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### Glossary and abbreviations

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<th>Term</th>
<th>Description</th>
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<tbody>
<tr>
<td><strong>ABARES</strong></td>
<td>Australian Bureau of Agricultural and Resource Economics and Sciences</td>
</tr>
<tr>
<td><strong>ACCC</strong></td>
<td>Australian Competition and Consumer Commission</td>
</tr>
<tr>
<td><strong>ACF</strong></td>
<td>Australian Crop Forecasters</td>
</tr>
<tr>
<td><strong>Auction system</strong></td>
<td>A system whereby parties bid for shipping slots and the highest bidder is allocated the slot</td>
</tr>
<tr>
<td><strong>Berth</strong></td>
<td>A ship’s allocated place at a wharf or dock</td>
</tr>
<tr>
<td><strong>Bulk wheat</strong></td>
<td>Wheat loaded onto a ship for export, but does not include wheat to be exported in a bag or container that is not capable of holding more than 50 tonnes of wheat</td>
</tr>
<tr>
<td><strong>Capacity</strong></td>
<td>The total amount of grain in tonnes that can be loaded onto a ship during a shipping window, as determined by the port terminal service provider that owns or operates the facility</td>
</tr>
<tr>
<td><strong>CCA</strong></td>
<td><em>Competition and Consumer Act 2010 (Cth)</em></td>
</tr>
<tr>
<td><strong>East coast</strong></td>
<td>New South Wales, Queensland and Victoria</td>
</tr>
<tr>
<td><strong>FIFS</strong></td>
<td>A ‘first in first served’ capacity allocation system whereby exporters can secure capacity through the timing of their offers. The first exporter to make an offer is allocated the shipping slot</td>
</tr>
<tr>
<td><strong>LTA</strong></td>
<td>Long term agreement – an agreement entered into for long term capacity between a port terminal service provider and an exporter</td>
</tr>
<tr>
<td><strong>LTC</strong></td>
<td>Long term capacity – Long term capacity requires an exporter to commit to a minimum tonnage for export at a specific port in a specific shipping slot across multiple years</td>
</tr>
<tr>
<td><strong>Mtpa</strong></td>
<td>Million tonnes per annum</td>
</tr>
<tr>
<td><strong>Other exporters</strong></td>
<td>Exporters that fall outside of the top five exporters at a particular port, as determined by export volumes</td>
</tr>
<tr>
<td><strong>Peak shipping period</strong></td>
<td>The period from 1 February until 31 May</td>
</tr>
<tr>
<td><strong>Port loading protocol</strong></td>
<td>A statement of a port terminal service provider that sets out the port terminal service provider’s policies and procedures for managing demand for its port terminal services</td>
</tr>
<tr>
<td><strong>Port terminal facility</strong></td>
<td>A ship loader that is at a port and capable of handling bulk wheat, including an intake/receival facility, a grain storage facility, a weighing facility and a shipping belt</td>
</tr>
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</table>
**Port zone**  
A geographic region within which grain is stored and transported for export. For example, the Kwinana port terminal is situated in the Kwinana zone.

**PTSP**  
Port terminal service provider – the owner or operator of a port terminal facility that is used, or is to be used, to provide a port terminal service.

**Reference prices**  
The standard prices a port terminal service provider charges for port terminal services on the standard terms at a port where the port terminal service provider owns or operates a port terminal facility.

**RHS**  
Right Hand Side.

**Shipping slot**  
A specific time allocated for the loading of a ship.

**Shipping stem / loading statement**  
A daily statement that details shipments that have been nominated for a shipping slot, including the dates and times of the shipment and the type and volume of grain to be loaded.

**Shipping year**  
The period from 1 October to 30 September.

**STC**  
Short term capacity – capacity that is usually available to exporters on a first in first served basis just prior to the shipping stem opening for the year. STC is just for the next shipping year and does not require longer term commitments.

**Supply chain**  
The whole of the supply chain including upcountry grain storage and handling services, transportation of grain and port terminal services.

**Vertically integrated**  
An exporter that also has a form of ownership in a port terminal facility.
Summary

The *Port Terminal Access (Bulk Wheat) Code of Conduct* (the Code) plays an important role in promoting port access for the exporters that buy bulk wheat and other grains from Australian growers. The Australian Competition and Consumer Commission (ACCC) strongly supports the retention of the Code, and considers further improvements should be made to the Code to increase its effectiveness. The Code review currently being undertaken by the Department of Agriculture and Water Resources (the Department) provides an opportunity to consider such improvements. The ACCC’s position is informed by its experience monitoring and enforcing compliance with the Code over the last three years and previously the *Wheat Export Marketing Act 2008* (Cth) (WEMA).

Despite emerging competition at some ports over the last four years, the ACCC does not consider that fair and transparent access to bulk grain export services across Australia would be assured in the absence of the Code. Without fair and transparent port access, exporters may reduce their participation in export markets, reducing the marketing options for growers and ultimately the price that they can secure for grain.

Australian bulk grain supply chains have historically been characterised by varying degrees of regional monopolisation and vertical integration, resulting in a lack of competitive constraint for port terminal services and in related supply chains. This continues to be the case across many port zones in Australia. The Code was intended to ensure fair and transparent access to port terminal services by bulk wheat exporters. As detailed in this second ACCC bulk wheat ports monitoring report there remains ongoing concern from exporters and growers about the state of the market both at port and across related supply chains. In order to promote competition between exporters, the ACCC considers that it remains important that an appropriate level of regulation is applied to entrenched vertically integrated regional monopolies.

The report highlights continuing regional differences in competition for port terminal services. In particular, stakeholder feedback suggests that the Western Australia (WA) and South Australia (SA) port terminal service markets are less competitive than the east coast due to the presence of dominant vertically integrated port operators operating with a limited level of competition. Promoting ongoing access for a range of exporters across port zones is also important to offset the current trend of consolidation between existing grain trading operations. Accordingly, the ACCC believes there are further improvements that could be made to the Code to address this ongoing imbalance.

In port zones where choice across the supply chain has emerged in storage, handling, freight and port terminal services, growers and exporters alike have benefitted. This has been through better terms of access for exporters including on price, competition between exporters for growers’ grain, greater flexibility and access to new services.

Even where access is granted readily it may still not be on reasonable terms. In part the decision to accept such terms is a commercial one for exporters, though the ramifications of this can impact heavily on growers. As reported to the ACCC, such an outcome typically occurs where the access seeker has limited choice in relation to port terminal services, relies on access to the whole of the supply chain and has no or limited countervailing power in related markets.

In remote port zones there appears less competition for grain once again due to a limited availability of options for grain storage and transport as well as access to alternate nearby ports. The risk of trading grains in these port zones will remain significant for most exporters given increased freight differential to move remote grain should shipping not eventuate. In these locations and at non-exempt port terminals in particular, the Code will remain an important means by which to promote third party access in a fair and transparent manner.
While market share data at port typically reflects that a range of exporters can be found exporting across one or more ports, their presence alone should not be considered solely a proxy for robust competition. In many cases exporters once they entered contracts for long term port access can encounter difficulty when a PTSP implements changes to fees, access terms and rebates either at port or along related supply chains.

The report also considers the impact of the record breaking 2016 harvest on exports and port capacity. Shipping data and stakeholder feedback indicated that, despite the significant increase in grain exports in 2016–17 most port terminals exported less than their estimated capacity. However, demand for capacity during the peak shipping period of February to May remained high with many PTSPs able to export above their estimated capacity in certain months, in some cases well in excess of those estimates.

The ACCC acknowledges that the record harvest required PTSPs to dedicate a considerable effort to move grain through the supply chain. Some PTSPs were able to increase capacity through additional investment in operational efficiency measures and expanded operating hours. In its discussions with industry the ACCC has sought to understand with industry whether increased capacity made available across the port zones was allocated fairly and on reasonable terms between exporters.

Under the Code the ACCC can also revisit its previous exemption determinations. As these exemptions have been granted in port zones where competition is emerging, exporters generally noted benefits stemming from both the presence of new entrants in a port zone and the effect of any related exemptions. In conjunction with industry views and considering the analysis presented in this report the ACCC will not be revisiting exemption determinations at this time.

Box 1: Key findings
In developing this second report, the ACCC consulted widely with stakeholders from different parts of the bulk wheat export industry, including PTSPs, grower groups and exporters. The report analyses the 2016–17 shipping year which featured unprecedented levels of grain exports and examines export activity, capacity allocation and market shares at Australia’s bulk wheat port terminals.

The ACCC considers that the following key themes emerged:

- ongoing concerns surrounding some market structures and the need to consider a whole of supply chain perspective
- retention of the Code is essential and it should be improved and strengthened
- no clear changes in exporter market shares held by owners of port infrastructure following exemption decisions
- various types of available capacity now offered by PTSPs
- entry by new port operators in certain port zones.

Further detail on key findings can be found in Chapter 2.

The ACCC’s submission in relation to the Code review, which includes observations on how the Code might be refined to better meet its objectives, is available on the ACCC website.
1. Introduction

The ACCC has been involved in the regulation of Australia’s bulk wheat export port terminals since 2009. Currently the industry is subject to the Code which came into effect on 30 September 2014. The Code regulates the conduct of bulk wheat port terminal service providers (PTSPs).

The ACCC monitors and enforces compliance with the Code and also has certain specific roles including assessing applications for exemption from certain Code obligations and capacity allocation systems. The ACCC’s role in relation to the Code replaces its previous bulk wheat export role of assessing access undertakings for bulk wheat export under Part IIIA of the *Competition and Consumer Act 2010* (Cth) (the Act).

The ACCC has a specific role assessing applications made by PTSPs for ‘exempt service provider’ status at specific terminals. When the ACCC decides to grant an exemption, a PTSP is not required to comply with Parts 3 to 6 of the Code in providing services from the specified terminal. Since 2015 the ACCC has granted a number of exemptions across the east coast, WA and in SA. Stakeholders have generally supported these exemptions. Separately, on 17 November 2014 the Minister for Agriculture also granted an exemption to Co-operative Bulk Handling Group (CBH) at its four bulk wheat port terminals in WA on the basis of CBH’s co-operative status.

During its exemption assessments in 2015, the ACCC considered it would be appropriate to undertake monitoring of bulk wheat port terminal services to continue to assess the level of competition at both exempt and non-exempt facilities in the future. In particular, the ACCC noted that it would be concerned if, following the granting of exemptions from provisions of the Code, it saw evidence that there had been significant increases in market concentration in the grain export market that may reduce the level of competition for grain grown by Australian farmers.

The ACCC’s 2015–16 monitoring report found that owners of port terminals did not appear to be obstructing access by competing exporters or receiving a disproportionate share of port terminal capacity across Australia. Vertically integrated incumbent exporters’ market share at their own terminals did not materially increase during the 2015–16 period. As a result, the ACCC determined that it would not revisit the exemption decisions it made in 2015. However, as noted by the ACCC the provisions of the Code and the effect of the Code exemptions, were not fully tested in 2015–16 due to lower than average export volumes and spare port terminal capacity across Australia.

This report considers the effect of the exemptions the ACCC has granted to PTSPs where competition was expected to emerge and considers whether these exemptions should remain in place. Under subclause 5(6) of the Code, the ACCC can revoke an exemption determination if, after having regard to the matters in subclause 5(3), it is satisfied that the reasons for granting the exemption no longer apply.

The 2016–17 shipping year has provided greater opportunity to test the Code. Australian exports of wheat have generally risen in 2016–17 due to growth in wheat production and in response to an increase in global wheat prices, placing greater pressure on PTSPs to meet export demand. These pressures have provided a useful context in which to test the impact of past exemptions, assess the effectiveness of current capacity allocation systems and test the efficacy of dispute resolution processes provided under the Code.

As was the case in the 2015–16 report, this year’s report examines the nature and concentration of export activity and capacity allocation in Australia’s bulk wheat port terminals, albeit under a significantly different production environment.
Given the increased constraint along most supply chains, the ACCC is seeking to examine how vertically integrated owners of bulk port infrastructure allocated port terminal capacity between exporters, including their own trading divisions or related trading entities. In the absence of sufficient competitive constraint, ensuring port terminal access for all exporters on a fair and transparent basis is critical, especially where there is limited competition in other parts of the supply chain.

To prepare the report the ACCC consulted with a broad range of industry stakeholders, including PTSPs, growers and exporters. The ACCC also reviewed the level of shipping activity and market concentration at the port terminals through examining daily ship loading statements. The ACCC also examined data from other sources including information provided by Australian Crop Forecasters (ACF). ACF data is presented in a number of the graphs in this report.

The Code is currently the subject of a review being undertaken by the Department. The ACCC welcomes the review and considers that industry may find this second report informative and useful as it considers the appropriate regulatory settings for the industry going forward.

1.1. The Australian wheat export industry

Wheat is an important component of Australia’s agricultural sector and also one of the sector’s biggest export earners. A significant proportion of the wheat produced in Australia is exported.1

Figure 1: Breakdown of 2016–17 wheat usage in Australia

The markets for bulk wheat export vary greatly across the country. Broadly speaking, wheat and other grains grown in Australia may be sold into the domestic market (such as milling, biofuels or feedlots), or exported. Wheat may be exported in containers or through bulk export facilities.

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1 As outlined by AEGIC, Australia produces just three per cent of the world’s wheat (about 25 Mtpa) but accounts for 10–15% of the world’s 100 million tonne annual global wheat trade. See: AEGIC, ’Australian grain production – a snapshot’, AEGIC, Perth, 2016, viewed 18 November 2016, http://aegic.org.au/australian-grain-production-a-snapshot/.
Similar to wheat, the markets for other grains vary significantly between each state. Barley is the second largest exported grain, followed by canola. Typically, WA and SA have the most diversified grain exports.

In SA and WA the majority of wheat and other grains are exported via a bulk port terminal operated by the vertically integrated PTSP dominant in each state (Viterra Pty Ltd (Viterra) and CBH respectively). Both operators have significant operations and market shares across the bulk grain export market and related supply chains. GrainCorp Operations Ltd (GrainCorp) is the largest port operator on the east coast, and is vertically integrated across the bulk export supply chain and related markets.

Compared to WA and SA, many growers in eastern Australia may have access to alternative and competing markets for their grain, such as domestic markets or a significant export container market. As seen this year when overall production is high, and production satisfies these markets, large amounts of east coast grain becomes available for bulk export.

