

# Post Harvest Comparative Analysis of Storage and Handling Charges

## Executive Summary

ABB's fee structure has undergone significant restructuring over the past 4 years (i.e. 2004/05 to 2007/08). A shift towards placing costs on the port side of the supply chain has occurred and cost increases over the period of the analysis have outpaced the CPI in Adelaide.

Significant increases in fees occurred between 2006/07 and 2007/08. The changes resulted in relatively small increases for up-country site costs where competition exists. Port charges, however, have gone up significantly where SA clients cannot avoid using the ABB ship loading infrastructure.

### Core Charges

Table 1 shows that up-country core charges increased by 13 or 14% (February or July carry, respectively), whereas port charges increased by 28%. Overall, total core charges increased by 20%.

**Table 1: Detailed ABB up-country and port charges (core fees)**

ABB Service	Fee or Charge (\$/t)		Change	
	2006/2007	2007/2008	06/07 to 07/08	
<b>Up-Country Charges</b>				
Receival Service Fee	\$7.35	\$7.50	\$0.15	2%
Storage and Segregation Fee	\$2.10	\$1.85	-\$0.25	-12%
Carry until Feb	\$0.30	\$0.60	\$0.30	100%
Carry until July	\$1.80	\$2.35	\$0.55	31%
Shrinkage on \$350 of product	\$1.75	\$2.10	\$0.35	20%
Road Rail Out-loading Fee	\$1.77	\$2.00	\$0.23	13%
Volume Variation	\$0.00	\$1.00	\$1.00	new
<b>Total Up-Country Charges (Carry Feb)</b>	<b>\$13.27</b>	<b>\$15.05</b>	<b>\$1.78</b>	<b>13%</b>
<b>Total Up-Country Charges (Carry July)</b>	<b>\$14.77</b>	<b>\$16.80</b>	<b>\$2.03</b>	<b>14%</b>
<b>Port Charges</b>				
Port In-load Fee <sup>a</sup>	\$1.75	\$2.54	\$0.79	45%
Port Handling and Shipping Fee	\$6.70	\$7.65	\$0.95	14%
Ship Loading Fee	\$1.85	\$2.00	\$0.15	8%
Blending Fee	\$0.65	\$0.80	\$0.15	23%
Volume Variation	\$0.00	\$1.00	\$1.00	new
Ship Sampling Fee	\$0.13	\$0.15	\$0.02	15%
<b>Total Port Charges (Carry July)</b>	<b>\$11.08</b>	<b>\$14.14</b>	<b>\$3.06</b>	<b>28%</b>
<b>Total Charges (Carry Feb)</b>	<b>\$24.35</b>	<b>\$29.19</b>	<b>\$4.84</b>	<b>20%</b>
<b>Total Charges (Carry July)</b>	<b>\$25.85</b>	<b>\$30.94</b>	<b>\$5.09</b>	<b>20%</b>

<sup>a</sup> Based on the use of rail (60%) and road (40%).

### Non-core Charges: Scenario 1

The data presented in Table 1 do not include new **non-core charges** for the 2007/08 season. Most of the new fees were introduced at the shipping end of the supply chain. This implies that, for many shipments, port charges increased by significantly more than Table 1 suggests. Scenario 1, shown in Table 2, is calculated on the basis of:

- grain out-turned in January, incurring the *harvest shipping fee*
- the ship is loaded consistent with or better than ABB's ship loading benchmarks, incurring the *ship loading efficiency fee*
- account is taken of the *increase in shrinkage* in 2007/08, from 0.5% to 0.6%
- it is assumed that the trader handling the shipment has paid the *premium service fee* and is handling approximately 100,000 tonnes for the season, implying an annual account fee of \$0.25/t.

Under **Scenario 1** (Table 2), the impact of new and increased fees on *total charges* were:

- 31% rather than 20% (Table 1) over the period 2006/07 to 2007/08
- 33% if allowance is made for the *annual account fee* and the effective increase in cost brought about by the increase in *shrinkage*.

