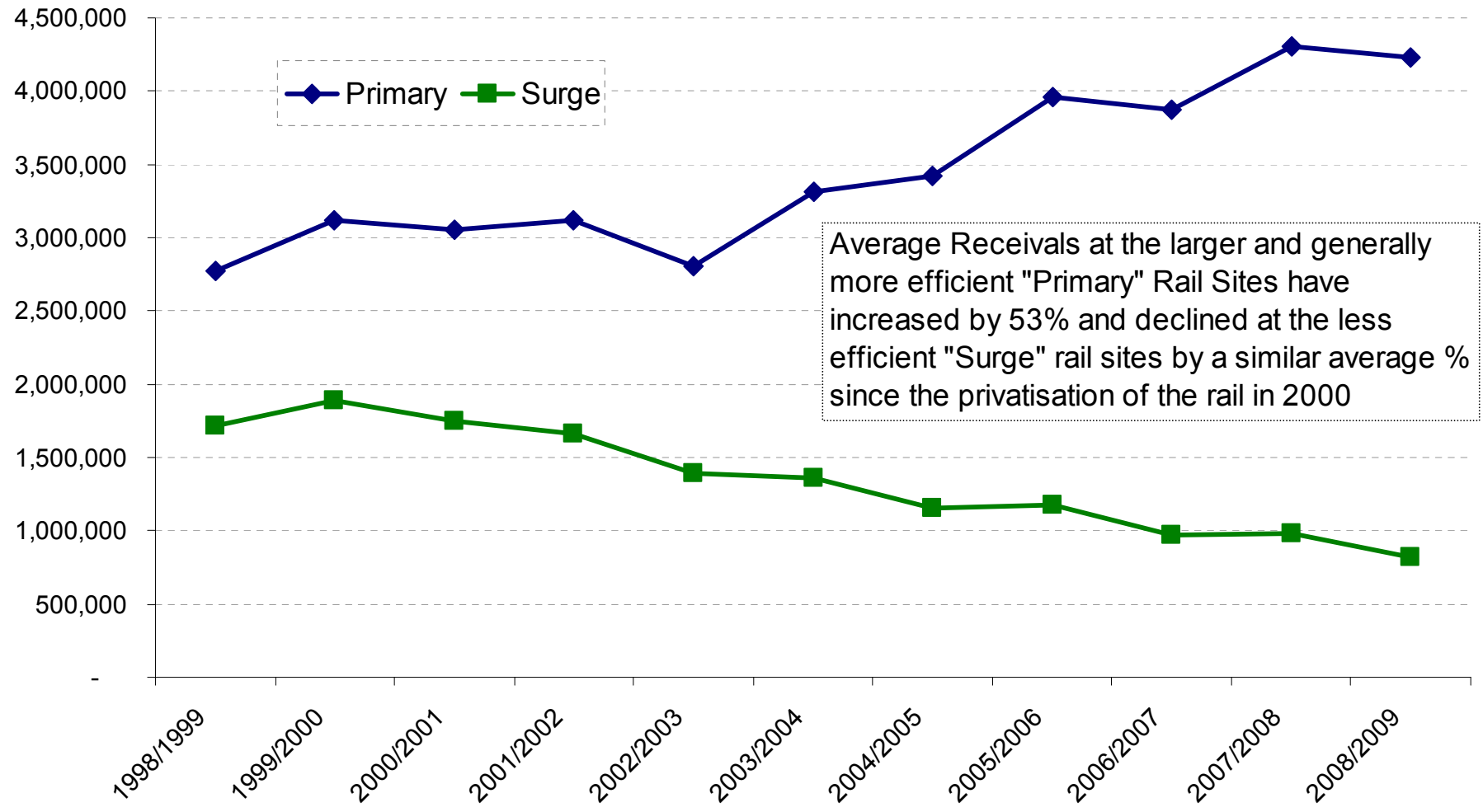
What is the Problem with Rail?