Australia’s bulk wheat export industry has also changed significantly since the end of the ‘single desk’ in 2008, with a significant number of new PTSPs entering the market. Table 1 sets out the PTSPs currently operating in each state.
Table 1: PTSPs in Australia (by state)

<table>
<thead>
<tr>
<th>State</th>
<th>PTSPs</th>
<th>Exemption Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western Australia</td>
<td>CBH Albany</td>
<td>Exempt (17 November 2014)*</td>
</tr>
<tr>
<td></td>
<td>CBH Esperance</td>
<td>Exempt (17 November 2014)*</td>
</tr>
<tr>
<td></td>
<td>CBH Geraldton</td>
<td>Exempt (17 November 2014)*</td>
</tr>
<tr>
<td></td>
<td>CBH Kwinana</td>
<td>Exempt (17 November 2014)*</td>
</tr>
<tr>
<td></td>
<td>WA Plantation Resources (WAPRES) Bunbury</td>
<td>Exempt (24 September 2015)</td>
</tr>
<tr>
<td>South Australia</td>
<td>Viterra Inner Harbour</td>
<td>No exemption application submitted</td>
</tr>
<tr>
<td></td>
<td>Viterra Outer Harbor</td>
<td>No exemption application submitted</td>
</tr>
<tr>
<td></td>
<td>Viterra Port Giles</td>
<td>No exemption application submitted</td>
</tr>
<tr>
<td></td>
<td>Viterra Port Lincoln</td>
<td>No exemption application submitted</td>
</tr>
<tr>
<td></td>
<td>Viterra Thevenard</td>
<td>No exemption application submitted</td>
</tr>
<tr>
<td></td>
<td>Viterra Wallaroo</td>
<td>No exemption application submitted</td>
</tr>
<tr>
<td></td>
<td>LINX (previously BAPS and Patrick) Port Adelaide</td>
<td>Exempt (11 October 2017)</td>
</tr>
<tr>
<td></td>
<td>Semaphore Port Adelaide</td>
<td>Exempt (27 July 2017)</td>
</tr>
<tr>
<td>East coast</td>
<td>GrainCorp Newcastle</td>
<td>Exempt (1 October 2014)</td>
</tr>
<tr>
<td></td>
<td>GrainCorp Geelong</td>
<td>Exempt (25 June 2015)</td>
</tr>
<tr>
<td></td>
<td>GrainCorp Portland</td>
<td>Exemption not granted (25 June 2015)</td>
</tr>
<tr>
<td></td>
<td>GrainCorp Fisherman Islands</td>
<td>Exempt (24 September 2015)</td>
</tr>
<tr>
<td></td>
<td>GrainCorp Gladstone</td>
<td>Not exempt</td>
</tr>
<tr>
<td></td>
<td>GrainCorp Mackay</td>
<td>Not exempt</td>
</tr>
<tr>
<td></td>
<td>GrainCorp Port Kembla</td>
<td>Exempt (1 April 2016)</td>
</tr>
<tr>
<td></td>
<td>Emerald Grain (Emerald) Melbourne</td>
<td>Exempt (25 June 2015)</td>
</tr>
<tr>
<td></td>
<td>Quattro Ports (Quattro) Port Kembla</td>
<td>Exempt (1 April 2016)</td>
</tr>
<tr>
<td></td>
<td>Newcastle Agri Terminal (NAT)</td>
<td>Exempt (30 July 2015)</td>
</tr>
<tr>
<td></td>
<td>Queensland Bulk Terminals (QBT)</td>
<td>Exempt (24 September 2015)</td>
</tr>
<tr>
<td></td>
<td>Riordan Grain Services (Riordan) Geelong</td>
<td>Exempt (29 May 2017)</td>
</tr>
</tbody>
</table>

*CBH was granted an exemption at all four of its port terminals due to its co-operative status, by the Minister for Agriculture on 17 November 2014

Figure 3 below shows where the bulk wheat export terminals in Australia are located.
1.2. Structure of this report

The remainder of this report is structured as follows:

- Chapter 2 summarises observations from the ACCC’s industry consultation and sets out the key findings for this year’s report.

- Chapter 3 provides an overview of wheat production in Australia.

- Chapters 4 to 6 discuss the three markets for Australian wheat: domestic demand, container exports, and bulk exports (including consideration of grains other than wheat).

- Chapter 7 discusses the capacity of the bulk wheat export port terminals, and the level of capacity utilisation (including consideration of grains other than wheat).

- Chapter 8 considers the market shares of the various exporters at each of the bulk wheat port terminals (including consideration of grains other than wheat).

- Chapter 9 provides an overview of the reference prices published by the PTSPs.
2. Overview of findings

This chapter summarises key observations about the 2016–17 shipping year that the ACCC has noted from its industry consultation, analysis of export data and other sources of information.

The ACCC considers that the following key themes emerged:

- ongoing concerns surrounding some market structures and the whole of supply chain perspective
- retention and improvement of the Code is essential
- no clear changes in exporter market shares held by owners of port infrastructure following exemption decisions
- various types of available capacity now offered by PTSPs
- entry by new port operators in certain port zones.

These issues are explored in this overview chapter. The following chapters then provide more detailed information on the underlying data that support this analysis in conjunction with stakeholder views, complaints and other industry data.

2.1. Market structures and the whole of supply chain perspective

Many stakeholders observed that regional differences in the level of competition within bulk grain export supply chains continued in 2016–17. In particular, stakeholders highlighted a different level of constraint on the east coast PTSPs as compared to Viterra and CBH. Stakeholders observed that:

- There is a greater degree of competition between bulk wheat export PTSPs on the east coast than in WA and SA. PTSPs on the east coast face greater competition from container exports and the domestic market. Many new entrants operate standalone terminals and unlike their larger competitors on the east coast or in SA and WA they must compete on price and terms of service to drive throughput. Particularly as they are unable to offer access seekers the benefits of using an integrated system of multiple ports and an extensive upcountry storage network.
- GrainCorp remains the dominant provider of upcountry storage and handling services for bulk grain exports on the east coast. Alternative supply chains to port are developing, providing growers and exporters additional opportunities to trade and/or accumulate grain. However, many exporters accumulating in regional New South Wales (NSW) still rely on GrainCorp’s upcountry storage network to store, trade and transport grain.
- Competition in port terminal services is less likely to emerge in WA and SA and more remote areas in other parts of Australia due to a combination of factors, including production limitations and variability, excess capacity along the supply chain, geography, existing ports and network effects arising from existing supply chains. For example, Viterra’s network is well equipped to store, transport and ship the SA exportable harvest, though it remains difficult to gauge what the capacity of SA ports may be in a season considering Viterra’s ongoing release of additional capacity. A new port terminal entrant in SA would need to attract grain away from the existing ports which will be difficult absent access to an alternate competitive storage network.
- Seasonal variations in weather and other ad hoc events impact port zones indiscriminately.
2.1.1. Risk for growers given competition unlikely to emerge in SA and WA and remote areas

While competition is emerging at some ports, other regions remain characterised by vertically integrated near monopolies. This is particularly the case in in SA and WA where Viterra and CBH dominate the bulk grain export market supply chains of each state and also compete in the export market. While new entrants have commenced export operations, their entry has been dependent on their ability to access specific infrastructure across the supply chain and not just at port. For some new entrants, their export programs are opportunistic and intermittent and rely, for example, on the use of mobile ship loaders, good weather and cooperation of and access to public access berths. For others like WAPRES, their entry to the WA port terminal market has been particularly challenging. Bunge has found it challenging to pursue an accumulation strategy alongside CBH’s extensive upcountry network.

In markets where there is one operator but an oversupply of capacity, there is limited incentive for new entrants to invest in competing facilities and consequently competition is unlikely to emerge. Likewise where exporters are committed to long term agreements (LTAs) there is limited incentive to commence a competing service within a port zone. This is especially the case where the incumbent PTSP also owns an established network of storage and handling facilities and can bundle those services with port loading services. Significant barriers to entry are entrenched by way of dominance along the supply chain from upcountry storage to the port terminal. Where new entrants have commenced operations in SA and WA, they are not currently on a scale that would provide a significant competitive constraint on CBH or Viterra’s operations (discussed below).

The ACCC has received numerous complaints over several years in relation to the difficulty exporters experience accessing bulk handling services both at port and along the related supply chain. Parties continued to raise concerns during consultation on this report.

In SA and WA port zones where competition has yet to develop, stakeholders expressed varied concerns including a lack of interest from PTSPs to negotiate fees or access terms, leading to uncertainty in relation to total shipping costs and a higher risk associated with shipping from those zones. Most stakeholders believe that the PTSPs related trading arms are favoured. This is particularly the case in areas where, for the sake of flexibility, discretion in decision-making is permitted by the operational port loading protocols. Overall most stakeholders expressed concern about the level of market power held by PTSPs that are vertically integrated across the supply chain and into end-user markets.

In SA stakeholders noted that there was limited competition at the port level. Viterra’s strong position at the port level was reinforced by a strong position in the SA upcountry grain storage and handling network. The overall network effect of a dominant position at port and upcountry establishes a high barrier to entry that to date has limited the emergence of competition in upcountry storage, transport services or at port. PTSP entrants at Port Adelaide have provided new opportunities for some growers and several exporters within that port zone. However, as foreshadowed above these operations rely on access to the Viterra’s storage network or in the case of LINX, a limited number of SA GrainFlow sites.

In WA, CBH operates all bulk wheat port terminals other than the WAPRES Bunbury facility. The WAPRES terminal does not have rail access, which constrains the geographic region from which Bunge (the port’s primary exporter) can efficiently source grain. However, while CBH remains the dominant PTSP in WA, some stakeholders considered that as a co-operative CBH may have different incentives to other port operators. As per SA, the significant investment by CBH in its supply chain from upcountry storage to port has created a high barrier which to date has deterred entry at most parts of the supply chain.
Accordingly, given the lack of access to alternate supply chains it is not surprising that there is a high level of concern within industry about the effect of rebates recently announced by CBH for users of its supply chain, and the impact on grain trading and competition for port terminal and related bulk export supply chain operations.

In the absence of viable alternative export pathways, exporters using these facilities in WA and SA have limited countervailing power by which to negotiate access (including the price and terms of that access). This impacts on the prices received by growers, as exporters may reduce their participation in these markets, limiting growers' marketing options and dampening competition to purchase grain. The Code provides some ability for exporters to negotiate terms with PTSPs with recourse to binding dispute resolution (discussed below); however, this only applies to port and not whole of supply chain access.

The ACCC appreciates that the current review of the Code is a timely opportunity to consider how best to facilitate fair and transparent access for exporters in markets where competition is unlikely to occur across supply chains.

The ACCC will continue to monitor how capacity is allocated across the shipping calendar and the long term implication of limited competition emerging in some port zones. In these circumstances, an ongoing commitment to transparency and exporter access to effective dispute resolution processes will be important. This is especially the case where the access seeker is competing in regions where the primary exporter is the vertically integrated PTSP.

2.1.2. **Competition at port and upcountry on the east coast improves port access for exporters**

Where demand for port terminal services is below supply as per the situation on the east coast (in part due to the oversupply of capacity) PTSPs have some incentive to provide access on fair commercial terms to drive use of their infrastructure. With considerable excess capacity it is not unexpected that the PTSP’s trading arm continues to export in large quantities from their own ports, as per the case of Emerald. Given traders have alternate markets for grain on the east coast at times it is left to the PTSP to drive throughput at their own ports. In regions across the east coast where new entrants have entered the market, stakeholders have observed the effect of competition in port terminal services by way of lowered fees, more flexible access and new service offerings.

As noted, in many of these port zones grain is also sought for domestic end use or by exporters of containerised grain. Growers and exporters commented on the opportunities these markets present for industry. Key trends and observations about the east coast port zones are detailed below. For example in port zones where more than one PTSP operate growers have observed greater competition for their grain upcountry. The presence of competing ports has allowed more exporters the opportunity to export grain across the peak shipping period, in turn benefitting growers. Further benefits for growers may be realised in locations where there are multiple upcountry storage facilities and competing transport services to move grain from upcountry to port. Typically competition in upcountry storage is evident in some larger rural towns and for many growers the cost of freight and time required to deliver to these sites must be offset against the benefits of access to competing facilities.

On the east coast access to new port terminals has coincided with and in part encouraged the development of some competition along the supply chain. This is particularly the case where grain growers and exporters are not constrained by access to rail services and can deliver direct to port or storage close to port. Even in relation to rail access stakeholders have reported increased competition for above rail services, a trend not evident in WA or SA despite the larger export task. On the east coast exporters and PTSPs noted that the downturn in coal exports has provided rail operators with greater capacity to haul grain and build new partnerships and service arrangements.
In Victoria many growers and exporters now have the option to store grain at various locations, including on farm, although to the west of the state growers and exporters have fewer options upcountry. They can transport their grain by road or rail and export via container or one of the three PSTPs operating in the state.

As per in NSW numerous rail providers now haul grain to a range of ports across the east coast. Recent industrial disputes and ongoing seasonal operational limitations have hindered rail grain transportation in Victoria. Road is also competitive and a popular option for many growers and exporters in Victoria given the shorter distances (on average) between growers and the port terminals.

For certain locations in NSW, on farm storage, alternative storage providers and container packers may reduce GrainCorp’s dominance in some upcountry markets. The entry of Quattro and Newcastle Agri Terminal (NAT) has also increased opportunities for exporters to trade and ship grain from NSW, especially at peak times. In addition Quattro partners have access to their own upcountry storage facilities and Qube rail services. However, many exporters accumulating in regional NSW still rely on GrainCorp’s upcountry storage network to store, trade and transport grain.

2.1.3. Container exports and domestic usage constrain east coast but not WA and SA PTSPs

The domestic and container export markets are significantly larger in the eastern states compared to SA and WA. On the east coast new entrants have entered the storage market and can store for the domestic, container or bulk export markets. The ACCC has also observed that exporters who first traded in containers have now leveraged existing commercial relationships to take advantage of available shipping capacity to expand their operations into bulk exports.

The competitive constraint posed by the container and domestic markets was discussed in the ACCC exemption determinations regarding east coast ports. The degree of constraint has varied depending on the size of the container and domestic markets relative to total production in a given port zone. As discussed further in chapter 5, several stakeholders considered that container growth will now likely settle at current levels of around 2 to 2.5 Mtpa Australia-wide.

Growers in eastern states have greater choice when marketing their grain and greater incentive to invest in on farm storage. In SA and WA there is limited rationale for growers to invest in on farm storage. In both states bundling of prices across the supply chain and the benefits to exporters of operating within a network create a disincentive for growers to invest in on farm storage. This is particularly the case in WA given CBH’s co-operative structure and program of rebates. In both WA and SA this confluence of factors ensures the barriers to entry to the storage and related transport market between upcountry and port will remain high for some time.

2.1.4. Seasonal variations in weather and ad hoc incidents affect port zones indiscriminately

Seasonal variations in weather and ad hoc incidents can significantly challenge the task of exporting for all stakeholders. Generally these matters are beyond the control of the PTSPs. Over the last season several port zones experienced events of this nature, including where:

- a crop failed or was damaged (e.g. the Bunbury port zone)

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2 See Figure 1: Breakdown of 2016-17 wheat usage in Australia, at page 10 of this report.
3 See past ACCC 2015 exemption determinations including on Newcastle and Port Kembla.
• a port terminal facility becomes unavailable (e.g. Thevenard’s period of closure in 2017)
• a supply chain was affected as a whole, like in Victoria where rail services were affected due both to industrial matters and seasonal (temperature) operational limitations.

Where shipping is affected, the benefits of operating within a network or across port zones for exporters and PTSPs become evident. In such conditions many exporters can shift their accumulation efforts and export strategies to alternate locations.

2.2. Retention and improvement of the Code is essential

The Code is intended to address concerns about port terminal service providers’ ability and incentive to use their market power to the detriment of competitors in upstream and downstream markets. Given the current state of the Australian bulk grain export market as outlined above, the ACCC considers that industry-specific regulation for bulk wheat port terminal services remains necessary and that the Code should be retained.

The Code includes tiered arrangements allowing a reduced level of regulation to apply where competition is emerging, and for regulation to remain in place where it is needed. In the absence of the Code, exporters may reduce their participation in some markets, reducing the marketing options for growers in those regions and ultimately the price that they can secure for grain.

The ACCC’s submission to the Department sets out a number of observations regarding how the Code could be refined to better meet its objectives. These cover:

1. coverage and scope
2. whole of supply chain issues
3. penalty provisions
4. reporting arrangements
5. capacity allocation system approvals.

This section sets out stakeholder views on the operation of the Code during consultation for this report.