**Table 2: Summary ABB fees including harvest shipping and ship loading efficiency fees**

ABB service	Fee or Charge (\$/t)		Change	
	2006/2007	2007/2008	06/07 to 07/08	
Receival and handling	\$12.97	\$14.45	\$1.48	11%
Storage out-turned Jan	\$0.00	\$0.30	\$0.30	new
Port charges:				
Port charges - core	\$11.08	\$14.14	\$3.06	28%
Harvest shipping fee	\$0.00	\$1.50	\$1.50	new
Ship loading efficiency fee	\$0.00	\$1.00	\$1.00	new
Total port charges	\$11.08	\$16.64	\$5.56	50%
Total charges <sup>a</sup>	\$24.05	\$31.39	\$7.34	31%
Annual account fee <sup>b</sup>	\$0.00	\$0.25	\$0.25	new
Increase in shrinkage <sup>c</sup>	\$0.00	\$0.35	\$0.35	new
Total effective charge	\$24.05	\$31.99	\$7.94	33%

<sup>a</sup> Total charges are based on January out-turn.

<sup>b</sup> The annual account fee was imputed on a per tonne basis assuming the client trades 100,000t/an and pays the premium service fee.

<sup>c</sup> Based on feed barley worth \$350/tonne and an increase in the shrinkage factor from 0.5 to 0.6 per cent of total grain delivered.

### Non-core Charges: Scenario 2

Scenario 2, illustrated in Table 3, is calculated on the basis of:

- a small shipment of less than 15,000 tonnes that is out-turned in July, incurring the *minimum cargo lift fee*
- 20% of the shipment sourced from several B sites in quantities of less than 1,000 tonnes (6 sites averaging around 500 tonnes per site), incurring the *site assembly fee*
- as with Scenario 1, account is taken of the increase in *shrinkage* in 2007/08 from 0.5% to 0.6%
- also consistent with Scenario 1, there is an *annual account fee* equivalent to \$0.25/t.

Under **Scenario 2** (Table 3), the increase in fees from 2006/07 to 2007/08 were:

- 50% for *port charges* from \$11.08/t to \$16.64/t (rather than 28%, Table 1)
- 33% for *total charges* from \$26.05/t to \$34.64/t (rather than 20%, Table 1)
- 35% for *total effective charges* if allowance is made for the *annual account fee* and the effective increase in cost brought about by the increase in *shrinkage*.

**Table 3: Summary ABB fees including site assembly fee and minimum cargo lift**

ABB service	Fee or Charge (\$/t)		Change	
	2006/2007	2007/2008	06/07 to 07/08	
Receival and handling - core	\$12.97	\$14.45	\$1.48	11%
Site assembly fee <sup>a</sup>	\$0.20	\$1.20	\$1.00	500%
Storage out-turned July	\$1.80	\$2.35	\$0.55	31%
Port charges:				
Port charges - core	\$11.08	\$14.14	\$3.06	28%
Minimum cargo lift	\$0.00	\$1.50	\$1.50	new
Ship loading efficiency fee	\$0.00	\$1.00	\$1.00	new
Total port charges	\$11.08	\$16.64	\$5.56	50%
Total charges <sup>b</sup>	\$26.05	\$34.64	\$8.59	33%
Annual account fee <sup>c</sup>	\$0.00	\$0.25	\$0.25	new
Increase in shrinkage <sup>d</sup>	\$0.00	\$0.35	\$0.35	new
Total effective charge	\$26.05	\$35.24	\$9.19	35%

<sup>a</sup> Assumes 20% of the shipment is sourced from B sites (6 sites averaging around 500 tonnes per site).

<sup>b</sup> Total charges are based on July out-turn.

<sup>c</sup> The annual account fee was imputed on a per tonne basis assuming the client trades 100,000t/an and pays the premium service fee.

<sup>d</sup> Based on feed barley worth \$350/tonne and an increase in the shrinkage factor from 0.5 to 0.6 per cent of total grain delivered.