The cost of Australia's bulk grain export supply chains

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Australian Export Grains Innovation Centre

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About AEGIC

Company founded and funded by WA state government and GRDC in November 2012.

VISION

To enhance the international competitiveness and value of Australia’s export grain.

Background

- Reports from industry saying supply chains expensive, inefficient and uncompetitive
- Reporting has been based on anecdotal evidence
- The report undertakes a comparison of the costs of using the export grain supply chains

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Method

- Publically available data
- Test case being a farm 200km from port
- Data reviewed by bulk handlers and industry representatives

Key Findings

- Finding 1: Supply chain costs are ~30% of production cost
- Finding 2: Limited disclosure of profits and efficiency metrics at all segments of supply chain
- Finding 3: Port costs are significant and not explicitly disclosed to producers
- Finding 4: More volatile production increases supply chain costs
- Finding 5: Limited transparency in shrink and dust deductions

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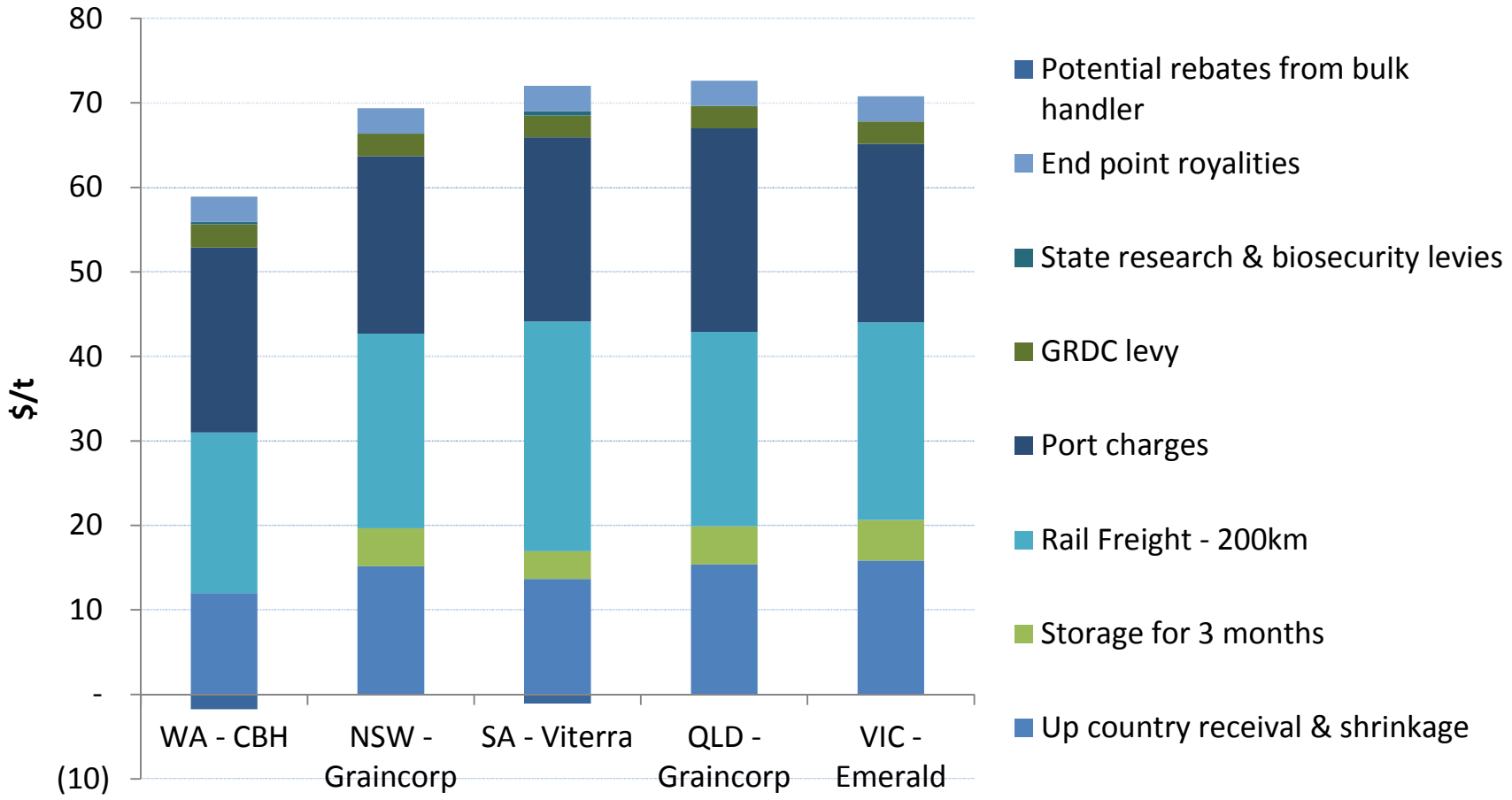
Finding 1: Supply chain costs are 30% of production cost