2.2.1. ACCC Code exemptions determinations

Many stakeholders agreed that the exemptions granted to east coast operators remained appropriate. These stakeholders noted that in the relevant port zones there was sufficient, if not an oversupply, of capacity available for exporters. In SA at Port Adelaide most stakeholders considered the entry of alternate port operators was a positive development, but noted the continued dominance of Viterra across the supply chain. The impact of new entrants is discussed further below.

2.2.2. Recourse to arbitration

For the non-exempt ports (which for 2016–17 included Viterra’s SA ports and GrainCorp’s facilities in Portland, Mackay and Gladstone), the Code provides for binding independent arbitration where exporters and PTSPs have been unable to agree on prices and terms of access. Recourse to arbitration is not available to exporters seeking access to exempt terminals. For 2016–17, PTSPs and exporters reported that they have not referenced or used the dispute resolution procedures available for non-exempt ports under the Code.

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Capacity constraints, and the terms of access to capacity, have historically been a source of dispute between access seeker and access provider. Some exporters reported that the increase in port capacity and availability of terminal services meant that the potential for disputes with PTSPs to arise has been limited, and was further reduced in 2016–17. However, many also indicated frustrations with PTSPs in relation to certain shipping decisions, an unwillingness to negotiate or the application of certain charges.

Despite these concerns they believed there was limited benefit in pursuing a dispute, either at the port or at another relevant point across vertically integrated supply chains. Exporters indicated that in instances where they wanted to pursue a dispute they would prefer to rely on commercial relationships with the port operators or accept the terms as offered. Such resignation undermines the prospect of vigorous competition for grain emerging in these particular port zones.

Dispute resolution is intended as a backstop to commercial negotiation and is likely to be effective if resolution is timely and the basis for the arbitrator’s determination is transparent. In certain circumstances exporters’ decision not to utilise it to date reflects that they have been able to reach agreement commercially (and therefore it is working effectively). However, in other situations there appear to be systemic barriers preventing the dispute resolution process from functioning as intended. Based on industry feedback in practice exporters can encounter both scenarios, depending on the port zone they are seeking to participate and also their value to the PTSP. The Code review provides an opportunity for further work to be done with stakeholders to identify circumstances in which the arbitration provisions are not working as intended and what improvements could be made. For example, it may be an issue where parties have a dispute regarding port access but also require services from the same entity in other parts of the supply chain. Amendments to the Code to facilitate recourse to arbitration upcountry could facilitate greater countervailing power across related bulk grain export supply chains and level the playing field for all exporters.

2.2.3. Reporting under the Code

As set out in the Code, all PTSPs must publish a daily ‘loading statement’ (also referred to as a ‘shipping stem’), which provides certain details about upcoming shipments of grain and all recently completed shipments. All PTSPs must carry out this reporting, including PTSPs that have been granted exemptions. Non-exempt PTSPs are also required to report on additional performance indicators, available capacity and stocks at port.5

Stakeholders note that the shipping stem data provides useful insight into the shipping activity occurring in the respective port zones. Stakeholders also noted that, even where not used directly, this information is used in conjunction with other market and production data as prepared by commercial information providers.

However, certain stakeholders also raised concerns that the reporting of detailed information about upcoming activity for specific exporters may allow other market participants to directly target an exporter’s export program. Some stakeholders also called for greater consistency in reporting and additional information. In some cases this is a consequence of port exemptions, particularly in relation to available capacity, while in others it is due to ambiguity in how the Code should be interpreted.

Stakeholders also commented more broadly on the lack of information about whole of supply chain pricing and stocks information. The Code relates only to port terminal services and therefore it does not contain reporting requirements in relation to other parts of the supply chain (such as stocks received and held at upcountry storage and handling facilities). The ACCC acknowledges that there are varying views across industry on the publication of

5 These obligations are set out at Part 5 of the Code.
stocks information. Further research and analysis on the costs and benefits of the publication of stocks information in upcountry storage facilities would be useful at this time.

2.3. Exporter market shares

The ACCC continues to review data provided by PTSPs in their public loading statements to monitor changes in exporter market shares in 2016–17. The ACCC was particularly interested in:

- any significant changes to the market share of vertically integrated exporters
- any evidence that smaller, non-vertically integrated exporters could not compete in grain exports due to market conditions or the behaviour of PTSPs.

The ACCC’s analysis of market shares is set out in detail in chapter 8, but in summary:

- Stakeholder consultation this year has indicated that despite the large harvest, in the majority of port zones exporters were able to obtain capacity.
- The vertically-integrated incumbent exporters’ market share at their own port terminals did increase at a number of terminals, particularly in SA where Glencore’s market share increased in all but one of Viterra’s ports.
- The vertically integrated incumbent with the highest market share at their own port terminal was Emerald who significantly increased its market share at Melbourne terminal, from 68 per cent in 2015–16 up to 92 per cent in 2016–17. Though as noted in chapter 9 (Reference prices) Emerald has recently simplified its pricing structure in an attempt to lower costs and promote access. The port also experienced significant delays due to rail industrial disputes which may have also have deferred third party access.\(^6\) In the port zone in which Emerald operates exporters have many opportunities to export grain, in part the increase in market share at this port demonstrates Emerald’s need to drive throughput through its facility. Emerald has an ownership stake in Quattro although is not currently exporting from this port.
- The ACCC acknowledges that while new entrant port terminals in and of themselves introduce competition to a port zone, they may find it difficult to facilitate third party access due to the intermittent and ad hoc nature of their operations (e.g. Riordan at Port of Geelong). However, in accordance with the Code each operator must consider any proposals for access received in good faith.
- Viterra/Glencore also increased its share of exports from Port Adelaide to 56 per cent this year.\(^7\) At certain times of the year Glencore has held very significant share of exports across several SA ports, including 98 per cent of exports from Port Adelaide during Q1. In part this may be an appropriate outcome of the introduction of LTAs. It appears all parties including Glencore were allocated long term capacity (LTC) in accordance with the prescribed caps. In turn this provides more exporters the opportunity to ship during the peak from premium ports. However, many exporters noted some uncertainty about the level of overall capacity available across the ports considering the development of additional capacity, at times with very limited notice or very specific conditions.
- There is a tendency for larger exporters to have significant presence in a number of port zones, however, some exporters with smaller overall export programs have made it into the top five exporters in some port zones. This includes JK International at Gladstone, as well as exporters with moderately sized export programs such as Plum Grove at some

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\(^7\) In accordance with Viterra’s protocols Viterra can move grain and coordinate shipments between its Port Adelaide Inner Harbour and Outer Harbor port terminals.
WA ports and Bunge at Melbourne port, Port Giles and Wallaroo. There is therefore some variation in the top five exporters between ports.

- In port zones where competition for bulk wheat export port terminal services exists, exporters report they have gained access to capacity across the shipping year and in some markets were able to negotiate access and were offered access to new types of services.

In light of the limited changes in market shares, the PTSPs’ response to the record breaking harvest, and the emergence of competition from new PTSPs, the ACCC does not propose to revisit any of its exemption determinations at this time.

Where stakeholders have reported concerns, these are generally not in port zones where competition is evident or where exemptions have been granted. Often these concerns relate only in part to a port terminal service and are often in conjunction with issues at other parts of the supply chain, and therefore the issues may not present themselves in the market share data.

Some access concerns are also concentrated in specific periods during the shipping year and are not visible in broader overviews of the season. For example, Viterra reported record exports in December 2016 across its ports. However, Glencore held 70 per cent market share in SA during the first quarter (October to December) and 73 per cent in December. Specifically, Port Lincoln also exceeded its estimated capacity during this first quarter (exported 602 803 tonnes), of which, majority of the capacity was allocated to Glencore (65 per cent). This also meant that the first quarter at Port Lincoln had higher export volumes than January to March (Q2) and July to September (Q4), but less than April to June (Q3).

2.4. Various types of available capacity

In 2016–17 Australia’s bulk wheat port capability continued to increase and met the challenge of record breaking harvests across the country. As reported last year, there has been an increase in elevation capacity throughout the last few years in a number of port zones and at specific ports. As predicted the introduction of new capacity has provided greater export opportunities for exporters in the 2016–17 shipping year, and this was timely given the increased shipping task.

Many stakeholders responded positively to additional capacity in the market, for example by taking up LTAs or benefiting through increased competition between operators within some zones. Overall these developments as outlined above provide greater opportunities for competing exporters to gain access to bulk export capacity and in turn to compete for grain.

In the course of its consultations, the ACCC asked stakeholders about their experiences accessing or attempting to access capacity. Key topics discussed included:

- availability and usefulness of capacity offered, including LTC arrangements
- new opportunities arising from new port developments
- implication of oversupply in some markets and supply chains.

2.4.1. Availability and usefulness of capacity, including long term capacity arrangements

In 2016–17 further capacity was made available across port zones and regions. This occurred for a range of reasons, including:

- the introduction of LTAs in SA

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• implementing further operational efficiencies across ports and supply chains
• supply chain investment
• targeted deployment of additional resources over the peak shipping period
• new port terminal service developments or existing ports becoming fully operational.

This season the top three PTSPs by total export volumes (Viterra, CBH and GrainCorp) all had LTAs in place with exporters. Previous concerns of over allocation of LTC to exporters were alleviated with PTSPs fulfilling their commitments.

Exporters had generally approached the release of LTC positively, but take-up varied for a range of reasons. GrainCorp and Viterra both offered further LTC to exporters in 2016–17. Larger exporters with an appetite for risk, willingness to pay in advance and long term end-user obligations were most likely to seek larger commitments. Though on the east coast most exporters indicated there was limited need to obtain significant LTC owing to surplus capacity and production variability.

Subject to LTC allocation, each season exporters then participate in short term capacity (STC) processes as required. Some also trade, transfer or take-up additional capacity allocations that may be released by the PTSP. In consultations with the ACCC, most exporters stated that they were able to compete fairly for STC and while they were not always able to secure capacity, this was not unreasonable given many exporters compete for capacity at certain ports during the peak shipping period. However, in some instances ongoing release of small parcels of capacity, which are most useful when grouped with other bookings, were most beneficial to large traders already active at the port terminal, including the PTSP’s trading arms.

Generally speaking, the ACCC considers that where demand for port terminal services exceeds supply (i.e. capacity is constrained), PTSPs will not be subject to sufficient competitive constraint. On the other hand, the ACCC generally considers that, the greater the level of spare capacity, the greater the incentive for a PTSP to provide access on fair terms.

As observed in chapter 7 there were several ports where demand exceeded or came close to exceeding capacity at certain times during the 2016–17 shipping year. The ACCC reiterates that 2016–17 was a year of high production and that the correspondingly high level of demand for capacity was not unexpected.

Exporters noted the benefits of the additional flexibility now available across the ports. Because exempt PTSPs do not have to comply with Parts 3 to 6 of the Code when allocating and managing capacity, they can do so with greater flexibility. This is typically subject to timing, protocol arrangements and PSTP discretion. Accordingly, many exporters were able to respond in a timely manner to:

• unforeseen operational issues such as a vessel arriving ahead of schedule
• market opportunities, for example by adjusting or supplementing their shipping activity to respond to market forces.

The ACCC agrees that being exempt from the Code provides greater flexibility to PTSPs in operating their businesses. So too does the ability to offer LTAs (an option that is also available to non-exempt service providers).

However, the benefits of flexibility need to be balanced against a lower level of certainty and transparency about the level of available capacity across the port terminals and how it is allocated. For example, some exporters noted that increased flexibility allows for greater movement of planned shipping. While these are recorded on shipping stems, in some
instances the information provided is limited. Exporters also noted that information presented on shipping stems by the PTSPs can vary.

2.5. Entry by new port facilities

In 2016–17 several PTSPs commenced operations or became fully operational, including Quattro at Port Kembla, Riordan at Port of Geelong, and Semaphore Container Services (Semaphore) at Port Adelaide. The port terminal service operation at Berth 29 at Port Adelaide also changed ownership, with the service now operated by LINX Cargo Care.

New entrant PTSPs in several port zones suggests that there is a demand from exporters to secure capacity outside of the larger scale PTSP networks. This appears to be the case irrespective of the level of capacity constraint within the port zone. In some instances new entrants have developed port capacity to complement and leverage existing upcountry storage or transport arrangements.

However, while the entry of new PTSPs is a positive development for the industry, the extent of the constraint posed by the smaller of the new operators is currently limited. Although some can export large amounts of grain in certain periods, most of the operations operate on an intermittent and opportunistic basis. Some stakeholders commented on the risk of the mobile ship loader style operations, citing their phytosanitary or environmental arrangements. At this stage the new entrants (with the exception of Quattro) are unlikely to pose a significant competitive constraint on the incumbent PTSPs.

Box 2: Code Review

On 30 September 2017, the Department commenced a review of the Code. It also released an issues paper, outlining the review’s terms of reference as set out in the Code. In the course of consultation for this monitoring report, the ACCC engaged with stakeholders concerning the effectiveness of the Code and the regulation of port access generally. Stakeholders’ comments are reflected in the observations made throughout this report, particularly in chapter 2. A key issue that received mixed responses from stakeholders was the possible future regulation of stocks reporting.

The ACCC lodged a submission in response to the issues paper, which was due by 19 January 2017. This is now available on the ACCC website.

The Department is due to publish a draft report and seek further industry feedback in March to May 2018.

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9 See section 5 of the Code, Review of operation of this regulation, including section 5(4) which sets out the matters for consideration.
3. Wheat production in Australia

Wheat production in Australia has a significant influence on activity in the bulk wheat exports market. Typically the level of production (and carryover from the previous season) determines the amount of wheat that is available for export (either container or bulk) after the domestic market demands have been met.

This is most evident in the eastern states of Australia where the greatest domestic demand exists (a combination of human consumption, feedlots and industrial uses). However, in some instances crops are grown specifically for export, often fulfilling specific end-user requirements.

Figure 4 highlights the trends in wheat production in Australia. Estimates for the 2015–16 shipping year featured in last year’s monitoring report are updated with final figures according to ABARES most recent report.\footnote{ABARES ‘Australian crop report, No. 183, September 2017’, ABARES, Canberra, 2017, viewed 2 November 2017, 

\textbf{Figure 4: Historic and forecast wheat production (Mtpa)}

Over the last five years, Australia has produced an average of 26 million tonnes of wheat per year. The 2016 wheat harvest was record-breaking, at an estimated 35 million tonnes, which is significantly above the five year average and up 57 per cent from the previous year. The size of the harvest was largely due to favourable weather conditions.\footnote{ABARES ‘Australian crop report, No. 180, December 2016, ABARES, Canberra, 2016, viewed 2 November 2017, 

As shown in Figure 4 there are significant regional differences in the amount of wheat produced. NSW and WA are the two states that typically produce the largest quantities of

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{Figure4.png}
\caption{Historic and forecast wheat production (Mtpa).}
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wheat. Climate influences and growing conditions shape Australian wheat production in both positive and negative ways.

The advantageous weather conditions led to increases in wheat production across Australia. Notable figures include:

- **Victoria** experienced the most significant increase in wheat production at an increase of 187 per cent from 2015-16.
- **NSW** experienced an increase in wheat production by 65 per cent and SA experienced a similar increase at 79 per cent.
- **Queensland** production increased at a lesser rate of 37 per cent and WA experienced the smallest rate of wheat production growth with just a 17 per cent increase.
- **WA** produced the most wheat of any state between 2013–14 and 2015–16, with NSW ranked second across this period. In 2016–17, WA dropped its ranking and produced the second largest volume of wheat compared to other states with 10 million tonnes, with NSW recording the largest volume of wheat produced.

