



# ProFARMER

A U S T R A L I A

**Is competition in S&H in WA a  
practical reality?**



- **Richard Koch, MD NZX ProFarmer Aust**

- From Collarenebri, 150kms west of Moree in North-West NSW
- Agricultural Economics UNE (Hons)
- 1994-99 Economist, AMLC
- 1999-04 Agri Analyst & Corporate Strategy, BWA
- July '04 Purchased ProFarmer
- Diploma in Applied Finance (SIA), MBA (UWA)
- Sold ProFarmer to NZX listed entity in NZ who runs the stock exchange

# Matador doesn't always win



# Is competition a practical reality?

- YES, bring it on (This is me thinking as a right-wing economist)
- But maybe not, unless CBH can deliver a service that satisfies each market participant with a least cost pathway to market
  - Grain express hasn't delivered, so it will need to change and adapt very quickly
  - Become much more customer focussed
- It is very real, it will come from many angles and will happen faster than any of us envisaged

# Potential sources of competition

- Competing container loading facilities
- More direct road freight and competing rail freight (despite the hype, makes seems to make sense) if ACCC rejects Grain Express
- On farm storage (est. 4.5mmt on east coast 7% of total production but this could turn 2-3 times a season)
- Private up-country accumulation facilities
- Competing port infrastructure
- Grower direct selling (ie. Greentree Farming 250kt, we have several farmers in WA with same scale, skills and bent)

# Geraldton

- Patricks have agreed to allow the use of its loading facilities next to CBH
- Approval was given to trial load out of these facilities
- Trials were deemed satisfactory by Port Authority and AQIS subject to minor modifications
- Enclosed pit, that can receive trucks 600-700t wheat per/hr
- Approval sought and received by
- In discussions with a potential operator
- Cost savings conservatively A\$5-15/t

