



Viterra Operations Limited

2011 Port Terminal Services Access Undertaking

Receivals into Viterra Port Terminals

1 Introduction

This submission provides further information, as requested by the ACCC, in relation to the receipt of Bulk Wheat at Viterra Operations' Port Terminals.

As set out in its submission of 23 March 2011, Viterra Operations receives grain at its Port Terminals from a number of sources. This includes:

- (a) **Grower receivals** - This relates to grain delivered direct to port by growers or otherwise from outside Viterra Operations' storage and handling system. It does not include receivals at port from Approved Third Party storages.

The proximity of growing areas to the ports in South Australia results in a large number of direct deliveries to ports at harvest. The Port Terminals operate much in the same way as a Viterra Operations (or other bulk handler) up-country facility for this purpose, providing a range of services to growers and marketers associated with the initial receipt of grain into storage.

The types of services provided at port in respect of grain received direct from growers are set out in **column 2** of **Table 1**.

- (b) **Receipt from Viterra Operations up-country storage** - This relates to grain held in Viterra Operations' up-country storage and handling facilities on behalf of Viterra Ltd and a range of third party clients.

Receivals at port are predominantly as part of an accumulation of specific grain required to meet the tonnage and quality requirements for loading a client's vessel, as services that are provided for an initial grower receipt have already been performed on receipt into the up-country facility and the quality and history of the grain is known.

The types of services associated with this type of receipt at port are set out in **column 3** of **Table 1**.

- (c) **Receipt from Approved Third Party storages** - This involves receipt at port of grain held in up-country storage facilities by professional storage and handling providers that have been accredited by Viterra Operations as "Approved Third Party Storage" providers. Viterra Operations has accredited a number of "Approved Third Party Storage" providers and facilities in accordance with the process explained in the submission dated 5 May 2011. The requirements for approval as an "Approved Third Party Storage" provider are set out on Viterra Operations' website.

The types of additional services provided at port in respect of grain received from Approved Third Party Stores are set out in **column 4** of **Table 1**. Again, the services

that are provided for an initial grower receival have already been performed on receival into the up-country facility.

Where third party storage facilities do not meet the requirements under paragraphs (b) or (c) above, deliveries will, in the first instance, be managed in the same manner as grower receivals. However, clients can (and do) discuss their requirements with Viterra Operations which will allow the appropriate service provision to be determined. This will necessarily involve commercial negotiations.

As is evident from the above, Viterra Operations provides a range of different services on receival of grain into its Port Terminals, depending on the source of the relevant grain. These services are necessary to manage the quality risk to the food chain of grain from different origins, the risks and costs of disruption to the grain supply chain, and facilitate the efficient operation of the Port Terminals. The cost of providing these services (including costs associated with the greater use of infrastructure and other resources by certain modes of receival at port) are reflected in Viterra Operations' Reference Prices.

2 **Receival of grain - costs and risks**

Where possible, Viterra Operations seeks to co-mingle all grains of like quality in its port receival and storage facilities. This storage together or "co-mingling" of grains owned by multiple customers maximises the efficient operation of the Port Terminal and also minimises the costs of providing the services. However, parcels of grain received at port carry different levels of quality and other risks depending on how they have been managed prior to receival. These risks directly impact on the ability of Viterra Operations to co-mingle those grains with grains owned by other Clients.

These risks arise because of differences in:

- (a) the type and quality of storage infrastructure (including the level of investment in that infrastructure and commitment to ongoing maintenance);
- (b) the level of operator training and expertise in relation to grain storage;
- (c) how those grains have been managed while in storage, including the pest management techniques employed prior to delivery to port, and their exposure to contaminants and other lesser wheat grades. By way of example, contact insecticides are not allowed for certain overseas markets. Accordingly, and as wheat that has been treated with contact insecticides can downgrade other parcels of wheat, Viterra Operations does not use them in its system. However, contact insecticides remain a common form of insect treatment in other grower and third party storage systems; and
- (d) the standard of traceability and record keeping in relation to grains held by different operators and in different storage systems.