As discussed later in chapter 6, the small increase in WA wheat crop production may be due to poor weather conditions such as the severe frost that had a widespread impact across WA. The frost reportedly destroyed a significant amount of wheat, particularly within the southern region, while other grains such as lupins and canola were less affected.

The 2016–17 shipping year also reflected further growth in the production of other grains, including barley which increased by 49 per cent to 13.4 million tonnes, canola which increased by 49 per cent to 4.1 million tonnes, and chickpeas, which increased by 111 per cent at 1.9 million tonnes. Lentils, lupins and oats experienced similar growth. Barley production almost tripled in the areas of SA and Victoria, but reduced slightly in Queensland. Canola production increased by a significant amount in WA and Victoria, while NSW and Queensland experienced a minor decline in production.

The growth in production across all grains has led to an increase in total grain exports for 2016–17 across Australia. WA, which saw the smallest rate of production growth, experienced a minor decline in wheat export volumes, but still achieved an increase in overall grain export volumes due to increased production of other grains. All other states achieved significant increases in wheat export volumes. Bulk grain exports are further discussed in chapter 6.

Looking forward, ABARES forecasts that the 2017–18 wheat crop is set to decrease by 38 per cent. Production of other grains is also forecast to decrease (barley by 40 per cent, canola by 33 per cent, and chickpeas by 36 per cent). However, while forecasted production levels for the 2017–18 shipping year are to decrease compared to 2016–17, they remain 2 per cent above the 10 year average calculated to 2015–16.

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4. Domestic consumption of wheat

Domestic consumption influences the amount of wheat available for bulk export in markets across Australia (the exportable surplus) and can provide some constraint on bulk exports. The interaction between domestic and bulk export markets has been considered by the ACCC in making its exemption decisions. In these decisions, the ACCC noted that domestic users of wheat face lower supply chain costs compared to participants engaged in export markets, and as such, the domestic market will tend to be filled first ahead of exports.

The ACCC has also found in these decisions, that that the level of constraint that domestic users place on both bulk and container exports is generally restricted by the size of domestic consumption.\textsuperscript{15}

Figure 5 shows that domestic consumption grew by 30 per cent between 2010–11 and 2016–17, meaning that this constraint has grown over time.

**Figure 5: Trends in the domestic consumption of wheat**

![Figure 5: Trends in the domestic consumption of wheat](image)

\textit{Source: Australian Crop Foresters, Supply and Demand export report; Australian Bureau of Statistics}

While there was a decrease in domestic consumption in 2015–16 for a number of states, consumption has increased in 2016–17 to the highest levels in the period examined.

Domestic consumption accounted for approximately 27 per cent of total wheat usage\textsuperscript{16} in Australia during the 2016–17 shipping year. This figure is lower than in 2015–16, when domestic consumption accounted for 32 per cent of total usage. The decrease is likely due to the substantial increase in production for 2016–17, with levels of domestic consumption remaining around the same levels and therefore more grain being made available for export.

This is consistent with the findings for wheat production in 2016–17 shown in Figure 4 from chapter 3 of this report.

\textsuperscript{15} ‘ACCC final position – Port Kembla wheat port exemption assessments – 1 October 2015’, p. 13.

\textsuperscript{16} References to ‘usage’ in this chapter relates to the total of all wheat exported (in bulk or via containerised exports) or domestically consumed.
Domestic uses of wheat include supply to feedlots (the most significant source of consumption in Queensland, Victoria, WA and SA), input into the milling process and as food for human consumption (the predominant use in NSW).

In the previous year, stakeholders also noted an increasing consumption of bulk wheat for industrial purposes, such as biofuels. However, there has been a significant decline in the consumption of biofuels (ethanol and biodiesel/renewable biodiesel) since 2014–15, which may have substantial impacts on the domestic consumption of bulk wheat. Despite this, ethanol consumption is expected to have increased in 2017 in the eastern states due to the introduction of new ethanol mandates in Queensland and NSW.

The proportion of total wheat consumed by the domestic market also varies significantly between states. The domestic markets had the following shares of total usage in each state in 2016–17 (2015–16 figures in brackets):

- Queensland: 64 per cent (81 per cent)
- NSW: 42 per cent (62 per cent)
- Victoria: 35 per cent (51 per cent)
- SA: 14 per cent (17 per cent)
- WA: 8 per cent (8 per cent).

Of particular note:

- there was little change in the rate of domestic consumption between the 2015–16 and 2016–17 shipping years
- NSW had the highest percentage, and accounts for around 37 per cent of all domestic consumption
- consumption in Victoria decreased marginally, to around 22 per cent of all domestic consumption, a decrease from around 24 per cent in 2015–16
- consumption in Queensland remained substantially the same from 2015–16 to 2016–17, increasing by around 2 per cent to around 21 per cent of all domestic consumption in 2016–17.

As the ACCC has noted previously, the fact that the majority of domestic consumption is in these states suggests under certain seasonal conditions there is a high degree of constraint on bulk exports. During consultations, stakeholders noted that exporting in these markets can be limited as the consumption in the domestic market tended to be filled first ahead of exports, with some stakeholders even making commercial decisions not to commit by way of LTAs to shipping from these zones.

SA and WA are largely export states, accounting for less than 20 per cent of total domestic consumption, suggesting there is less constraint on bulk exports. Consumption in both SA and WA accounted for around 10 per cent respectively of all domestic consumption during the 2016–17 shipping year, slightly decreasing from the previous year.

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5. Containerised exports of wheat

The ACCC continues to monitor the interaction between bulk wheat exports and containerised export markets, which it has also examined in several exemption decisions. While these markets are not direct substitutes for each other, containerised exports of grain can provide a competitive constraint on the port terminal service providers at their bulk export facilities as it provides a viable alternative export path for some grain produced in particular zones.

5.1. Australian containerised exports

Figure 6 shows that between 2008–09 and 2016–17, total containerised grain exports across Australia have remained largely the same, at around 2 to 2.6 Mtpa. Containerised exports accounted for 11 per cent of total exports in the 2016–17 shipping year, decreasing from around 13 per cent in the previous year. This figure has been broadly stable following a peak in 2009–10 where containerised exports made up around 17 per cent of total exports.

Figure 6: Trends in containerised wheat export in Australia

Source: Australian Crop Forecasters, Supply and Demand export report, Australian Bureau of Statistics

The consistency of container export numbers also suggests the market may be subject to capacity constraints. With record production in 2016–17 there has been pressure on the container market, resulting in a shortage of suitable 20 foot, food grade containers. This issue has been exacerbated by the fact that most containers arriving in Australia were 40 foot boxes which are too large to fill with heavy grain cargoes or are too large to be received by the destination.

These issues were raised in the course of the ACCC’s consultations, with some east coast exporters noting that the higher production levels for 2016–17 caused issues with overbooked container capacity leading to difficulty accessing 20 foot containers.

As noted in the previous report, there are also some key regional differences in the container export market, so the source of constraint may not be uniform for all states.

In the 2016–17 shipping year, NSW and Victoria accounted for 31 and 51 per cent respectively of the wheat exports by container from Australia. This figure is slightly lower

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than the 2015–16 figures for NSW, which accounted for 34 per cent and higher for Victoria which accounted for 50 per cent in 2015–16. Overall, this share has been relatively stable over time, as illustrated in Figure 7.

Queensland container exports accounted for around 13 per cent of total container exports for the 2016–17 shipping year. This figure increased slightly from around 10 per cent in 2015–16.

Stakeholders reported that entry into the container export market in NSW, Victoria and Queensland had relatively low barriers to entry in the 2016–17 shipping year, due to the need for less supply chain infrastructure and the presence of a diverse and competitive market offering access to containers and to container shipments.

SA and WA container exports accounted for around five per cent of total container exports from Australia over the 2016–17 shipping year. This was broadly similar to 2015–16. Stakeholders noted that there are barriers to participation in states like WA and SA, which are largely export states, due to limited access to containers.

The ACCC has also observed how traditional providers of container exports have been transitioning into bulk exports. Semaphore Container Services and Arrow Commodities (Arrow) now export in bulk out of Port Adelaide and NAT from its Newcastle facility. Increases in port terminal capacity across the east coast have provided opportunities for new participants to enter the market.

Figure 7: Shares of Australian container wheat exports by state

Source: Australian Crop Forecasters, Supply and Demand export report, Australian Bureau of Statistics
5.2. State by state container exports

For every tonne of bulk wheat exported in Queensland during the 2015–16 shipping year, 1.6 tonnes were exported by container. This decreased to 0.52 containerised tonnes for every tonne of bulk tonne exported in 2016–17, reflecting a minor decrease in container volumes and a large increase in bulk wheat export volumes in Queensland.

In NSW, Port Botany is the key port used to export containerised grain. For every tonne of bulk wheat exported in NSW, 0.23 tonnes were exported by container in 2016–17. This is a decrease from 0.76 tonnes in 2015–16. Overall container exports from the various NSW ports have remained relatively constant between the 2009–10 and 2016–17 shipping years.

In Victoria, containerised wheat is exported via the Port of Melbourne. Container exports of wheat from the Port of Melbourne have remained relatively stable between the 2009–10 and 2015–16 shipping years, aside from a peak in 2011–12. For every tonne of bulk wheat exported in Victoria, 0.62 tonnes were exported by container in the 2016–17 shipping year. This was a decrease of 0.96 tonnes from the previous year where 1.58 tonnes were exported by container for every tonne of bulk wheat. Unlike the previous year, 2016–17 saw record levels of production while domestic demand increased only marginally. The stagnation in the number of container exports is most likely explained by capacity constraint across the supply chain and difficulty accessing containers and/or spots on vessels.

In SA the majority of wheat is exported in bulk. For every tonne of bulk wheat exported in SA, 0.01 tonnes were exported by container in 2016–17 (similar to 2015–16). All of SA’s export of wheat by container is through Port Adelaide. Container exports of wheat from the SA ports have remained relatively stable between the 2008–09 and 2016–17 shipping years, though they have demonstrated a cyclical pattern during this period.

Similarly in WA the majority of wheat produced is exported in bulk. For every tonne of bulk wheat exported in WA, around 0.01 tonnes are exported by container. All of WA’s export of wheat by container is through the Port of Fremantle. Container exports from WA ports have shown a high degree of volatility between the 2008–09 and 2016–17 shipping years.

The ACCC notes that the container market is not subject to the Code, nor the previous undertaking regime under the WEMA.
6. Bulk grain exports

This chapter presents trends in total bulk grain exports for both exempt and non-exempt port terminals over the last five years. Bulk grain export data is presented by state and port terminal. This bulk grain export data draws on information published by PTSPs in their daily loading statements. The same information is also used in chapters 7 and 8, which deal with capacity usage and market share information respectively. The data provided in these loading statements may not accurately reflect the total grain which was loaded and subsequently exported, but indicates planned volumes which are subject to certain variance tolerances. There may therefore be some discrepancies in figures presented in the following chapters with other data sources on total grain exports from Australia.

As noted earlier in this report, grain exports from Australia are influenced by a range of factors, most notably the amount of grain available for export (itself determined by production levels and extent of carryover), global prices and in some instances capacity constraints. WA, SA and the eastern seaboard states have markedly different export profiles, as highlighted in Figure 8.

The 2011–12 year represents the peak level of exports achieved for some of the east coast states. However, it should be noted that the 2011–12 exports are significantly above the past 6 year export average. Similar to 2011–12, the latest season may be characterised as an outlier for export trends due to the record harvest. This year is less likely to be an indicator of the export volume status quo.

Overall, Australia’s grain exports increased by 55 per cent (approximately 11.3 million tonnes) in the 2016–17 shipping year compared to 2015–16, while only representing a 3 per cent increase compared to 2011–12.

Figure 8: Exporters’ share of grain volume increase in 2016–17 compared to 2015–16 exports

In terms of understanding how the bumper harvest impacted exporters individually, the export volumes of exporters in 2015–16 were compared with 2016–17 figures to see who benefitted the most from the higher overall export volumes. The additional 11.3 million tonnes were not spread equally among exporters, nor were they proportionally spread, with the largest exporter CBH only picking up 10 per cent of the additional 11 million, while the second largest exporter Glencore picked up 26 per cent (see figure above). Glencore increased its overall export program this year by 80 per cent, while CBH only increased by
17 per cent – this is also reflective of the WA harvest and the smaller increase seen on the west coast compared with SA and the east coast.

**Figure 9: Trends in bulk grain export in Australia**

![Graph showing trends in bulk grain export in Australia](image)

The majority of bulk grain is typically exported from Australia between February and May. The peak period is discussed further in chapter 7.

Figure 9 shows that the eastern states export programs have significantly declined in recent years. However, the eastern states experienced material growth in the 2016–17 shipping year owing to greater production due to favourable weather conditions. Eastern states wheat exports increased by approximately 219 per cent in 2016–17 from the previous year. SA wheat exports increased by 39 per cent across the same time period.

Despite the slight increase in wheat production, WA experienced a minor decline in wheat exports in the 2016–17 shipping year. However, WA experienced an overall 18 per cent increase in its total grain exports, suggesting that exporters in WA have increasingly diversified their grain exports.

### 6.1. Queensland

Two port terminal service providers currently operate in Queensland. GrainCorp has terminals at Fisherman Islands (Port of Brisbane), Mackay and Gladstone. QBT operates from Brisbane. The ACCC granted exemptions for the GrainCorp and QBT Brisbane terminals 24 September 2015. GrainCorp has not sought an exemption for the other two Queensland facilities, which are the sole bulk grain terminals in those locations.

The majority of Queensland’s bulk wheat is exported through the two Brisbane port terminals, with a smaller amount of wheat passing through the ports of Gladstone and Mackay.
Queensland experienced the highest rate of growth across Australia (by 442 per cent) in wheat exports in the 2016–17 shipping year due to the higher level of production. This sharp increase is in part owing to low level of exports out of Queensland in the 2015–16 shipping year which also followed a three year decline from 2012–13 to 2014–15.

Unlike all other states, Queensland's domestic wheat market marginally exceeds its level of exports. Queensland's wheat production levels increased by 37 per cent in the 2016–17 shipping year, allowing for the domestic market requirements to be satisfied with a greater surplus of wheat available for export. Despite the large increase in exports, Queensland still has the lowest wheat exports in total compared to other states and only accounted for 3 per cent of Australia's total wheat exports in 2016–17.

The record 2016–17 wheat production allowed for greater export through the Gladstone and Mackay terminals which had not facilitated wheat exports since the 2013–14 shipping year. The Fisherman Islands terminal experienced the highest volume of wheat exports with a 300 per cent increase in exports compared to the previous season.

By contrast to the surge in wheat exports, the total level of Queensland exports for all other grains (excluding wheat) increased by only 5 per cent. A significant growth in chickpea exports was offset by an equally significant reduction in sorghum exports. Queensland exports 86 per cent of all Australian chickpea bulk exports. Chickpea exports out of Queensland increased by 311 per cent in 2016–17 year and now represent 45 per cent of Queensland's total bulk grain export market. This is likely to have placed greater strain on container capacity, further influencing an increased take up of bulk wheat exports.
6.2. New South Wales

Three port terminal service providers currently operate in NSW. GrainCorp has terminals at Newcastle (Carrington) and Port Kembla. NAT has a terminal at Newcastle and Quattro has a terminal at Port Kembla. The ACCC granted exemptions for GrainCorp at Carrington on 1 October 2014, and NAT on 30 July 2015. The ACCC granted exemptions for GrainCorp and Quattro’s Port Kembla terminals on 1 April 2016.