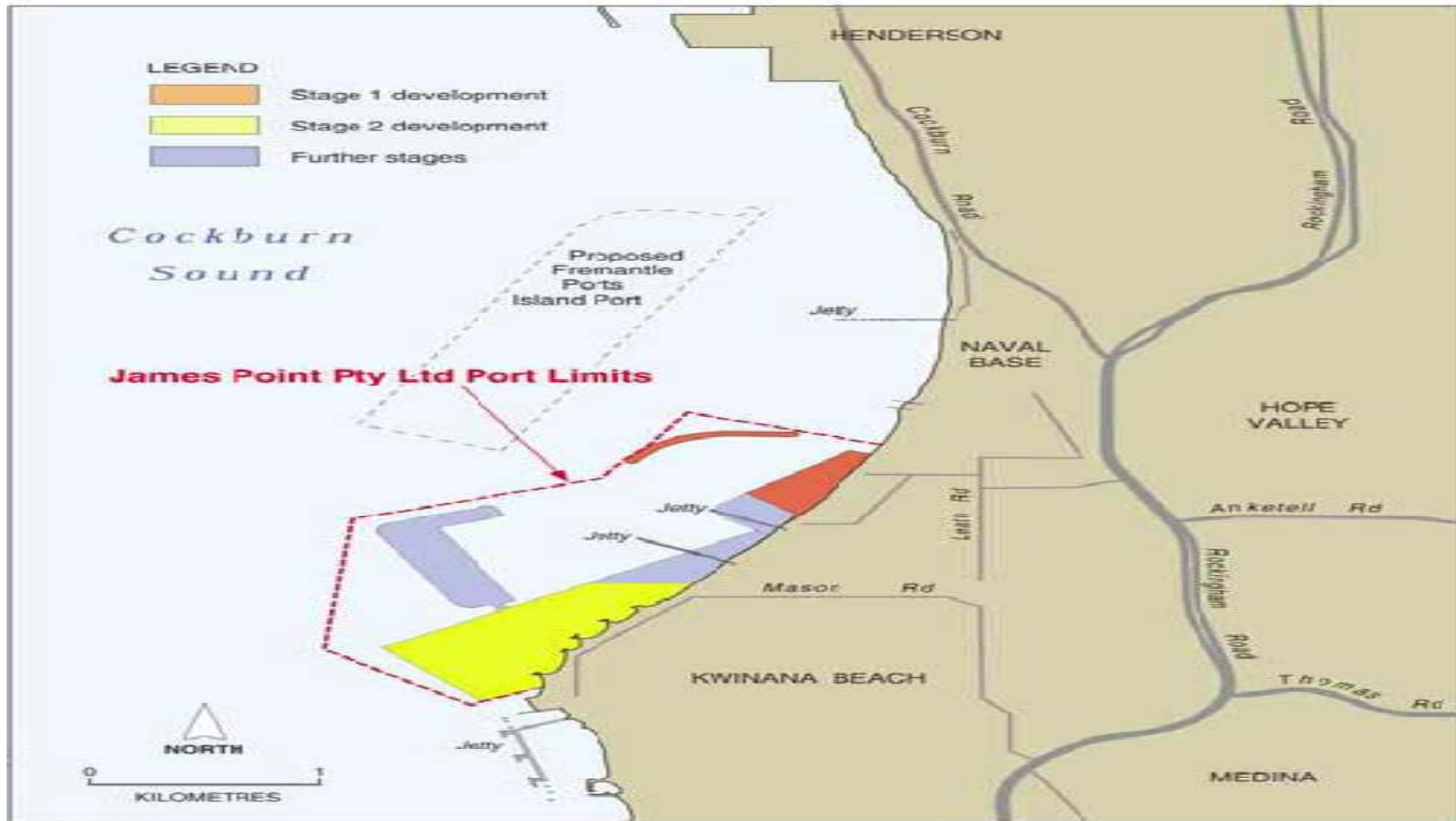
# Albany/Esperance

- Albany Patricks/Elders woodchip facility is drastically under utilised, 1-2 ships months
  - Exploring the possibility of loading grain out of this facility (bulk/containers)
  - Issues storage at port?
- Closing of Ravensthorpe mine has created opportunities and excess capacity (\$54m upgrade in 2002, cape class 200,000t, panamax 75,000t)
  - Exploring the possibility of loading grain out of this facility (bulk/containers)
  - Issues storage at port?
  - Ship loading trials have been conducted

# Kwinana

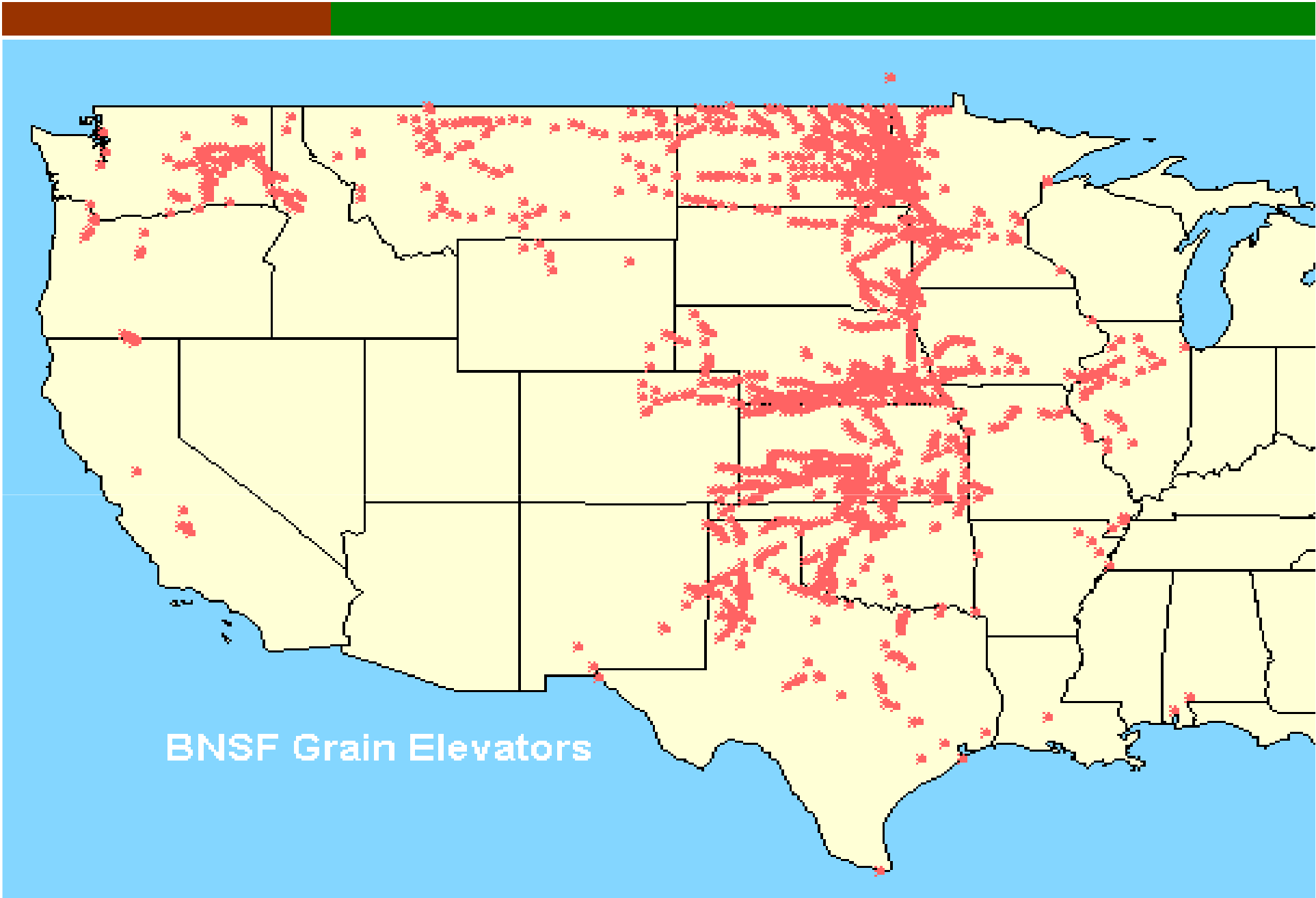
- Proposal to build a new port facility at Point James commenced in 1998 (1-3yrs)
- Buckeridge led consortium to build, own and operate a common user, private sector port, to provide competition, with existing facilities, at Outer Harbour, at Fremantle, WA.
- Road and rail facilities (access issues?)
- Land available to build storage and handling facilities
- \$20m proposal to load out of Bunbury using CBH infrastructure to load it