Growers Grain Movements To More Efficient Sites



Moving 5 Year Average Rail Site Receivals by Site Type



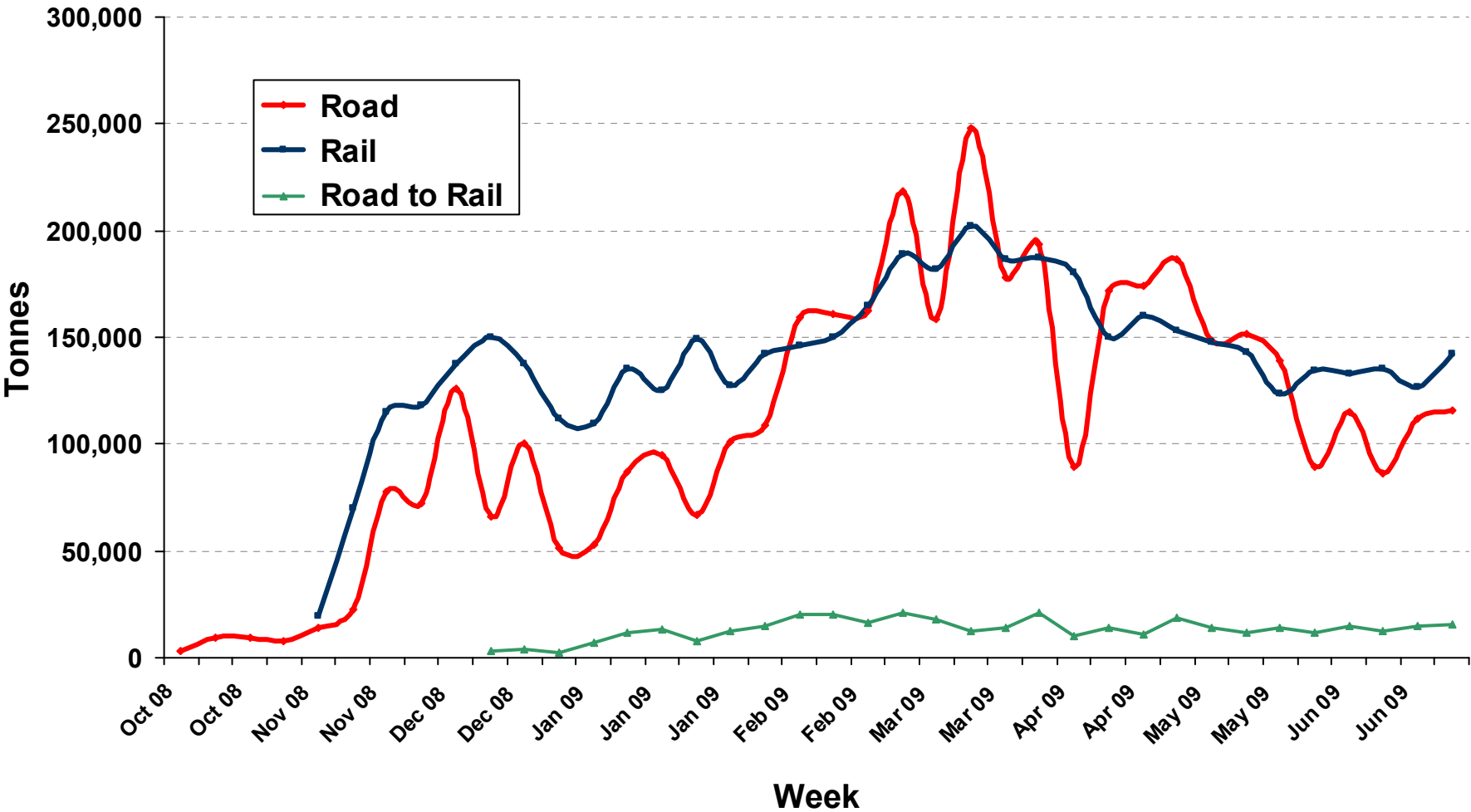
Rail Privatisation



Road has delivered



2009 Season Weekly Movements by Road & Rail



So what are we doing?



