



AUSTRALIAN COTTON SHIPPERS ASSOCIATION

Letter of Support to accompany submission by the Australian Peak Shippers, Freight & Trade Alliance and Associated Industry Bodies to the Federal Inquiry into Freight & Supply Chain Priorities

ACSA members have provided feedback on the issues facing them that need to be highlighted to the Minister and included in the Inquiry into National Freight and Supply Chain Priorities.

The intention of the Inquiry is to improve freight and supply chain efficiency and capacity and to reduce the costs of transporting goods through our major ports. Our members are highlighting precisely where they are experiencing lack of efficiency, capacity and major cost increases throughout the supply chain.

The Australian cotton crop is fully exported, we sell to a global market where subsidies exist for all of the majority exporting countries we compete with. The increasing lack of capacity, rising inefficiencies and supply chain costs are directly impacting our ability to be competitive in the global market and will eventually reflect in the price given to the Australian cotton grower at farm gate.

We rely heavily on our reputation as exporters who can commit to forward selling for confirmed shipment months. We are geographically located to ideally service the Asian markets with short transit times. Our trade is counter cyclical to northern hemisphere crops and having the capacity to move over 80% of our cotton to market between April and October is critical to avoid losing market share. The recent reduction in capacity at eastern seaports has created major disruption and delays in exporting as per contracted months, this has the ability to seriously damage our reputation and more directly cause contract cancellations. It is imperative that we understand the capacity available and confirm an ongoing process of engagement with shipping lines to guarantee security of capacity and equipment supply.

The key issues to be highlighted to the Minister are as follows:

1. Reduction to the capacity on the berth in Australia and the inability to ascertain what it is at any point in time
2. Freight surcharges implemented by shipping lines because of capacity issues
3. Increase in stevedore terminal access fees with no benefit to exporters
4. Equipment shortages during peak export months, particularly in Melbourne and Brisbane
5. Lack of any terminal flexibility and capability in handling delayed rail shipments, resulting in late receivals fees
6. Increase in cancelled bookings, vessel rollovers and blank sailings, underpinned by overbooking of vessel space or lack of capacity
7. Rising costs of road tolls needs to translate to greater access for HPVs to all ports

Our industry is experiencing increased growth in cotton farm investment in new regions with the industry capable of adding 50% more to the export volume. As merchants, we need give the signal to farmers to grow cotton because we take the risk in the forward market for up to three years. The increase in supply chain costs coupled with the lack of capacity will have a direct impact on our ability to take this forward risk and may result in lack of investment in regional areas, thus a lack of income to those regional areas.

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We view the impact of supply chain costs and inefficiencies as a serious industry issue that can negatively impact farmers, regional communities, transport providers and exporters and everything that that means to the earning capacity of regional and rural Australia.

We look forward to participating in in this Inquiry and providing any further information relevant to improve the supply chain and bring about increased export earnings.

Eimear McDonagh

July 19, 2017