Looks real



# What are we scared of?

- No one system is going to be perfect, market dynamics and needs change, and they are fickle
- Every major grain exporting country operate open grain handling access systems, with multiple rail, port operators and competing up-country facilities
- Could deal with 4-5 parties to find least cost pathway
- Black Sea gets it to port but system is too rigid
- Comparing costs across countries is too hard due to geographical and topographical differences (barges, rivers) and history
- Only in market competition will define true costs



# Burlington Northern Santa Fe Railway

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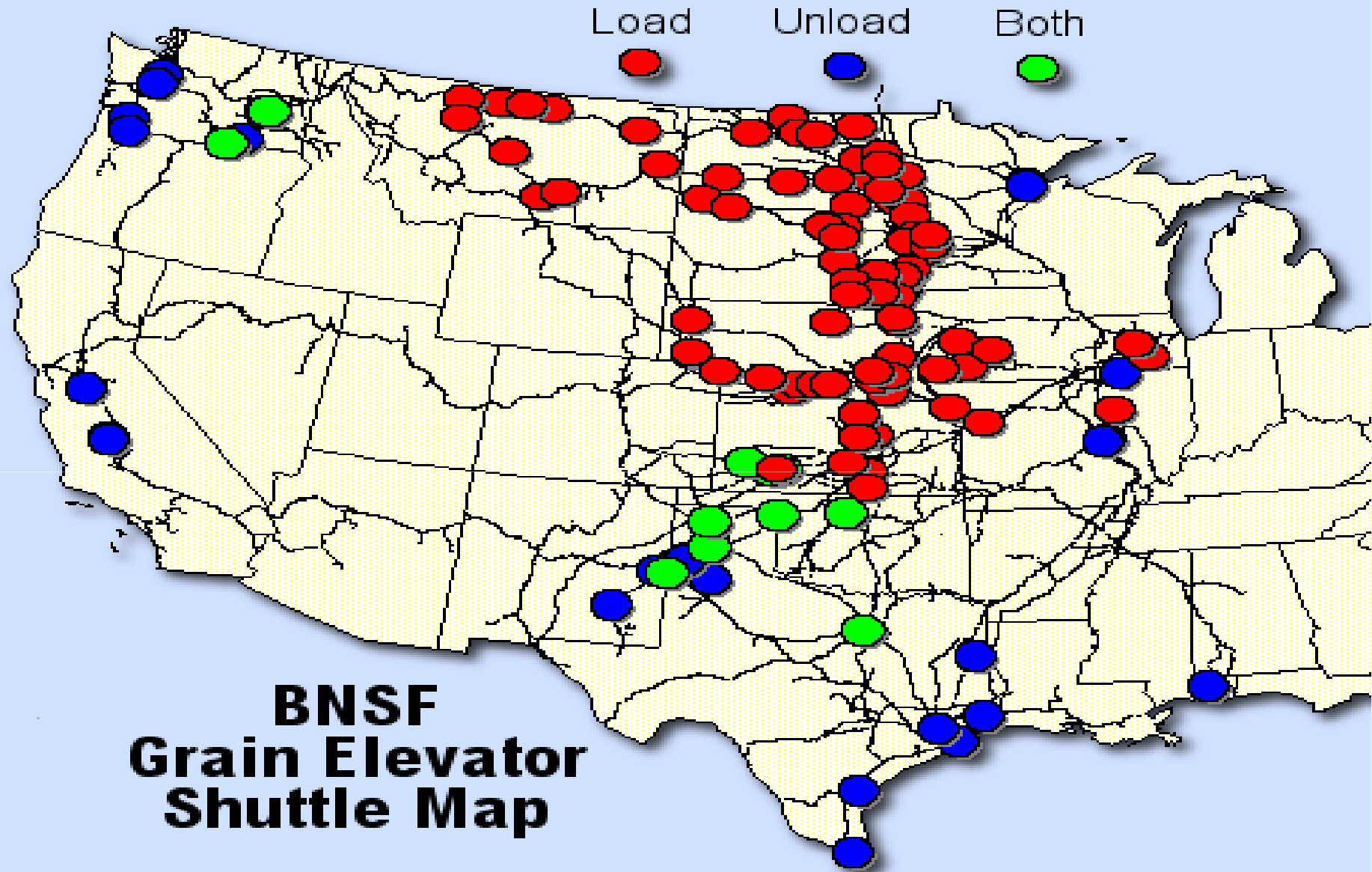
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**List of Facilities in North Dakota**

