

Member Update

Title: Viterra Export Select – Outer Harbor/Inner Harbour

Update No.: 31 of 13

Date of Issue: 21 October 2013

1 Background

1.1 GTA publishes Location Differential to determine the upcountry price for grain traded using **GTA Contract No 2 - CONTRACT FOR GRAIN AND OILSEEDS IN BULK DELIVERED PRICE BASING POINT OR PORT TERMS (BASIS TRACK) (The Track Contract)**.

1.2 GTA Location Differentials are also used by the Australian Securities Exchange to price **ASX Grain Futures Contracts**.

1.3 GTA has been approached regarding the publication of a Location Differential for Inner Harbour.

2 The use of Export Select rates for the SA Location Differentials

GTA members participating in the track market in SA, submitted in 2009, that they wished to use the Viterra Export Select rates as the GTA Location Differentials. At the time industry was advised that ABB (subsequently Viterra) would develop the Export Select rates to suit their commercial needs and that the values would not be subject to industry review or comment. *Refer: Member Update No 21 of 09 Location Differentials 2009 2010 (attached)*

Industry has the opportunity to place submissions on the GTA Location Differentials each year. GTA did not receive any submissions on the SA Location Differentials in 2013, hence it was accepted by the Commerce Committee that the industry agreed with the use of Export Select rates for the GTA Location Differentials in 2013/2014.

3 Nomination of locations

It is the right of GTA members to nominate locations they wish to have gazetted for the purposes of obtaining a Location Differential. Up to this year Viterra only published a rate for Outer Harbor, in fact the nomenclature up to 2012/2013 was **Port Adelaide – Outer Harbor**. The nomenclature was abbreviated to Port Adelaide in 2012/2013.

For the 2013/2014 year, Viterra have nominated Inner Harbour for a Location Differential. (Note spelling as distinct to Outer Harbor – a historic geographical issue).

4 Action for members

GTA is not in a position to retrospectively make rulings on contracts already formed; however, the Commerce Committee would recommend that:

1. Members contact their counterparties where they believe there could be confusion regarding the price basing point for the purposes of pricing particular contract(s), which may also include the GTA Contract No 3. Contract Confirmation; and
2. when Members are writing GTA contracts for the Port Adelaide zone the pricing point on the contract should be clearly specified as either Inner Harbour or Outer Harbor. Viterra will not be referring to "Port Adelaide" at all, using only Outer Harbor and Inner Harbour.

5 Extract from the Explanatory Memorandum

The following is an extract that has been in the Explanatory Memorandum accompanying the Location Differentials each year **since 2008/2009**.

“Location Differentials ARE NOT freight rates

GTA releases LDs each year to enable pricing of the GTA No 2 Contract – Contract for grain and oilseeds in bulk delivered price basing point or port terms (Basis Track) commonly referred to as the “Track Contract”. If they are used for other purposes this should be done in the knowledge that there will be a difference between the GTA Location Differentials and the actual cost of freight execution. This “freight price risk” or “freight basis” must be managed by commercial interests.

Accordingly, members must adjust their port based pricing according to their analysis of the LDs. The GTA Location Differentials are not a substitute for management by members of freight price risk and the variation between the LD and the actual cost of execution of freight must be managed by the member.”