Figure 11: Trends in bulk grain export in NSW

![Trends in bulk grain export in NSW](image)

Figure 11 shows that the amount of bulk wheat exported from Newcastle and Port Kembla has fallen since the peak in the 2011–12 shipping year. NSW has been affected by drought in recent years, leading to lower grain production. However, favourable weather conditions in 2016 led to a strong 65 per cent increase in NSW wheat production, generating material growth in wheat exports for both ports over the 2016–17 shipping year.

In total, NSW wheat exports have increased by 207 per cent in 2016–17. Unlike previous years, exporters now have greater choice when determining how and where to ship grain. As a result, exports are more evenly spread at each of the NSW terminals with new entrant Quattro’s Port Kembla terminal gaining a greater market share. The impact of this significant growth in bulk wheat exports on overall capacity utilisation is discussed at chapter 7.

Exports of other grains have increased at a less significant rate of 17 per cent, with the exception of significant growth in chickpea exports, which have increased by 298 per cent. The majority of other grains exported through NSW are canola and barley. The market for canola doubled while the market for barley marginally decreased.

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6.3. Victoria


Figure 12: Trends in bulk grain export in Victoria

Victoria experienced the highest rate of wheat production growth in comparison to the other states at approximately 187 per cent, but did not achieve the highest increase in wheat exports. Bulk wheat exports declined between the 2011–12 and the 2015–16 shipping years and have now grown by 202 per cent in 2016–17. This is at least in part due to significantly higher wheat production for this period. Similarly, exports of other grains in Victoria by 471 per cent. Most significantly, exports of barley have increased by almost 600 per cent. Barley makes up the vast majority of Victoria’s other grains exports.

Melbourne and Geelong have often exported comparable tonnages, an observation highlighted in the ACCC’s exemption decisions for those port terminals.22 In particular years, export shares have varied, with a larger proportion of wheat exported from Melbourne in the 2012–13 shipping year, and by contrast a larger proportion from Geelong in the three preceding years as well as the 2016–17 shipping year.

In the ACCC’s Victorian wheat ports exemption23, it was noted that the close geographic proximity of the ports of Melbourne and Geelong mean that there is significant overlap in the grain catchment areas for the two ports. The overlap is due to the fact that significant amounts of grain on rail or road can be directed to either port.

The GrainCorp facility at Portland exports a relatively small quantity of bulk wheat and other grains compared to GrainCorp Geelong and Emerald Melbourne facilities, particularly for the

23 ibid.
last three years. Portland did however export more than Geelong Riordan in 2016-17, however this was Geelong Riordan’s first season of operation. The catchment area for Portland is geographically isolated compared to the catchment area for the other ports in Victoria. The quantity of bulk wheat exported through Portland has steadily declined in recent years, but experienced an increase in export volume in the 2016–17 shipping year, mostly attributed to an increase in canola and barley shipments.

6.4. South Australia

Three port terminal service providers currently operate in SA; Viterra, LINX and Semaphore. Viterra operates bulk wheat terminals at Port Giles, Port Lincoln, Thevenard, Wallaroo, Port Adelaide Outer Harbor and Port Adelaide Inner Harbour. Viterra has not sought an exemption for any of its port terminals. LINX’s (previously BAPS and Patrick) operation at Berth 29, Outer Harbor Port Adelaide was granted an exemption on 11 October 2017. Semaphore was granted an exemption on 27 July 2017 for its port terminal facility at Port Adelaide.

SA’s bulk wheat export task is generally split between Port Adelaide and Port Lincoln. A smaller quantity of bulk wheat (as well as other grains) is exported from Port Giles, Thevenard and Wallaroo. New port terminal providers LINX and Semaphore facilitated increased volumes of exports, receiving a combined 10 per cent of the SA market’s exports. It is not yet clear if the new entrants can sustain their current market share in the subsequent years, particularly if production output returns to more typical levels.

Figure 13: Trends in bulk grain export in South Australia

Figure 13 shows that bulk wheat exports from the various SA ports have been relatively consistent for the last four shipping years. SA reached its highest year of bulk grain exports in the 2016–17 shipping year. The season further represented its second highest year of bulk wheat exports, falling just below 2011–12. SA experienced a material increase in wheat

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24 This terminal is operated out of Berth 29, a common user wharf facility at Port Adelaide. LINX has entered into an agreement with Cargill to stevedore grain at Berth 29. The vessels will be loaded using LINX’s labour, Cargill’s hopper and LINX’s ship loader.
production (by approximately 79 per cent) in the 2016–17 shipping year, while wheat exports from SA increased by approximately 39 per cent.

Exports in all other grains increased at a higher rate than wheat, at a 101 per cent increase. Barley represents SA’s largest non-wheat grain export, making up 81 per cent of the other grains exported in the 2016–17 shipping year. Barley exports increased overall by 83 per cent, and by over fourfold out of LINX’s Port Adelaide terminal and by over threefold out of Viterra’s Thevenard terminal.

Canola exports make up 10 per cent of SA’s other grain exports and increased at a similar rate of 68 per cent state-wide compared to the previous season. However, the volume of canola exported varied significantly between port terminals and was only exported from two ports in 2016–17. Canola exports increased by 403 per cent out of the Viterra Port Adelaide terminal and 25 per cent at Port Lincoln, while notably ceased out of Port Giles.

6.5. Western Australia

Two PTSPs operate in WA. CBH has terminals at Kwinana, Esperance, Albany and Geraldton. WAPRES provide port terminal services to Bunge at the port of Bunbury.

CBH was granted exemptions for all four of its port terminals, due to its co-operative status, by the Minister for Agriculture on 17 November 2014. WAPRES was granted an exemption at its Bunbury port terminal by the ACCC on 24 September 2015.

Kwinana terminal exported the most wheat, with smaller tonnages exported through the ports of Albany, Esperance and Geraldton. In its first two years of operations the WAPRES facility at the Port of Bunbury has exported a relatively small quantity of bulk wheat.

**Figure 14: Trends in bulk grain export in Western Australia**

Figure 14 shows that bulk wheat exports from the various WA ports have generally been consistent between the 2008–09 and the 2016–17 shipping years, with a slight upward trend over time. The 2013–14 was the peak bulk wheat export year for WA, in contrast to the peak year of 2011–12 for the other states. While WA experienced the smallest increase in wheat production by only 17 per cent, it was also the only state to experience a minor decline in
wheat exports over the 2016–17 shipping year. This may be attributed to poor weather conditions such as frost that caused state-wide loss of crops for 2016–17.\textsuperscript{25}

The most significant declines in wheat shipping occurred at the WAPRES Bunbury terminal and the CBH Albany terminal, each of which experienced approximately a 26 per cent drop in wheat exports. Kwinana also experienced a decline in wheat exports of 6 per cent. However, all three terminals increased in export volumes overall. CBH’s Geraldton terminal experienced the largest increase in wheat exports (28 per cent) while exports of grains overall rose by 40 per cent. The only other port terminal to experience an increase in wheat exports was Esperance (4 per cent) where total grain exports increased by 19 per cent. The difference in terminal exports is partially owing to the frost conditions that were most severely experienced in southern WA and had limited impact on the Geraldton zone.\textsuperscript{26}

Despite wheat exports experiencing a minor drop, exports in other grains have increased by 57 per cent. The frost reportedly had the greatest impact on wheat crops and less effect on other grains such as canola and lupins.\textsuperscript{27} Barley and canola form the majority of other grain exports out of WA. The Kwinana port ships the highest proportion of both of these grains. WA also exports a small amount of lupins, oats and chickpeas. WA quadrupled export of oats and significantly increased exports of barley, canola, chickpeas and lupins in the 2016–17 shipping year.

\textsuperscript{25} For example, Michelle Stanley, ‘Reality of frost damage across Western Australia sets in as farmers begin harvesting’, ABC News, November 2016, viewed 31 October 2017, \url{http://www.abc.net.au/news/rural/2016-11-17/frost-reality-sets-in/8034554}.

\textsuperscript{26} Grain Industry Association of Western Australia, ‘2016 Season – GIWA Crop Reports’, Grain Industry Association of Western Australia, Western Australia, 2016, viewed 31 October 2017, \url{http://www.giwa.org.au/2016}.

\textsuperscript{27} ibid.
7. Port terminal capacity utilisation

The level of capacity constraint at the port terminals was a key factor in the ACCC’s exemption assessments. Assessing the likely level of capacity constraint requires an estimate of how much port capacity can be supplied at each port terminal facility. Estimating capacity is a complex process. The ACCC’s approach to estimating capacity in its exemption assessments was to consider a range of available estimates of port capacity (including the PTSPs’ own stated maximum capacity figures) against historical export figures.

As a general proposition, where demand for port terminal services exceeds supply (i.e. capacity is constrained), the ACCC considers that vertically integrated PTSPs may have stronger incentives to favour their own exporting business and exclude others. On the other hand, where demand for port terminal services is below supply, a PTSP will have some incentive to provide access on fair commercial terms, to drive utilisation of its infrastructure. This incentive will be particularly strong where a PTSP faces competition.

In addition, Australian wheat exports are generally characterised by peak shipping periods where capacity is most highly valued by customers. Across Australia the timing and duration of the peak period can vary, but is generally from January/February to May/June. In general, a port terminal facility may have spare capacity over the year as a whole but still may be capacity constrained during the peak shipping period. The sections below therefore consider capacity utilisation for 2016–17 at ports in each state, both over the entire year and during the peak period. For the purposes of this report the ACCC has used the months of February to May (inclusive) to represent the typical peak period. The peak period capacity is estimated by dividing the full year’s release of capacity by three, and may therefore not reflect the true amount of capacity released during this peak period by PTSPs but aims to provide an estimate.

One useful indicator of a port terminal facility’s capacity is to look at historical exports. Where a PTSP has demonstrated its ability to export at a certain level, it is reasonable to suggest it will have the ability to do so again in the future. In a shipping year like 2016–17, capacity benchmarks are essentially reset as each port terminal responds to the challenge of moving record breaking harvests. In some states even greater output could be possible as many stakeholders reported that for some port zones rail was the main bottleneck and prevented the export of further grain rather than any capacity constraint at the port level. However, maximum capacity records may not be sustainable over the longer term without further investment, as such high levels of throughput may place an unsustainable strain on resources and infrastructure at port or along supply chains.

Annualising the maximum historical monthly exports may also not reflect actual capability for a number of practical reasons. For example, regular maintenance activities and unavoidable closures or delays due to external circumstances (e.g. vessels failing survey) would likely affect longer term capacity over the course of a year. Conversely, capacity may be higher than the historical maximum exports if a port terminal facility has not been fully utilised in the past, or if a PTSP has made investments or other efficiency improvements at port or across the supply chain (where relevant) to increase throughput at port.

Until recently, determining a port terminal’s capacity had been a more straightforward task. It was generally the case that capacity released was fixed by a PTSP, for example by way of an auction, and movement of capacity on the stem was limited. Following the introduction of the Code exporters and PTSPs now have greater flexibility identifying, allocating, negotiating and moving shipping capacity. As discussed in chapter 2 this has mostly been a positive development for the industry as a whole.

In addition to LTC and STC, PTSPs release additional capacity during the season. This might occur if an exporter completed loading faster or moved shipping to a different port.
Additional capacity might also be the result of the PTSP employing additional resources to facilitate greater throughput at port or across the supply chain.

The ACCC welcomes increased flexibility for exporters and the PTSPs but notes it may come at the cost of decreased transparency and some uncertainty in relation to planning and trading. Overall most stakeholders believed they could realise the benefits arising from increased flexibility, though there was general consensus that larger exporters (including the trading arms of PTSPs) were the most likely to benefit.

Responding to production was a challenge at most ports this shipping year, especially given the concentrated peak shipping period. As outlined below, the 2016–17 shipping year has seen some PTSPs exporting close to or above their previous export records. Given the especially high production this is not unexpected and overall most exporters and growers commended the PTSPs for successfully responding to this significant challenge. Stakeholders also reported there was still available capacity across most ports on the east coast.

The ACCC consulted with PTSPs about the measures they implemented to respond to the harvest and subsequent receipt and shipping challenge. They noted they were able to do this through a variety of measures, including:

- operational efficiencies at port and across the supply chain (where relevant)
- extending operating hours and engaging additional staff.
7.1. East coast states

Figure 15 shows estimated capacity utilisation at port terminals in the eastern states for the 2016–17 shipping year. Consistent with its exemption assessments, the ACCC has considered published available capacity figures, annualised historic monthly maximums, and each PTSP’s own estimates of total maximum capacity.\(^{28}\)

**Figure 15: Capacity utilisation in the Eastern States**

![Graph showing capacity utilisation at port terminals in the eastern states for 2016–17.]

Figure 15 shows that there was generally some spare capacity available at all port terminals on the east coast for 2016–17. While there has been an increase in production to record levels, some of this increase was absorbed by higher domestic consumption and container exports. The large harvest did allow exporters (including new entrants) to export opportunistically, which was made possible by way of access to STC available across multiple ports.

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Figure 16: Peak period capacity utilisation in the Eastern States

Figure 16 shows estimates of capacity utilisation for the peak period (from February to May 2017). It is generally expected that capacity utilisation will be higher during the peak period than throughout the year due to increased demand for slots during that period. This was the case in the 2016–17 shipping year.

As noted above and in chapter 2, exporters did not report any issues securing capacity from the east coast PTSPs. This can be explained in part by the fact that some exporters have LTAs in place with GrainCorp. While the overall LTA tonnage commitment by exporters has been low, these arrangements are likely to ensure the exporters have access to a minimum level of capacity over the peak shipping period.

During consultation, the east coast PTSPs stated that they have been able to increase capacity overall and during the peak through engaging extra resources. Some exporters noted the main bottleneck was access to rail transport, while others noted some difficulty out turning grain from upcountry storage.

7.2. South Australia

Figure 17 shows capacity utilisation at each port terminal in SA for the 2016–17 shipping year. To determine capacity estimates the ACCC has considered Viterra’s published available LTC and STC figures, annualised historic monthly maximums, and each PTSP’s own estimates of total maximum capacity.  

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29 See: ‘Viterra’s South Australia port terminals: estimates are derived from the capacity offered during the 2016–17 Long and Short term capacity offering’, ‘LINX at Berth 29 Port Adelaide: estimate is based on Patrick’s estimate of total capacity as set out in its application for exemption’, ‘Semaphore at Osborne Berth 1, Inner Harbour, Port Adelaide: estimate is based on the estimate of total capacity as set out in its application for exemption’. 
Capacity at Viterra’s port terminals appears to have increased for the 2016–17 year, due (at least in part) to the LTA process. The impact of this additional capacity will be monitored in future years’ reports.

**Figure 17: Capacity utilisation in South Australia**

![Capacity utilisation in South Australia](image)

Figure 17 shows a much higher level of capacity utilisation at all SA ports compared with ports on the east coast. This is expected given the state’s grain market is export focused, with little constraint from the domestic or container markets. Viterra’s Port Lincoln and Wallaroo terminals and Semaphore’s Port Adelaide operations have all seen their exports exceed estimated capacity.

**Figure 18: Peak period capacity utilisation in South Australia**

![Peak period capacity utilisation in South Australia](image)
Figure 18 shows estimates of capacity utilisation for the peak period (from February to May 2017) against nominated exports. At all ports except Thevenard and LINX Berth 29, exports exceeded estimated capacity.\textsuperscript{30} This suggests that the PTSPs were able to increase their exports above historical records and previous offers of capacity to meet the increased demand. The ACCC asked stakeholders whether this additional capacity was allocated in a fair and transparent manner. Responses to this question were mixed. The ACCC will continue to monitor the release of additional capacity.