- [0880](#) - Adrian , ND **Adrian Equity Elevator**
- [2448](#) - Alton , ND **Alton Grain Terminal, LLC [PIX]**
- [0883](#) - Amenia , ND **Busch Agricultural Resources, Inc. [PIX]**
- [0884](#) - Aneta , ND **CHS Inc. (McVille)**
- [0886](#) - Arthur , ND **Arthur Companies, Inc. [PIX]**
- [0887](#) - Arvilla , ND **Columbia Grain Inc. [PIX]**
- [0888](#) - Ayr , ND **Arthur Companies, Inc. [PIX]**
- [0889](#) - Barlow , ND **Barlow Grain [PIX]**
- [0890](#) - Barney , ND **Minn-Kota Ag Products Inc.**
- [0891](#) - Beach , ND **Beach Coop Grain Co. [PIX]**
- [0894](#) - Belfield , ND **CHS Inc. dba Southwest Grain [PIX]**
- [0896](#) - Berea , ND **Columbia Grain Inc. [PIX]**
- [0897](#) - Berea , ND **Peavey Co. [PIX]**
- [0898](#) - Berlin , ND **Wheat Growers [PIX]**
- [2376](#) - Bernard , ND **Crete Grain Co., Inc. (Westgate Station) [PIX]**
- [0899](#) - Berthold , ND **Berthold Farmers Elevator Co., LLC [PIX]**
- [0900](#) - Beulah , ND **Modern Grain Inc. [PIX]**
- [0902](#) - Bisbee , ND **North Central Grain Coop [PIX]**
- [0903](#) - Bismarck , ND **Hubbard Feeds, Inc.**
- [0904](#) - Bottineau , ND **Bottineau Farmers Elevator Co. [PIX]**
- [2330](#) - Bowbells , ND **CHS Inc. dba SunPrairie Grain [PIX]**
- [0906](#) - Bowman , ND **Bowman Grain, Inc. [PIX]**
- [0907](#) - Boyle , ND **CHS Inc. dba Southwest Grain [PIX]**
- [0888](#) - Boyer , ND **Boyer Grain Co. [PIX]**

