

Key findings



Costs stable

The real costs to users of most export grain supply chains have remained stable or slightly decreased since 2014.

Costlier than most

Australia's grain supply chain costs are higher than its competitors, except for Canada. Transport and port charges are generally the biggest supply chain costs.

Regulation

Regulation of grain exports has reduced flexibility and imposed additional costs.

Code of conduct

Moving to a voluntary code of conduct may provide Australian supply chains with the flexibility to meet future challenges from low-cost wheat exporters such as the Black Sea and Argentina.

Long-term freight planning

Coordinated long-term planning for high-capacity freight corridors to avoid conflict with urban development will be an important ongoing requirement.

Location

Grain production at low-yielding locations distant from port are likely to become increasingly expensive relative to high-yielding locations near to port.

Farm storage

Increased farm storage capacity, particularly in eastern Australia, is changing the demand for upcountry commercial storage of grain.

Grain quality

As grain storage options and pathways to markets increase, the Australian industry needs to consider how to best ensure stewardship obligations for grain quality are understood, accepted and maintained.

Containerised exports

About 10 per cent of Australia's export wheat is in containers, with about half exported from Victoria.

Excess port capacity

There is a surplus of capacity at some eastern Australian ports.

Eastern states complexity

Compared with WA and SA, grain transport in NSW, Vic and Qld is complex. Infrastructure planning and supply chain investment on the east coast is challenging.

Business transparency

Greater transparency in business performance reporting will build trust in the main companies providing supply chain services.

Costs can be reduced

Reducing Australia's supply chain costs is feasible through coordinated infrastructure investments and emerging innovations.

Costs need to be reduced

Low-cost grain suppliers, such as the Black Sea and Argentina, are undertaking major investments in their supply chains and it is essential Australia acts to reduce its supply chain costs to face this challenge.

Comparison of total wheat supply chain costs, assuming grain is delivered to commercial upcountry storage and outurned after three months

Note: Some assumptions have been made. For details, see full report. In particular, GTA location differentials, which do not necessarily accurately reflect freight costs, have been used to estimate freight charges for NSW, Vic and Qld.



■ Port charges (Estimated)

Freight to Port (Estimated)

Freight to Port (Actual)

Storage for three months

■ Up country receival and shrinkage

Freight: Farm to up-country

State research and biosecurity levies

■ End point royalties

GRDC levy



Recommendations

These recommendations identify important areas of reform that are likely to produce enduring benefits.

Ensure least-cost grain paths are developed and maintained.

First: better coordinate road regulation, planning and investment in roads to facilitate effective planning and investment by grain supply chain owners and operators.

Second: Vigilance needs to be maintained over least-cost grain pathways to prevent encroachment of incompatible urban development leading to future conflict and contest over land use. The cost of failure over this issue, at all levels of government, could be high in real terms for growers and users of the supply chains.

Align wheat breeding, classification, assessment and handling to support the export of Australian wheat to differentiated, premium markets.

Wheat exports from Australia and domestic marketing of wheat are likely to involve greater segregation, especially as on-farm storage increases. Hence, it is vital that all stakeholders (breeders, varietal classifiers and grain handlers) have incentives that align to deliver the types of Australian wheat most preferred in differentiated, premium markets.

Ensure there are sufficient incentives for R&D investment to improve the cost-efficiency of supply chains.

Technological improvements that lead to productivity improvements and reduced supply chain costs will increase the competitiveness of Australian supply chains. Whether existing providers of supply chain services have sufficient incentives to commit funds to R&D that may yield valuable outcomes requires further examination.

Supply chain owners should consider making the basis of component charges clearer, to increase confidence in supply chains and improve perceptions of fairness.

Greater transparency regarding the basis of component charges – including infrastructure use and efficiencies – could become a point of competitive advantage and a pathway to lessened regulation and associated costs. Information can be provided to an independent third party to maintain commercial sensitivity.