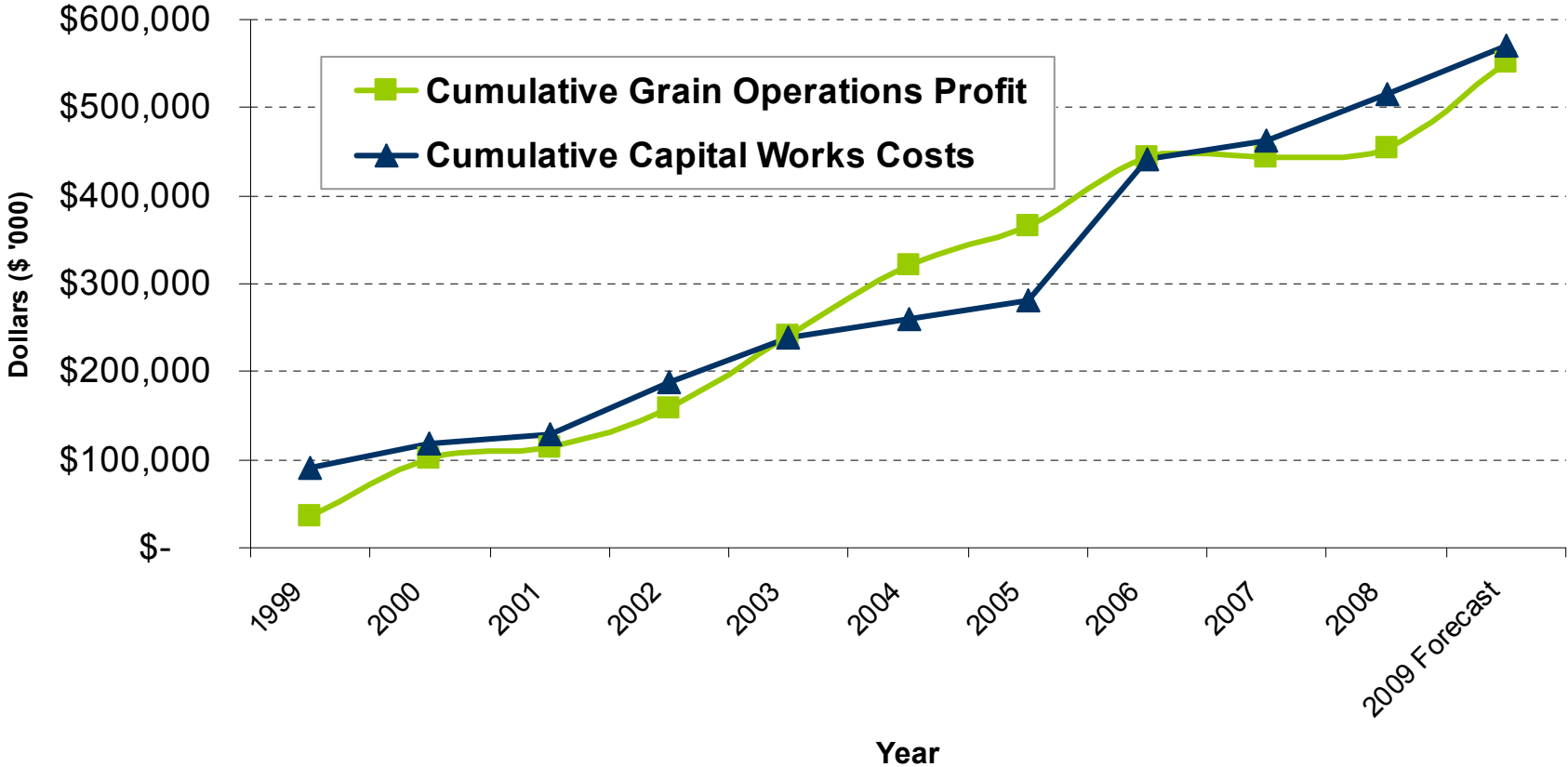
So what are we doing?



Storage & Handling



Cumulative Capital Works Spend v Cumulative Profit 1999 - 2009

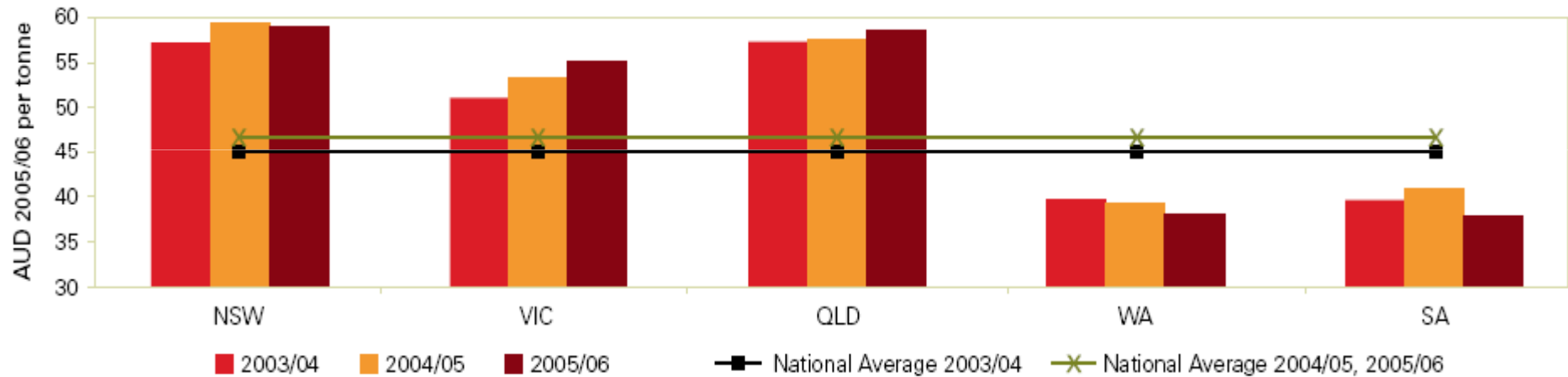




So what are we doing?



FIGURE 1: Total real supply chain costs compared by state.



Source: EWC analysis.

Source: WEA Report to Growers addendum 2007

At the same time our charges are the lowest in Australia

So what are we doing?



- **We Need Rail**
- **We Need Rail Competition**
- **We Need to be More Adaptive**