Viterra Operations seeks to provide maximum protection and value retention for owners of grain held within its system and received at its Port Terminals. In receiving Bulk Wheat at its Port Terminals, Viterra Operations also provides minimum quality guarantee out-turns (subject to shrinkage and other accepted risks). This provides Clients with a high degree of confidence that the quality of grains that they market to customers will be maintained.

Given the different levels of risk associated with grains delivered from different storage systems, Viterra Operations cannot make this guarantee (or protect all Clients' grain and the efficient operation of its Port Terminals) unless it takes appropriate actions on the receipt of wheat from third party sources into its system, whilst in storage and on out-turn to vessels.

3 Viterra Operations' approach to managing risks

There are significant risks to the grains owned by Viterra Operations' clients and also to the operation of the Port Terminals, if contaminants, insects, or contact insecticides are introduced into the system. Potential consequences include:

- contamination of other grain stocks (which may involve substantial costs for other clients, an inability to meet contractual obligations to customers and long-term damage to the reputation of South Australian grain in export markets);
- rejection by AQIS for export, and resulting delays in shipping and substantial demurrage costs;
- blocking of port capacity (e.g. if Viterra Operations cannot receive, handle or load grain while it manages and remediates contamination issues);
- required remedial activities to manage issues (e.g. cleaning of facilities, moving grain to ensure appropriate segregation etc);
- quality claims (both against the owner of the contaminated grain, the affected grain and, potentially, Viterra Operations); and
- potential reputation impacts to clients, the bulk handler, and the South Australian and national grain industries.

The cost (and impact) of closing down a Port Terminal, or particular pathways to vessels, while contamination issues are managed and remediated can be very substantial. This is particularly the case in peak harvest periods.

Viterra Operations seeks to reduce these risks (and the impact of these risks) by providing certain services when grain is received into its system.

In this regard, Viterra Operations provides a number of services for grain received from growers and others into its up-country storage facilities and while that wheat remains in its storage system. It has complete visibility and traceability of that wheat, and does not need to re-supply those services again at port.

However, Viterra Operations has much lower levels of visibility in relation to the services that have been provided in relation to wheat that is received directly at port from growers or from third party up-country storage sites (i.e. both at the time of receipt into those facilities and while the wheat remains in the third party or grower storage). It is therefore necessary for Viterra Operations to provide a number of additional services at port in relation to wheat which is received directly from growers or from other storage systems.

Naturally, these services do not entirely remove these risks. However, they are designed to manage those risks to a practical level.

Viterra Operations recognises that these risks are ameliorated to a degree in relation to wheat that is received from "Approved Third Party Storages" (which, in turn, reduces the extent of the risk management services that need to be provided at port). This is because "Approved Third Party Storage" providers are generally professional grain handlers that have in place facilities, systems and training which are specifically designed, and are actively managed, to reduce these risks. In addition, certain services are provided at Approved Third Party Stores in respect of grain received into their systems from growers. This reduces the scope of required services at the time of receipt into Viterra Operations' ports. Viterra Operations' standard

receival fees for wheat received from Approved Third Party Storages are therefore lower than the standard prices for receipt of wheat from other sources.

The cost of Viterro Operations providing the relevant services are reflected in Viterro Operations' Reference Prices, which are published on Viterro Operations' website.

4 Further questions

If the ACCC has any further questions, Viterro Operations would be pleased to assist.

