

SUBMISSION TO AOCC IN REGARD TO GRAINS EXPRESS

(The CBH Groups Logistics System)

To Whom It May Concern;

I am a grain grower, farming 6500ha, based on the South Coast of Western Australia within Ravensthorpe Shire which is encompassed within the Esperance Port Zone of the CBH Group. I have been involved in grain production for thirty years and the majority of my grain (wheat, barley and canola) is stored, transported and exported utilising facilities operated or managed by the CBH Group.

- 1) I consider that the previous outcomes delivered in terms of Grains Express operation have had a considerable benefit in relation to costs incurred to my business. The CBH group is a rare service business in that did not increase storage and handling costs during 2009.
- 2) It needs to be noted that I do not necessarily sell all my grain to The CBH Group and that I do not consider that Grains Express acts to inhibit the sale of grain to a non CBH entity.
- 3) The CBH Group have implemented fully transparent freight charges and during 2010 rebated growers when a surplus resulted from 2009 charges. In a non Grains express system it is most probable that freight arbitrage captured by individual entities (marketers) would not be returned to growers. The freight cost efficiencies gained by aggregated tendering are significant. Whilst most comment is focused on the recent the CBH rail tendering process it must be noted that in the Esperance Zone the majority of grain (1.5/2million tons) travels by road to port. I believe that under the current Grains Express system, where tonnage is aggregated and regular competitive freight tendering for fixed periods / tonnages occurs ,that the best cost outcome is delivered to individual growers. I believe a non Grains Express logistics system will result in considerable logistical fragmentation, spot tendering and would invariably result in growers paying higher freight charges, especially in years of high grain production. It is likely that those involved in the road transport of grain would choose to reinvest in the resources sector where they are able to have continuity in terms of volume. There may also be a negative impact in terms of fertilizer back loading freight costs from port to farm with the demise of Grains Express.
- 4) It is highly unlikely that competitive rail freight tendering would be able to be implemented if Grains Express does not continue. This may have a considerable negative impact (in the short/medium term) on Zones reliant on road transport due to freight movement to road in areas currently served by rail, and the consequent shortage of road transport capability.
- 5) It is unlikely that Grower Weighted Averaging which will be trialled by the CBH Group during 2010 harvest could be fully implemented without Grains Express. This has the potential to be of considerable financial benefit to Growers.

In conclusion

The OBH Group is in essence owned and operated for the benefit of all its shareholders who are the majority of Western Australian Grain growers. I believe that the current Board of Directors and Senior Management have developed Grains Express such that those at the "coal face" of the industry – The Growers can maximize their returns and remain profitable.

Whilst it is difficult to exactly quantify the tangible and non-tangible benefits of Grains Express to our business I believe they were in the order of \$20 / 30000 during the 2009/ 10 harvest, a year of below average production and negative profitability for our business.

Andrew Duncan on Behalf of AD & SE Duncan

**EXCLUDED FROM
PUBLIC REGISTER**