During consultation the SA PTSPs outlined significant efforts they undertook to respond to the record breaking harvest. Key initiatives included introducing operational efficiencies at port and across relevant supply chains, extending operating hours and employing additional staff.

7.3. Western Australia

Figure 19 shows capacity utilisation at each port terminal in WA for the 2016–17 shipping year.\textsuperscript{31} To determine capacity estimates the ACCC has considered CBH and Bunge’s published available LTC and STC figures, annualised historic monthly maximums, and each PTSP’s own estimates of total maximum capacity.\textsuperscript{32}

**Figure 19: Capacity utilisation in Western Australia**

![Capacity utilisation in Western Australia](image)

Figure 19 shows that, with the exception of the Bunbury port terminal, capacity utilisation was relatively high at the WA port terminals. Between the 2015–16 and 2016–17 shipping season, CBH were able to add an additional 2.8 million tonnes of capacity. This was created by carrying out capital improvements at their ports, offering direct-to-port export products, continuing to implement efficiency measures across the supply chain and engaging additional staff.


Figure 20: Peak period capacity utilisation in Western Australia

Figure 20 shows estimates of capacity utilisation at the WA port terminals for the peak period (from February to May 2017). With the exception of CBH at Albany and WAPRES at Bunbury the WA ports were operating at peak levels, breaking historical records.

Given that Bunge’s arrangement with WAPRES was in its second year, capacity utilisation at the Bunbury terminal may be expected to increase in future years, especially considering production in that port zone was affected by frost\(^\text{33}\) and lower than average rainfall.\(^\text{34}\)


8. Market shares

This chapter discusses how capacity has been allocated to different exporters across the port terminals and analyses any changes in exporters’ market share that may have occurred this shipping year. The market power of PTSPs and the potential for it to be misused to gain greater market share was a key issue considered by the ACCC in its exemption assessments, and a key reason for the production of this report.

The ACCC has and will continue to monitor shipping activity in order to observe any behaviour that could raise concerns under the Code and be detrimental to competition in related markets. Subject to the dynamic of each particular port zone, market power misuse may be evident in any changes in market shares over time, such as an increase in market share of the PTSPs’ own trading arm, or an increase in the trading arms of other PTSPs. Though as noted below in the case of Emerald this may not always be the case. In markets where exporters have choice in port access (or can trade into the domestic or container market) a PTSP’s trading arm will continue to use its own facilities while others explore alternative options.

In seasons where there is a low exportable surplus fewer exporters pursue access and once again the PTSP is likely to be the biggest exporter from its own facility. Foremost, the process of monitoring export market share is a useful approach to identify potential competition issues over time both within a port zone and across a group of port zones. However, trends in market shares do not of themselves indicate whether or not a PTSP is misusing its market power.

When considering the data it is relevant to note that exports have at least in part been influenced by the capacity allocation arrangements in place at the time for each port terminal. For example, in states that previously allocated capacity via auctions, in some circumstances there was limited scope for exporters to move capacity once acquired and outcomes in auctions were considered to be uncertain. Capacity allocation arrangements have changed over time at a number of port terminals, and may continue to do so (particularly where PTSPs have been granted exemptions). Shipping activity is also highly affected by other links in the supply chain such as production volume of wheat and other commodities, domestic demands and container exports. Therefore, these factors also need to be considered when interpreting the charts below. The total volume of yearly exports at each port terminal is provided in the charts to give context for the market shares presented.

The charts below present the top five exporters at each port, which is determined by the total volume of exports carried out by exporters at each port between 2011–12 and 2016–17. All exporters not in the top five overall at that port are grouped into the others category. Where relevant, the discussion will draw out individual exporters from the others category to discuss their market shares at specific ports.

The charts and their related commentary should therefore provide an understanding of how the top exporters’ markets shares have changed and whether exporters outside the top five in port zones have been able to gain market share.

The record 2016–17 harvest may have enabled port terminal operators the ability to secure larger export quantities and in turn increase their market share and block out other exporters. However, despite the large harvest, many exporters and PTSPs, particularly along the east coast of Australia, have stated that many ports have remained under capacity and exporters have not faced significant impediments in securing a shipping slot. Exporters did note however that at certain ports and at certain times capacity was not available, and as discussed in chapter 6, the trading arms of some PTSPs increased their export volumes, particularly Glencore, which was able to significantly increase export volumes across Australia and their market share at all but one of their ports in SA in 2016–17.
For comparability across years, exporters which have undergone ownership changes were grouped into their parent company/current company name. This should be considered when assessing market shares, as some exporters, such as COFCO, may appear to have larger market shares because the activity of Nidera, Noble and PentAg has also been included under COFCO’s exports.

**Table 2: Ownership changes of exporters**

<table>
<thead>
<tr>
<th>Previous names</th>
<th>Recorded in this chapter as</th>
</tr>
</thead>
<tbody>
<tr>
<td>PentAg, Noble and Nidera</td>
<td>COFCO$^{35}$</td>
</tr>
<tr>
<td>Joe White Malting</td>
<td>Glencore prior to November 2013 and as</td>
</tr>
<tr>
<td></td>
<td>Cargill since then</td>
</tr>
<tr>
<td>Barrett Burston</td>
<td>GrainCorp</td>
</tr>
<tr>
<td>Viterra</td>
<td>Glencore$^{36}$</td>
</tr>
<tr>
<td>Aus Durum Co</td>
<td>Grain Trend</td>
</tr>
</tbody>
</table>

### 8.1. Queensland

In 2012 GrainCorp introduced LTAs at its port terminals. GrainCorp agreed that it would allocate up to 60 per cent of its port capacity via LTAs to exporters who were willing to commit to minimum export volumes over a three year period. The remaining 40 per cent of capacity per port terminal, per month was made available to all exporters on an annual first in first served (FIFS) basis. At exempt port terminals, however, GrainCorp is free to deviate from these arrangements and negotiate alternative arrangements with its customers.

The ACCC understands from industry consultation that GrainCorp offered new LTAs to exporters commencing in the 2016–17 shipping year. LTAs with PTSPs on the eastern seaboard are generally not attractive to exporters given the volatility in the export market due to production volumes, and the domestic and container markets. The ACCC understands that exporters are therefore more likely to take up capacity on an ad hoc basis, which can be seen from the variety of exporters across ports and across years.

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$^{35}$ Since 2010 COFCO has been at least a majority owner of PentAg, Noble and Nidera. In November 2015, COFCO acquired the remaining ownership of PentAg Nidera and acquired the remaining stake in Noble in March 2016.

$^{36}$ Viterra is owned by Glencore Agriculture. Glencore Agriculture is 50.01% owned by Glencore, 40% owned by Canada Pension Plan Investment Board and 9.99% is owned by British Columbia Investment Management Corporation.
8.1.1. GrainCorp Fisherman Islands

Figure 21: Bulk grain export market shares for GrainCorp Fisherman Islands

Between the 2011–12 and 2013–14 shipping years, GrainCorp maintained a relatively constant market share at Fisherman Islands. However, in 2013–14, GrainCorp's exports (and the overall exports at the port terminal) declined significantly (refer to total line in figure 21 above). During 2013–14, the others category (those outside the top five exporters at this port overall) held the largest market share at 67 per cent. The others category was mostly made up of exports by Penny-Newman Grain Co, which was exporting cottonseed, with wheat making up only 33 per cent of exports that year.

In 2014–15, GrainCorp's exports declined again but overall exports at the port increased slightly, resulting in GrainCorp's reduction in market share in 2014–15. Glencore held the largest market share during that year.

In 2015–16, following the decision to grant GrainCorp an exemption, GrainCorp’s market share of port terminal capacity increased dramatically to 61 per cent and the export of all grain also increased (however still a low level of export compared to 2011–12 and 2012–13 figures). The increase in market share seen in 2015–16 was mostly driven by a large increase in non-wheat shipments including barley. Barley is known to be exported predominantly by GrainCorp, resulting in their market share increase during a low wheat production year.

Furthermore, when considered against the overall reduction in total grain exported from Queensland, GrainCorp's exporting activity only increased marginally between 2011–12 and 2015–16, even though its market share is significantly larger. The ACCC notes that GrainCorp as port terminal owner would have strong incentives to keep using its facility in a time of low production, and to take advantage of already committed upcountry assets.

Glencore, who held the largest market share in 2014–15, did not ship any grain from Fisherman Islands in 2015–16, and those outside the top five (in the others category) accounted for a very small percentage in 2015–16.

Exports in 2016–17 declined slightly from the increase seen in 2015–16, and GrainCorp’s export volume and market share also declined from the peak of 61 per cent in 2015–16 to 27 per cent in 2016–17. No barley was exported from Fisherman Islands in 2016–17, which again can explain the shift in market shares as wheat and chickpea exports increased.
Over the last several years all exporters using Fisherman Islands have a port terminal interest/s elsewhere in Australia.

8.1.2. Queensland Bulk Terminals (QBT), Brisbane

QBT has provided port terminal services for bulk grain exports since 2011, but came under the Code’s coverage in 2015. In accordance with the Code, QBT commenced reporting on its exports from October 2015. Accordingly the ACCC only has two years of export data available.

The ACCC notes that the tonnages exported from QBT are relatively low, but have increased quite dramatically between 2015–16 and 2016–17 (286 per cent increase) from 58 202 tonnes to 224 900 tonnes. Four exporters were able to use Brisbane QBT in 2016–17, up from just two exporters in 2015–16.

Figure 22: Bulk grain export market shares for QBT Brisbane

8.1.3. GrainCorp, Gladstone and Mackay

As discussed in chapter 6, grain exports from both Gladstone and Mackay have been very low in recent years. This started with a large decline in 2013–14 which (despite a small increase in 2014–15) continued through to 2015–16. Both ports were only used by a single exporter in 2015–16 (GrainTrend at Gladstone and PentAg at Mackay). Both ports have however experienced a significant increase in exports in 2016–17, and facilitated shipments for multiple exporters. GrainCorp has not applied for exemptions at Gladstone or Mackay.
A total of 180,000 tonnes per annum were allocated under LTAs at the port terminal until the end of the 2015–16 shipping year. As shown in Figure 23, GrainCorp and PentAg Nidera (shown as COFCO) had LTAs in place for capacity at Gladstone. GrainCorp has never held the position of the largest exporter, and COFCO is the largest exporter across the 2011–12 to 2016–17 shipping years, with GrainCorp ranked second.

In 2015–16, there were no wheat exports from Gladstone and GrainTrend was the only exporter to use the Gladstone port terminal, exporting less than 20,000 tonnes of chickpeas. The 2016–17 shipping year however has seen overall exports at the port significantly increase, as well as attracting an array of exporters. COFCO held the largest market share this year at 26 per cent, while GrainCorp held 24 per cent.

Figure 24: Bulk grain export market shares for GrainCorp Mackay

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Under GrainCorp’s LTA allocation, 90 000 tonnes per annum was allocated at Mackay. Similar to GrainCorp’s Gladstone port terminal, PentAg Nidera (shown as COFCO) was the significant exporter at Mackay from 2012 to 2015. GrainCorp’s export trading arm has undertaken a small export program from Mackay, however has not exported from Mackay since 2014–15. PentAg Nidera was the sole exporter in 2015–16 when exports declined significantly to 60 000 tonnes.

The market share data in Queensland indicates there is little evidence of GrainCorp as the vertically integrated PTSP dominating bulk grain exports and exercising its market power at port to secure capacity. It does however indicate a more volatile market, whereby both export volumes and market shares change drastically across years.

8.2. New South Wales

As noted above, GrainCorp has been offering LTAs since 2013 and allocating residual capacity on an annual FIFO basis.

In 2014, GrainCorp’s Carrington terminal at Newcastle was exempted from the majority of obligations set out in GrainCorp’s Part IIIA access undertaking. This exemption was effectively carried through when the Code was introduced in October 2014. NAT commenced exports at Newcastle in 2015. NAT is owned by Glencore, CBH, Agrex and CTC Terminals. NAT allocates capacity on a FIFO basis as an exempt port service provider.

Quattro commenced operations at Port Kembla in March 2016. Quattro's key shareholders at the time were exporters Cargill, COFCO and Emerald, as well as logistics company Qube. Each has a commitment or option on capacity at the port. Quattro have also indicated that a third of capacity is available for use by third party exporters at the port terminal.38

As outlined below, the market share data in NSW demonstrates a similar trend to Queensland, and the data does not suggest that GrainCorp as the vertically integrated PTSP is dominating bulk grain exports at its two ports. In the peak export year of 2016–17, GrainCorp’s market share remained stable at Carrington and decreased at Port Kembla.

8.2.1. GrainCorp Carrington

Figure 25: Bulk grain export market shares for GrainCorp Carrington

Carrington, much like the terminals in Queensland, has seen a significant increase in export volumes from the previous string of low volume seasons. However, Carrington maintained a range of exporters during the low export years of 2013–14 to 2015–16, with 2015–16 still facilitating shipments for six exporters, increasing only marginally to seven exporters in 2016–17.

During each shipping year between 2011–12 and 2016–17, GrainCorp held the largest market share at its Carrington terminal. However, following its undertaking exemption in 2014, a greater number of exporters have used the terminal and GrainCorp has decreased its market share. This trend has continued in 2016–17 where GrainCorp’s export market remains steady at 40 per cent. In 2016–17 the others category included Louis Dreyfus and GrainTrend.

Four of the top five exporters using the Carrington facility also have port terminals elsewhere in Australia.
8.2.2. Newcastle Agri Terminal

In accordance with the Code, NAT commenced reporting on its shipping activity in 2015–16. Agrex, one of NAT’s parent companies was the largest exporter and shipped wheat through the terminal in the 2015–16 shipping year. The largest exporter not associated with a PTSP was Arrow. NAT has attracted several new entrant operators to the bulk export market to use its port terminal, such as Arrow. These exporters have continued to use the terminal in the 2016–17 shipping year, with a similar market share profile. COFCO has also started using the terminal, and exports overall increased in 2016–17.

8.2.3. GrainCorp Port Kembla

Over the last five years GrainCorp has generally had the largest market share of exports from its Port Kembla port terminal, except in 2012–13 where Cargill’s exports were slightly higher. Cargill also stopped exporting from GrainCorp’s Port Kembla terminal in 2015–16.
and these tonnages were transferred to the Quattro port terminal where Cargill is a joint venture partner.

Exports in 2016–17 have risen to just over 1.5 Mtpa, and five exporters were able to use the facility this season. GrainCorp held the largest market share, but Glencore and COFCO also held relatively large market shares, while Cargill, who did not export from the terminal in 2015–16, re-entered the terminal and exported 12 per cent of overall grain. There were however no exporters outside the top five who used the terminal this season.

With the exception of Archer Daniels Midland (ADM), bulk exporters using Port Kembla also own or operate port terminals (or own a share in a port terminal) elsewhere in Australia. Exporters took up 1.4 Mtpa under the LTA process.

8.2.4. Quattro Port Kembla

**Figure 28: Bulk grain export market shares for Quattro Port Kembla**

The Quattro port terminal commenced operations in March 2016, although did not have a full operational shipping year until 2016–17. This season has seen three exporters use the Quattro facilities, two shareholders – Cargill and COFCO who both held most of the market share – and also Plum Grove who exported a small amount through the terminal.

Quattro shareholders Emerald, Cargill and COFCO have commitments to use the port terminal and take-or-pay arrangements for rail services.\(^{39}\)

8.3. Victoria

As previously noted, capacity at GrainCorp’s port terminals has been allocated via LTAs since 2013, with the first lot of agreements expiring at the end of the 2015–16 shipping year. Numerous exporters have taken up LTC at Victorian ports; however the east coast generally has a lower uptake of LTC compared with SA and WA.