Viterro Operations Ltd
30 June 2011

Table 1: Receival Services

Column 1	Column 2	Column 3	Column 4
Fee	Receival fee, Carry & Shrink (per tonne)	Port In-Loading Fee (Wheat) (per tonne)	Receival At Port Service Fee (from Approved third party storage) (per tonne)
Amount (Reference Prices 2010/2011)	\$13.30 (major wheat) \$14.35 (minor wheat)	\$3.40 (road) \$2.20 (rail)	\$2.50
When applicable Note: Receival from other third party sources will be subject to the services and associated fees as negotiated	All receivals at Viterra Operations' Port Terminals other than from: <ul style="list-style-type: none"> • approved third party storage (see Columns 3 and 4) • Viterra Operations' storage (see Column 3) • Negotiated non-approved third party storage 	All wheat received at Viterra Operations' Port Terminals other than where column 2 applies. This includes approved third party storage and Viterra Operations' storage.	All wheat received at Viterra Operations' Port Terminals from approved third party storage
Services included	The fee includes the following services: <ul style="list-style-type: none"> • Truck marshalling; • Performance of Road "Chain of Responsibility" fatigue management procedures and requirements; • Significant levels of sampling, testing and grain classification on a load by load basis and according to truck 	The fee includes the following services: <ul style="list-style-type: none"> • Truck or rail marshalling; • Performance of Road "Chain of Responsibility" fatigue management procedures and requirements (road); • Limited sampling. Grain quality is known; 	The fee includes the following services in addition to those set out in column 3: <ul style="list-style-type: none"> • Review of grain treatment histories; • Sampling and testing on delivery. Sampling occurs at a higher rate than wheat received from Viterra Operations storage. This involves additional labour costs; • Potential segregation and storage for

Column 1	Column 2	Column 3	Column 4
Fee	Receival fee, Carry & Shrink (per tonne)	Port In-Loading Fee (Wheat) (per tonne)	Receival At Port Service Fee (from Approved third party storage) (per tonne)
	<p>configuration;</p> <ul style="list-style-type: none"> • Weighing – inward and outward; • Performance of Road “Chain of Responsibility” mass management procedures and requirements including issuance of breach warnings and recording; • Marshalling and unloading of grain on a load by load basis; • Inward elevation of grain; • Segregation into storage according to classification on a load by load basis; • Clean down of inward grain path on a load by load basis as required; • Recording and provision of delivery information on receival weighnote; • Access to transactional information on the ezigrain website; • Chemical residue testing for wheat following receival, and fumigation to prevent cross-infestation of insects; • Storage for an undefined period; 	<ul style="list-style-type: none"> • Weighing – inward and outward; • Marshalling and unloading of grain; • Inward elevation of grain; • Recording and provision of delivery information on receival weighnote (road); • Access to transactional information on the ezigrain website; and • Short term storage for shipping. <p>* Movements into port are scheduled and controlled to maximise port efficiency and reduce labour and other costs (e.g. harmonising of grade receivals to minimise cleaning of grain paths and increase intake speeds). Movements are also performed by professional transport operators with minimum kpi, quality and safety requirements in commercial operating vehicles.</p>	<p>risk mitigation, residue and fumigation periods;</p> <ul style="list-style-type: none"> • Performance of Road “Chain of Responsibility” mass management procedures and requirements including issuance of breach warnings and recording; • Wheat may be fumigated to prevent cross-infestation of insects; • Outturn sampling. Grain is sampled at a higher rate on outturn from Port Terminals (than Viterro Operations’ wheat) to ensure detection of any issues.

Column 1	Column 2	Column 3	Column 4
Fee	Receival fee, Carry & Shrink (per tonne)	Port In-Loading Fee (Wheat) (per tonne)	Receival At Port Service Fee (from Approved third party storage) (per tonne)
	<ul style="list-style-type: none"> • Warehousing of grain; • Repositioning of stock for shipping; and • Short term storage for shipping. <p>*Services are provided on demand. Growers deliver in a range of trucking configurations without notice of timing, volumes or commodity types. This involves a greater allocation of resources and costs in order to manage.</p>		

Note: Services which are common across columns 2 to 4 are typically provided at a higher rate for grower receivals than for receivals from Approved Third Party storage or Viterra Operations' upcountry storage. A number of required services which are common across columns 3 and 4 are provided at a higher rate for receivals from Approved Third Party Storage than for receivals from Viterra Operations' upcountry storage. This reflects the provision of services required to manage the relative levels of risk.