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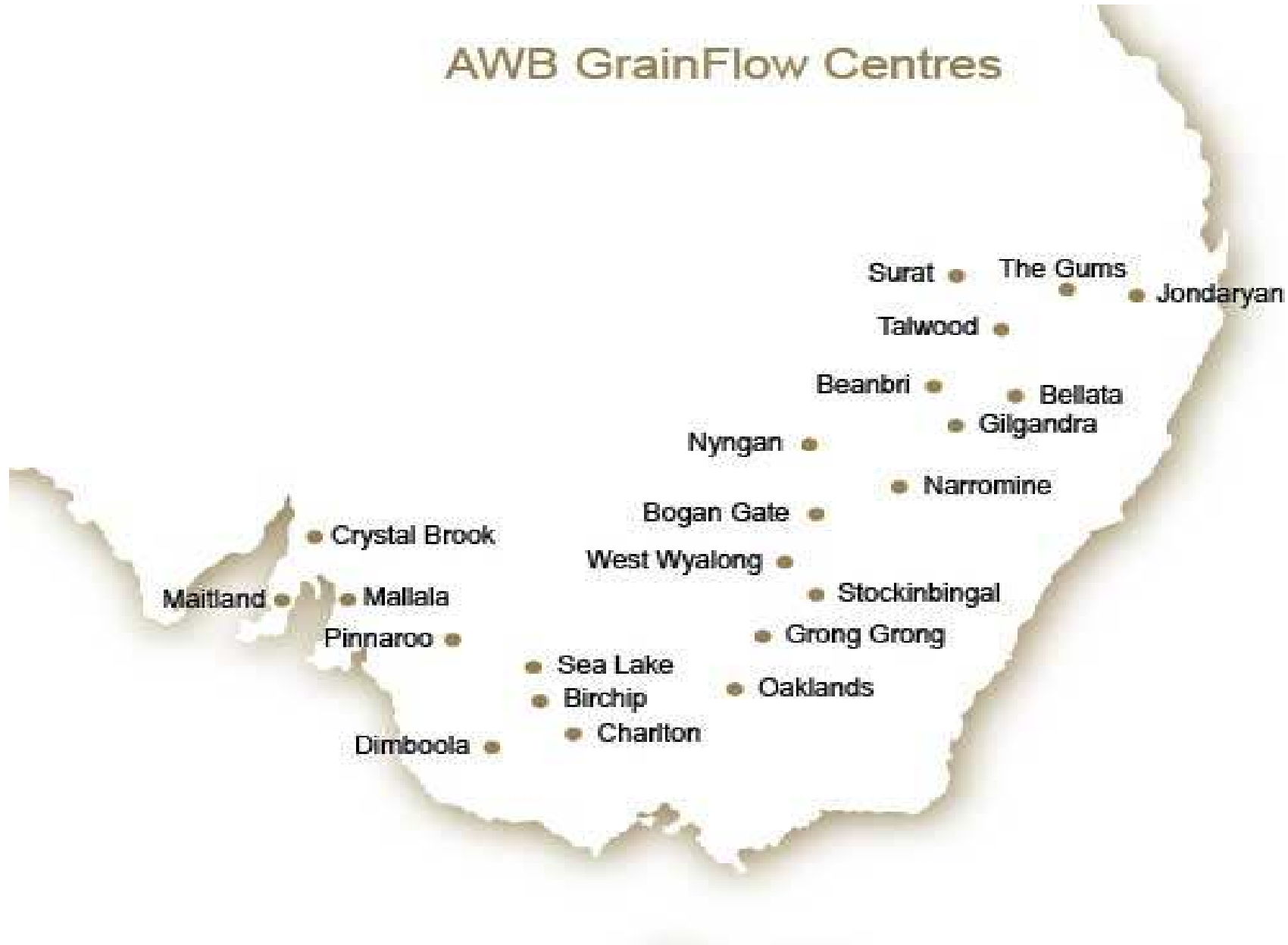