Over the last six years Emerald has allocated capacity on a FIFS basis. For exempt port terminals, however, the PTSPs can now negotiate alternative capacity arrangements with their customers.

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The bumper harvest of 2016–17 is reflected below in the large increase seen in overall export volumes across Victorian ports, which is a distinct change in trend for many ports that had experienced a period of declining volumes.

8.3.1. GrainCorp Geelong

Figure 29: Bulk grain export market shares for GrainCorp Geelong

GrainCorp has remained the largest exporter from the Geelong port terminal in each year, and peaked in 2014–15 with a market share of 51 per cent which has declined to 40 per cent in the 2016–17 shipping year. Cargill has also maintained a relatively stable market share during the period but increased in 2016–17 when their market share peaked at 30 per cent. Although Glencore had a large market share from 2011–12 to 2013–14, their market share has declined from 29 per cent in 2011–12 to 7 per cent in 2015–16 and has only slightly increased to 11 per cent in 2016–17.

Other exporters outside of the top five only held 6 per cent of the market share in 2016–17, a drop from 20 per cent in 2015–16. Other exporters have still increased their overall export volumes from Geelong port over this period, however to a lesser extent compared to the increase observed across the top five exporters.

8.3.2. Riordan Geelong

The Riordan Geelong port terminal facility commenced operations in 2016 and has only been used to export grain by Riordan, which exported 300 000 tonnes of grain.
8.3.3. Emerald (Melbourne Port Terminal)

Figure 30: Bulk grain export market shares for Emerald, Melbourne Port Terminal

Emerald has consistently been the largest exporter from Melbourne Port Terminal, and the 2016–17 shipping year represents a peak in their market share at 92 per cent. The second largest exporter has varied from Bunge in 2011–12, Cargill in 2012–13 and 2013–14, ADM in 2014–15 and COFCO in 2015–16 and 2016–17. Although Emerald gained a significant share of capacity from 2014–15 to 2015–16, the actual volumes exported by Emerald increased only slightly, however the large increase in market share from 2015–16 to 2016–17 also coincides with a large increase in Emerald’s export volumes.

Emerald as both the PTSP and exporter would have a vested interest in ensuring that capacity was being utilised at their port. Low grain production in Victoria during the 2015–16 shipping year may also explain why many exporters, such as ADM and Cargill, which had previously exported, did not export from Melbourne Port Terminal during the year. These exporters (exception of COFCO who exported small amount) did not however re-enter the market in Melbourne during the peak production year of 2016–17. Emerald’s market share at other ports has declined across the period of their market share increase at Melbourne, indicating Emerald is now predominantly using the Melbourne port for their exports (65 per cent of their exports in 2016–17 were conducted through Melbourne).
8.3.4. **GrainCorp Portland**

**Figure 31: Bulk grain export market shares for GrainCorp Portland**

Portland experienced a downward trend in total export volumes between 2011–12 and 2015–16. However despite this downward trend, up until 2014–15 the market shares for bulk grain exported from Portland were spread across a number of exporters and overall grain exports remained over 500 000 tonnes per annum.

Exports declined again considerably in 2014–15 and 2015–16, and in both years the market shares at the port also significantly changed. In 2015–16 GrainCorp had 83 per cent market share, with COFCO exporting the remainder. Cargill was the largest exporter in 2011–12 and 2012–13 and GrainCorp was the largest exporter in 2013–14, 2014–15 and 2015–16. The 2016–17 shipping year has seen Portland’s exporter make up again change, with overall yearly grain exports also increasing to back over 500 000 tonnes. GrainCorp’s market share declined in 2016–17 to 28 per cent, and the largest market share was held by other exporters (those outside the top five overall at the port). This indicates a shift in market share from those who have previously used the terminal to new entrants in 2016–17. The exporters who made up the others category in 2016–17 were COFCO and Bunge who exported 155 000 tonnes and 95 000 tonnes respectively from the terminal. Both of these exporters have used Portland terminal in previous years, however to a much lesser extent.

8.4. **South Australia**

In late 2012 Glencore, already a large exporter of grains from SA, acquired Viterra. The analysis below considers the level of competition between exporters utilising the SA port terminals. Viterra has not sought exemptions for its port terminal facilities.

The BAPS facility (previously Patrick) at Berth 29 in Port Adelaide was granted an exemption by the ACCC in 2016. The facility is now operated by LINX, and the exemption for Patrick was revoked at the same time as the LINX operation was granted an exemption on 11 October 2017. New entrant Semaphore Container Services was also granted an exemption in July 2017.

When considering the data below it is important to consider the evolution of Viterra’s capacity allocation system:

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• Commencing in 2008, capacity in SA was allocated via a FIFS process.
• In 2012 Viterra introduced an auction system, with residual capacity allocated on a FIFS basis. At the time, stakeholders noted that this was a positive move from the previous FIFS process. However, it did not resolve the capacity allocation issues around certainty of capacity and access to ad hoc or surge capacity at reasonable rates.
• Following stakeholders concerns with the auction system in 2015 the ACCC approved the introduction of a LTA capacity allocation process, which also included a system to allocate STC. The LTAs, however, did not apply in 2015–16 and came into effect in the 2016–17 shipping year.
• The LTAs which came into effect for the 2016–17 shipping year had caps in place in relation to how much LTC could be allocated to an individual exporter at each port within a quarter.

SA has less volatile export volumes (subsequent to atypical production years) due to less constraint from domestic demand, and this should be considered when assessing market share compared with the more volatile markets on the east coast. Accordingly, the 2016–17 shipping year saw some large changes in the SA market come into place, with a peak harvest, new LTAs in place and new port operations.

8.4.1. Port Adelaide Viterra terminals (Inner Harbour and Outer Harbor)

Figure 32: Bulk grain export market shares for Viterra’s Port Adelaide bulk terminals

Glencore has been the leading exporter at its port terminals, across each shipping year. Glencore conducts majority of its exports out of Port Adelaide, at 22 per cent of their exports in 2016–17.

In 2016–17, Glencore’s market share increased again at Port Adelaide where it reached a peak of 56 per cent, indicating a general upward trend since a decline in 2013–14. Of the other exporters using Viterra’s facilities, a significant proportion has ownership interests in port terminal facilities in other parts of Australia (such as CBH, Bunge, GrainCorp and in early years Cargill). GrainCorp is not however one of the top five exporters from this port, and falls into the others category. Cargill was the second largest exporter from the port in

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2014–15 but has not used the port since, which is due to the commencement of the Berth 29 operations that Cargill now uses instead.

CBH has maintained a relatively stable market share at Port Adelaide since 2012–13 and ADM has gradually reduced their market share (14 per cent in 2011–12 down to 7 per cent in 2016–17). Bunge’s market share has fluctuated from 2 per cent in 2011–12 up to a peak of 10 per cent in 2013–14 back down to 6 per cent in 2016–17.

The market share of other exporters using the port has declined from a market share of 25 per cent in 2014–15, to 16 per cent in 2016–17. In the 2016–17 shipping year, these exporters were Australian Grain Export, Centre State Exports and GrainCorp.

The increase in Glencore exports from Port Adelaide may in part be attributed to the effect of competing port operations in the Port Adelaide zone.

8.4.2. Port Adelaide LINX operation

The LINX operation at Berth 29, Outer Harbor Port Adelaide bulk wheat terminal has only been operating since the 2015–16 shipping year, and Cargill remains the only exporter that has shipped grain through the terminal. Cargill developed the arrangement with Patrick, which it now continues with LINX to use its upcountry storage operations in the Port Adelaide zone. Owing to the large harvest the terminal increased exports significantly, from 192 000 tonnes in 2015–16 up to 419 960 tonnes in the 2016–17 shipping season.

8.4.3. Port Adelaide Semaphore operation

Figure 33: Bulk grain export market shares for Port Adelaide Semaphore

The Port Adelaide Semaphore operations commenced in 2016 and were granted an exemption in July 2017. The terminal has facilitated exports for three exporters so far, Australian Grain Export, COFCO and JK International.
8.4.4. Viterra Port Lincoln

Figure 34: Bulk grain export market shares for Viterra Port Lincoln

Capacity at Port Lincoln, like Outer Harbor in Port Adelaide, is the most sought after due to the port’s ability to receive larger vessels (both ports have deep water berths and rail access). Export volumes at the port have also remained fairly consistent across the whole six year period, with a peak in 2016–17. Many peak season slots at the port were over-subscribed during Viterra’s first LTA allocation process, suggesting capacity was constrained at Port Lincoln during this time. This port also has a cap of 40 per cent per exporter for LTC during the peak season of January to June.

Glencore and to a lesser extent CBH have been the dominant exporters from Port Lincoln since 2012–13. Glencore’s market share has reached over 40 per cent in five out of the six years analysed, with 2014–15 the only year it was below 40 per cent (32 per cent).

Emerald was a large user of Port Lincoln (peak of 17 per cent market share in 2012–13) up until 2014–15 when it then ceased exports from the port. Cargill’s market share at Port Lincoln has also substantially reduced but they have maintained a small amount of exports from the port, likely due to moving some capacity to Berth 29 as discussed above.

Exporters outside the top five have also continued to maintain a large market share since 2014–15, with a peak of 30 per cent in 2015–16. The others category in 2016–17 was mostly made up of exports by COFCO (300 000 tonnes) and GrainCorp (179 000 tonnes) but also included smaller amounts by Bunge, Australian Grain Export and Centre State Exports.

COFCO and GrainCorp did not use the Port Lincoln terminal in 2011–12 and 2012–13, however they have both been increasing exports yearly from the terminal and are emerging as top exporters at the port.
8.4.5. Viterra Port Giles

Figure 35: Bulk grain export market shares for Viterra Port Giles

The 2016–17 shipping year saw an increase overall in exports at Port Giles. A range of exporters acquired capacity at Port Giles over the five year period, although Glencore is consistently the dominant exporter, with a market share of 42 per cent in 2016–17. The fourth largest exporter overall (from 2011–12 to 2016–17) at the port, Bunge, has shown varied levels of market share at the port across the years, from not exporting at all in 2014–15 to a peak of 20 per cent market share in 2015–16. In 2016–17 Bunge’s market share has slightly decreased to 13 per cent. CBH has maintained a more consistent level of market share, ranging from four to 13 per cent.

Similar to Port Lincoln, the others category has been increasing its market share in recent years, indicating a change in the top exporters. This is likely due to the new LTAs in place and who now has commitments at the port. The 2016–17 shipping year saw COFCO, Australian Grain Exports, Louis Dreyfus and GrainCorp export a total 201 500 tonnes representing 24 per cent of overall exports at the port.
8.4.6. Viterra Thevenard

Figure 36: Bulk grain export market shares for Viterra Thevenard

Over the six year period, total export volumes and the exporter with the largest market share has changed significantly at Thevenard, demonstrating a more volatile export program relative to other SA ports. During the 2011–12 shipping year, Emerald held the largest market share for all grain exports at Thevenard. In 2012–13, the largest exporter was Cargill. In 2013–14, 2014–15 and 2016–17 the largest exporter was Glencore, and in 2015–16 the largest exporter was ADM.

Emerald’s market share at Thevenard has decreased substantially from 30 per cent in 2011–12 (when it was the largest exporter) to no exports from Thevenard in 2015–16 and 2016–17. The ACCC understands that this is due to relatively low production and Emerald focusing on exporting grain predominantly from its own port terminal at the Port of Melbourne. Cargill maintained a small market share in 2015–16 at 7 per cent, however also ceased shipments from the port in 2016–17.

As was the case at Port Giles and Port Lincoln, the others category of exporters increased its market share at Thevenard in 2016–17. Thirty-four per cent of exports were conducted by those outside the top five in 2016–17, with the majority from Australian Grain Export who exported 155 000 tonnes and a small shipment of 20 000 tonnes by CBH.

Thevenard shipments were suspended in July 2017 due to safety concerns relating to the jetty infrastructure\(^{42}\). This is likely to have impacted the overall export figures and market shares for this port terminal in the 2016–17 shipping year. The ACCC understands, through stakeholder consultation, that a number of vessels were redirected to Port Lincoln during this period.

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8.4.7. Vitterra Wallaroo

Figure 37: Bulk grain export market shares for Viterra Wallaroo

Yearly export volumes at Wallaroo remained fairly flat during the 2012–13 to 2015–16 period, however increased in 2016–17. Market shares at Wallaroo have fluctuated between many exporters over the five year period. For example in 2012–13, 2015–16 and 2016–17 the largest exporter was Glencore, whereas in 2013–14 and 2014–15, the largest exporters were ADM and Cargill respectively. Glencore’s market share increased significantly in 2016–17 to 50 per cent of all exports, returning to a figure similar to its market share during the high volume export season of 2011–12 (51 per cent).

SA has less volatile export volumes across the years compared with the east coast, although all ports experienced an increase in 2016–17. The market share data in SA in 2016–17, for the most part, does not demonstrate a major increase in market share for Glencore. However, Glencore’s market share only declined at one port and this was only a slight decline of 3 per cent at Port Lincoln, and either remained stable or increased at other ports. This demonstrates that Glencore increased its exports proportionally to the increase in exports overall, and could raise questions about the ability of other exporters to secure capacity in future peak production years.

Viterra’s SA ports have also seen large increases in other exporters, indicating a change in the top five exporters at some ports. Key drivers of these changes are likely the new LTAs in place and previous top exporters either exiting the SA market, or moving to alternative SA port terminals (such as LINX’s facility). However, this increase represents a change in specific exporters and does not necessarily mean that more exporters have been to secure capacity.

8.5. Western Australia

In WA capacity has been allocated via several allocation systems:

- from 2008 CBH used an auction system, with residual capacity allocated via a FIFS system
- from 2015–16 CBH has allocated capacity via LTAs and a residual FIFS process.
WAPRES have an arrangement in place to export bulk grains for Bunge. CBH’s port terminals were exempted by the Minister under the Code in November 2014. CBH introduced LTAs at their port terminals shortly thereafter. CBH’s LTAs are for a five year period.

8.5.1. CBH Kwinana

Figure 38: Bulk grain export market shares for CBH Kwinana

CBH has been the largest exporter each year from Kwinana since 2011–12, and Glencore has remained the second largest exporter over the same period. The remaining market share has been spread between different exporters. The introduction of LTAs by CBH has coincided with a decrease CBH’s export market share at Kwinana (and Albany, as illustrated below), although CBH slightly increased its market share again in 2016–17 to 44 per cent. Plum Grove has gradually increased its market share at Kwinana, while Cargill and Emerald’s shares have been declining.

The others category in 2016–17 was made up of exports mostly from GrainCorp, but also included ADM, Agrex, Australian Grain Export, Bunge, COFCO and Louis Dreyfus.

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8.5.2. CBH Albany

Figure 39: Bulk grain export market shares for CBH Albany

CBH and Glencore have been the two largest exporters at Albany since 2011–12, except for the 2012–13 shipping year when Cargill’s market share was slightly greater than Glencore’s. As noted above, the introduction of LTAs has seen CBH’s export market share decline slightly at Albany. GrainCorp has increased its market share at Albany in recent years up to 11 per cent in 2016–17. Conversely, Cargill has significantly decreased exports from Albany and only held 1 per cent of the market share in 2016–17.