Estimated supply chain costs (\$/t) in Australia and other wheat export competitors, 2013-17

Source: AEGIC and GRDC

	2013	20	14	2015-16	20	16	20	17
Costs (\$/t)	Australia	Canada	Australia	Ukraine	Russia	Australia	Argentina	Australia
Cartage farm-site	8.9 (12%) ^a	10.7 (10%)	8.9 (11%)	4.3 (8%)	3.5 (6%)	7.8 (9%)	2.9 (5%)	7.8 (11%)
Upcountry handling	11.9 (16%)	15.2 (14%)	14.4 (17%)	7.7 (14%)	9.2 (16%)	18.4 (22%)	13.2 (21%)	10.4 (15%)
Storage	6.8 (9%)	17.7 (16%)	8.9 (11%)	2.9 (5%)	5.1 (9%)	9.0 (11%)	1.4 (2%)	5.0 (7%)
Transport upcountry to port	21.6 (29%)	46.8 (44%)	27.8 (33%)	13.3 (23%)	15.5 (28%)	26.7 (32%)	29.5 (47%)	23.6 (33%)
Port charges	21.2 (29%)	13.9 (13%)	21 (25%)	23.8 (42%)	22.4 (40%)	19.9 (24%)	15.5 (25%)	21.7 (30%)
Levies and check-offs	2.9 (4%)	3.0 (3%)	2.8 (3%)	4.9 (9%)	0.10 (<1%)	2.8 (3%)	nd	2.8 (4%)
Total supply chain cost	73.3	107.3	83.8	56.9	55.8	84.6	62.5	71.3
Production cost	nd	139.1	157.1	133.0	121.1	148.3	140.0	148.8
Supply chain proportion	nd	0.44	0.35	0.30	0.32	0.36	0.31	0.32

 $^{{}^4}$ Figures in brackets are the cost item as a proportion of the total supply chain cost. nd — no data

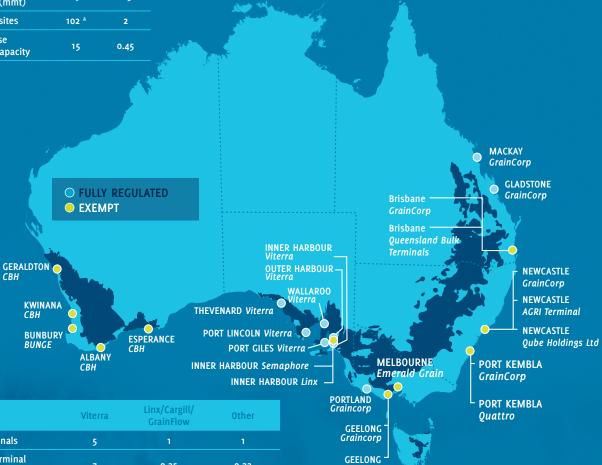
Australian grain export infrastructure

The main grain export infrastructure in Australia (2018) showing ports that are fully regulated or exempt from parts 3-6 of the port terminal access code of conduct.

Source: GTA, company websites, estimates from industry experts

WA	СВН	Bunge
Port terminals	4	1
Annual terminal capacity (mmt)	19	0.5
Receival sites	102 ^a	2
Warehouse storage capacity	15	0.45

QLD	GrainCorp	Wilmar/ Gavalon	Cargill GrainFlow	Other
Port terminals	3	1	0	0
Annual terminal c apacity (mmt)	3.2	1	0	0
Receival sites	23 ^b	o	4	5
Warehouse storage capacity	5	o	1	1



Riordan

SA	Viterra	Linx/Cargill/ GrainFlow	Other
Port terminals	5		1
Annual terminal capacity (mmt)	7	0.25	0.22
Receival sites	103	4	3
Warehouse storage capacity	11	1	0.5

VIC	GrainCorp	Cargill GrainFlow	Emerald Grain	Viterra	Other
Port terminals	2	0	111	0	- 1
Annual terminal capacity (mmt)	5.2	0	2	0	0.15
Receival sites	44 ^b	4	7	3	14
Warehouse storage capacity	4	3	2	1	2

NSW	GrainCorp	Cargill/ Cofco/ Emerald Grain/ Quattro	Glencore/ CBH/AGRI	Other
Port terminals	2	1	1	1
Annual terminal capacity (mmt)	6.2	2.5	1.5	1
Receival sites	91 ^b	11	2	40
Warehouse storage capacity	10	4	2	45

Notes:

- ^a Does not include an additional 76 surges sites.
- Does not include currently non-operational sites, some of which would be capable of reinstatement to grain receival and storage status if required.





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