# AWB Grain Flow

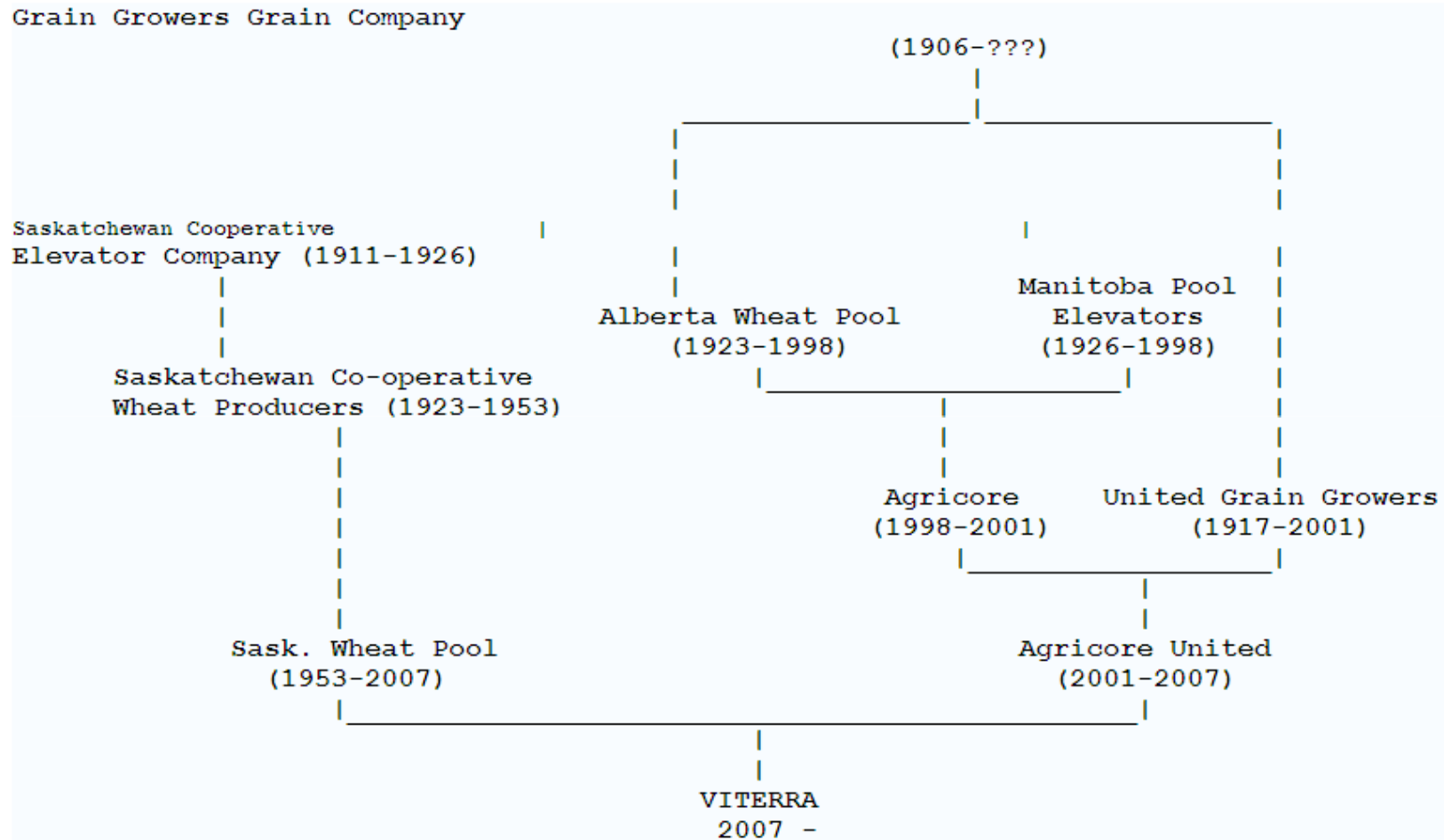
22 storage sites on east coast with a focus to provide efficient and cost effective receipt, storage and outturn of large quantities of bulk cereals.

- Sites arguably more efficient than Graincorp sites (larger, set-up to allow 24hr out-turn)
- Despite having to wear higher Graincorp charges (maybe justified?)
- Haven't been a raging success due to drought and other non-associated issues
- Multiple service providers can co-exist

## AWB GrainFlow Centres



# The Canadian experience



# Issues

- Without competition how do we test our competitiveness
- Competing infrastructure can co-exist and can work together
- Centralised models failed us in 2008
- What checks and balances do we need to put in place if the supply chain fragments
  - We have one opportunity to put in place an information regime to stand the test of time

# Information requirements

- **Information is critical**
  - Critical to manage volatility
  - Make informed decisions
  - Form linkages with potential buyers
  - I don't believe there are benefits from withholding this data, but there are risks
  - Growers are currently at the end of the food chain
- **Information requirements**
  - AGGREGATE receivals by grain type by quality by port zone (food vs feed) ~ eekly from start of Nov through to end of Jan/Feb
  - Ditto but monthly grain stocks
  - Monthly exports

**CBH must show leadership as last bastion of grower control in Australia**