8.5.3. CBH Esperance port terminal

Figure 40: Bulk grain export market shares for CBH Esperance

Similar to the two terminals discussed above, CBH is the largest exporter from the Esperance bulk wheat terminal, with Glencore holding the second largest market share. In 2015–16 CBH’s market share increased to 61 per cent, however this reduced back to 54 per cent in 2016–17. Glencore’s market share has fluctuated between 26 per cent in
2011–12, to 10 per cent in 2012–13 and back to 24 per cent in 2013–14, but has reduced in recent years to 11 per cent in 2015–16 and 13 per cent in 2016–17.

The reduction in CBH’s market share in 2016–17, along with ADM’s reduction, has seen the others category increase to 14 per cent of exports, up from 7 per cent in 2015–16. The others category in 2016–17 was made up of exports mostly from Bunge, but also included COFCO, Australian Grain Export and Morton Seed & Grain.

The market share of exporters in the others category has remained relatively consistent over the six years, indicating a fairly stable market structure among other exporters.

8.5.4. CBH Geraldton

CBH is also consistently the largest exporter from the Geraldton bulk wheat terminal. Like at Esperance, in 2015–16 CBH gained market share but then saw decline again in 2016–17. During the six year period, the second largest exporter has varied from Cargill in 2012–13, Glencore in 2011–12, 2013–14 and 2016–17, Emerald in 2014–15, to Plum Grove in 2015–16.

Exporters comprising the others category have also been increasing aggregate market share at Geraldton, with 28 per cent of exports in 2016–17 conducted by exporters outside the top five. These exports were mostly by GrainCorp (441 499 tonnes), with the remaining 369 478 tonnes exported by ADM, Australian Grain Export, Bunge and COFCO.

This is a positive indication that growers have several options to sell their grain for export from the Geraldton terminal.

8.5.5. WAPRES Bunbury port terminal

The WAPRES Bunbury port terminal facility commenced bulk grain export services during the 2015–16 shipping year. Bunge is the only exporter that has shipped grain through the terminal to date, and increased its total export volume during the 2016–17 shipping year up to 194 725 tonnes.

Overall the WA market share data displays a shift in the exporters using the terminals in recent years (consistent with new LTAs from 2015–16), with large volumes of exports
undertaken by exporters outside the top five exporters. CBH’s market share has also remained fairly constant across the years, with a slight downward trend at some ports.
9. Reference prices

Under the Code PTSPs are required to publish reference prices for their port terminal services. This chapter provides an overview of the 2016–17 wheat reference prices published by PTSPs and (where available) historical wheat reference price data.

Reference prices are the standard prices published and offered by the PTSPs on a non-binding basis. That is, the Code allows for the negotiation of prices in non-standard agreements with both exempt and non-exempt PTSPs.

The purpose of the reference prices is to provide a level of transparency over prices for bulk wheat export services and a reasonable starting point for these commercial negotiations.

Because these published reference prices are indicative rather than fixed, the extent to which conclusions can be drawn from reference price data is somewhat limited, because:

- in many cases published reference prices will not reflect the actual prices paid by parties under alternative agreements, which may include bundling with up-country services and rebates
- the structure of charges for each PTSP is highly varied, making direct comparisons of charges problematic and some PTSPs also charge other grains differently to wheat
- there is limited historical reference price data available given that only four of the PTSPs reflected in Figure 42 below were required to publish reference prices under the previous regime. Some of the other PTSPs were also operational in these earlier years but were not required to publish references prices.

Despite these limitations, the ACCC considers that it is appropriate and useful to monitor fee changes/restructures and speak to exporters about their experiences negotiating prices with PTSPs. This kind of monitoring has the potential to reveal general trends in PTSP approaches to price negotiations and price levels (for example, a recent trend away from charging an additional fee at port for grain delivered from a third party storage facility).

Regarding prices negotiations, feedback from stakeholders in 2015–16 indicated that parties were negotiating agreements with prices that vary from the published reference prices. However, some feedback regarding the 2016–17 shipping year indicates that this is not always the case and some parties face difficulties in negotiating prices. For non-exempt PTSPs, in the case where agreement cannot be reached, these negotiations may be resolved via arbitration under clause 15 of the Code.

In relation to price levels, the ACCC notes that it does not have a role determining or reviewing the price of port terminal services charged by PTSPs. The ACCC also does not have a formal direction to request cost information and monitor prices for bulk wheat port terminal services under Part VIIA of the CCA, as is the case in certain other industries. The ACCC has again reviewed the published reference prices for both exempt and non-exempt ports to see if prices have changed since last year and (where data is available) whether any trends are observable.

The ACCC acknowledges that PTSPs employ a range of pricing structures subject to the nature of their operations. Where possible the ACCC has noted specific pricing claims made by PTSPs in the course of consultation, but is not in a position to verify the accuracy of such claims.

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44 Those PTSPs previously subject to the Part IIIA access undertaking regime also published reference prices in accordance with their respective undertakings.

45 For example, the ACCC has a direction under Part VIIA in relation to airport and stevedoring services, and accordingly the ACCC is able to request cost and revenue information from providers of these services in preparing the annual airports and stevedoring monitoring reports. This information is not available in relation to bulk wheat port terminal services.
Trends in reference prices

The Code provides flexibility to PTSPs (whether exempt or non-exempt) to determine the structure and level of charges for port terminal services. Reference prices are structured differently across the port terminals, which makes comparing the full scope of varying charges across providers difficult. It is also difficult to compare a PTSP’s prices across years, as they may not necessarily increase or decrease all prices equally and can restructure their pricing (as was the case with some PTSPs this year). PTSPs have utilised this flexibility and accordingly there is a high degree of variability in the approach by each PTSP. For example:

- CBH applies a single headline charge of either $12.20/t or $19.70/t for its port terminal services (the ‘Port Terminal Shipping Fee’) plus a fixed annual registration fee of $600. Other PTSPs such as GrainCorp and Viterra break down the cost into itemised fees for receival, storage, loading and other services, and do not apply a fixed annual registration fee. The types of port terminal services provided also vary between port terminal facilities and providers. For example, LINX does not provide receival or storage services, and accordingly does not publish charges for these services. Fees may also cover varying services, for example Viterra advises its fees incorporate stevedoring and may cover overtime rates, while other PTSPs apply separate charges for these services.

- Most PTSPs choose to apply a non-refundable ‘booking fee’, which is generally around $8.00/t but varies from $5.00/t up to $10.00/t. CBH’s Long Term Capacity and Spare Capacity deposit for 2016–17 was $4.00. However, if an exporter forfeits a booking then a Lost Capacity fee will also apply, increasing the total non-refundable charge up to between $5.00 and $9.00/t (depending on the time of year). Receival (also referred to as ‘intake’ and ’in-loading’) charges vary significantly. Many port terminal facilities have both road and rail receival facilities and some PTSPs (GrainCorp, Emerald, NAT and Viterra) opt to apply differentiated receival charges, while others (such as Quattro) apply the same charge regardless of the receival mode. Where differentiated charges are applied, road receivals may be anywhere from $1.30/t to $2.00/t more expensive than rail receivals.

- Some PTSPs vary their charges depending on the time of year and/or the particular port. For example, Viterra’s Port Handling and Shipping fee ranges from $11.87/t for bookings from July to November at Outer Harbor to $17.20/t for bookings between January and May at Thevenard and Wallaroo.

The ACCC notes that this variability in the structure of charges for port terminal services could make it difficult for exporters to compare prices between different PTSPs. However, the varied approaches reflect the flexibility that the Code provides to each PTSP to tailor its pricing to suit its particular business model and cost structure. In any case, price may of course not be a determinative factor in deciding which PTSP to use.

Table 3 sets out a number of the key types of port charges applied by the various PTSPs to bulk wheat services in the 2016–17 reference prices.

For most PTSPs the 2016–17 reference prices have varied slightly from 2015–16 prices set out in last year’s report. Only CBH’s prices remained unchanged over the past year. Emerald has restructured its pricing the most significantly, removing one charge and increasing others.

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### Table 3: Comparison of key charges from the 2016–17 reference prices ($/t)

<table>
<thead>
<tr>
<th>Charge</th>
<th>GrainCorp</th>
<th>Emerald</th>
<th>Quattro</th>
<th>QBT</th>
<th>NAT</th>
<th>Viterra</th>
<th>LIX</th>
<th>CBH</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-refundable ‘booking’ fee</td>
<td>$8.00</td>
<td>$8.00</td>
<td>$8.00</td>
<td>$10.00</td>
<td>$8.00</td>
<td>$5.00</td>
<td>–</td>
<td>$4.00a</td>
</tr>
<tr>
<td>Intake fee (road)</td>
<td>$2.00</td>
<td>$7.50</td>
<td>$4.00</td>
<td>$10.00</td>
<td>$7.00</td>
<td>$4.65</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Intake fee (rail)</td>
<td>–</td>
<td>$6.00</td>
<td>$4.00</td>
<td>n/a</td>
<td>$5.00</td>
<td>$3.35</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Receivals from third party storage</td>
<td>–</td>
<td>–</td>
<td>$2.50</td>
<td>–</td>
<td>–</td>
<td>$2.65</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Storage fee (first month)b</td>
<td>$1.59</td>
<td>–</td>
<td>$1.15</td>
<td>–</td>
<td>$1.00</td>
<td>$1.42</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Loading fee</td>
<td>$11.03–$16.08</td>
<td>$6.50</td>
<td>$7.60</td>
<td>$8.00</td>
<td>$5.00</td>
<td>$11.87–$17.20</td>
<td>$8.05</td>
<td>n/a</td>
</tr>
<tr>
<td>Aggregated charge</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>$12.20 or $19.70</td>
</tr>
<tr>
<td>Annual registration fee</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>$600.00c</td>
</tr>
</tbody>
</table>

Notes:
- a As noted above, the actual non-refundable component of CBH’s charges is higher (ranging from $5.00–$9.00/t) due to the application of a ‘lost capacity fee’, but of this only $4.00 is payable at time of booking.
- b For the purposes of this table all published standard storage charges have been converted to a monthly charge. However, a number of PTSPs apply weekly storage charges and may also provide ‘free’ storage for defined periods. Where advised by PTSPs regarding free storage periods this is reflected in this table as this is the first month of storage.
- c The annual registration fee is a flat rate regardless of tonnage booked or shipped.
- d This storage fee is an average of those published by Viterra from October to August and does not include September pricing. This methodology has also changed from last year’s report which reported the minimum storage price. The average published storage price in the 2015-16 shipping year was $1.36, noting a slight increase in the average (in notional dollars).

Figure 42 depicts the variation over time (in real terms) of charges for particular hypothetical service combinations, based on reference prices published between 2012–13 and 2016–17.

The actual prices paid by particular parties for access to port terminal services over this time will likely have varied significantly from those presented in Figure 42 for a number of reasons. The service combinations in Figure 42 do not include reductions for shrinkage and dust, or inspection and other port-specific wharf/shunting fees, and therefore do not reflect the full port access costs actually faced by parties. The charges applied by each PTSP also vary depending on a wide range of factors (including the commodity, the time of year, the location of the port, and any additional testing or other services required). Furthermore, as explained above, prices are also able to be negotiated between parties and comparisons between PTSPs can be difficult to make due to the variability in pricing structures.
Figure 42: Trends in reference prices for hypothetical service combinations ($/t)

Source: various reference price schedules collected by the ACCC.

Notes: Real (inflation adjusted) values in 2016–17 dollars. These hypothetical service combinations all assume the commodity is bulk wheat, delivery by rail, storage for one month (first month) at standard prices and, in the case of Viterra, that capacity was acquired at auction with a $0 auction premium. Given that PTSPs can apply varying charges at different ports and times of year, the hypothetical service combinations are linked to a specific port terminal in each case and peak period is assumed.

Figure 42 includes a combination of charges which may not necessarily reflect how each terminal is used by the majority of exporters. Nevertheless, Figure 42 suggests that basic port access charges have remained relatively stable in real terms over the period, and have either slightly declined or increased for some ports in 2016–17. CBH disaggregated some of its fees in 2016–17, providing a reduced charge for certain services meeting specific requirements (e.g. the high volume direct to vessel service), it has kept the standard direct to port fee the same in the 2016–17 season. CBH also announced larger rebates than previously delivered to growers for upcountry storage and transport services from the 2016–17 shipping year.47

Other PTSPs’ approach to pricing remained fairly consistent from 2012–13 to 2014–15, with several PTSPs adjusting their pricing structures and overall level of charges for the 2015–16

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and 2016–17 shipping years. These adjustments follow the introduction of the Code, the granting of a number of exemptions at various port terminals, and the entry of new competing port terminals.

In Melbourne, Emerald restructured its pricing most significantly for the 2016–17 shipping year. Emerald has restructured their pricing so that it is simpler and more transparent and certain for traders wanting to use the terminal. This restructuring involved removing its storage fee and increasing both the loading fee and intake fee. Overall, in real terms, as seen in Figure 42, Emerald’s pricing decreased for the service combination selected.

QBT now has two years of reference pricing data, and the price at the port has remained unchanged across these two years in nominal terms and slightly decreased in real terms. QBT appears in the chart as the most expensive port (for this given hypothetical combination), however QBT report that it regularly engages in negotiations with exporters and a more accurate average cost is estimated to be around $24 to $25. They also do not charge exporters for storage pre shipment.

GrainCorp increased their loading and storage and road intake fees for the 2016–17 shipping year, however in real terms this had very little impact. Viterra also applied minor increases that had little impact in real terms. NAT introduced a $1 storage fee and did not increase or decrease any other prices. This fee was introduced because NAT felt it was important to incentivise the improvement of cycling grain through the terminal quickly because this is essential to the terminal’s efficiency. NAT had not changed their port reference prices since 2012.

Several stakeholders considered that shipping from Viterra’s port terminals was expensive. Stakeholders also raised concerns related to prices outside those included in Figure 42, such as fees relating to delays, forfeitures or variations in shipments, which can significantly increase costs overall. The ACCC will continue to monitor changes in the level and structure of published reference prices future years.
Third party storage differential charges

The ACCC has previously given particular consideration to the differential charges applied by some PTSPs to grain received from third party upcountry storage and handling facilities, rather than via the PTSP’s own up-country supply chain. Such differential charges may be appropriate where they reflect increased costs and risks associated with receivals from third party storage. Alternatively, such differential charges may be problematic where they reflect the PTSP using its market power to advantage its own up-country storage and handling facilities and transport services.

Figure 43: Third party storage differential charges (approved and non-approved storage) from 2012–13 to 2015–16 ($/t)

![Graph showing third-party storage differential charges from 2012-13 to 2015-16 for different providers.]

*Source: various reference price schedules collected by the ACCC*

Notes: Viterra and GrainCorp charges relate to all third party storage, whereas the other two providers’ charges (Emerald and Quattro) relate only to non-approved storage. Real (inflation adjusted) values in 2016–17 dollars.

Figure 43 sets out the third-party storage differentials applied by GrainCorp, Viterra, Emerald over the past five years and Quattro over the last two years. Emerald has removed their fee, and Quattro and Viterra are now the only PTSPs applying these charges. Quattro advise that their charge relates only to third party non-approved storage without adequate fumigation, and to date Quattro has only received grain from approved storage sites. Viterra’s charge applies to approved third party storage, therefore all grain coming from third party storage is charged, either at the rate in the chart above or at a non-approved storage rate. Viterra has advised that in practice this charge has only applied to a small number of shipments over the last three years. Viterra considers the fee reasonable to cover provision of additional services it considers necessary to mitigate food quality risks. It is not clear the extent to which third-party storage fees are acting as a disincentive and leading to these services not being utilised. In any case, there appears to be a trend among PTSPs toward removing this type of charge.