Greatest cost to the producer in many circumstances

Cost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$/t
WA - CBH
NSW - Graincorp
SA - Viterra
QLD - Graincorp
VIC - Emerald
Potential rebates from bulk handler
End point royalities
State research & biosecurity levies
GRDC levy
Port charges
Rail Freight - 200km
Storage for 3 months
Up country receival & shrinkage

Cost

- Supply chain costs are not directly comparable due to many factors, some unique to that region
- Supply chain is often the biggest cost centre item on $/ha basis
- Producers have limited options to manage supply chain cost

Future Opportunities

- More discussion of how to realise supply chain opportunities

- Improve communication and understanding of key supply chain issues and constraints

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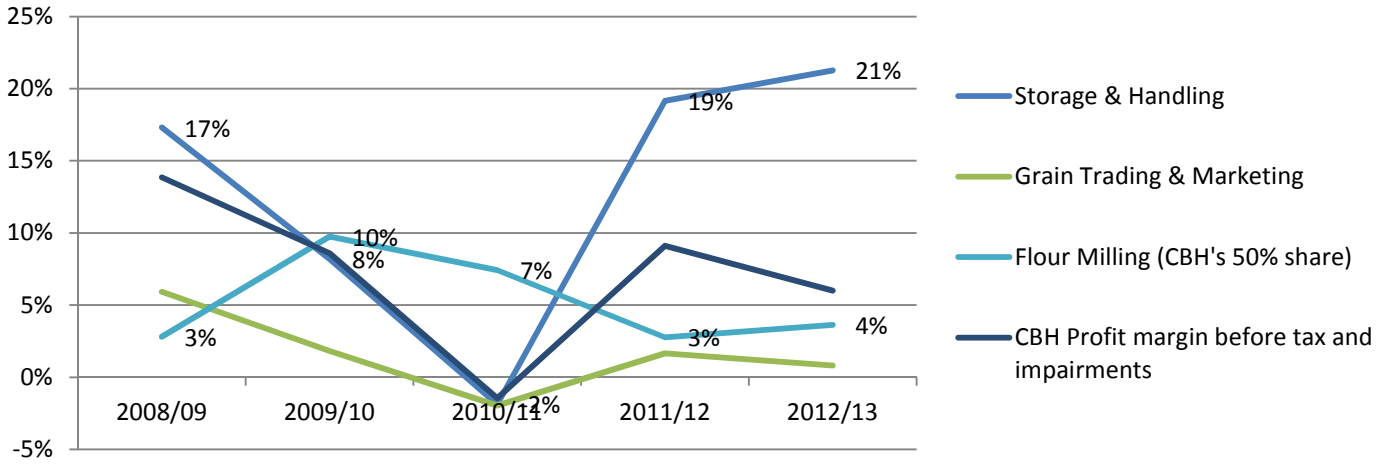
Finding 2: Disclosure of profits and efficiency metrics

Aggregation of sector reporting and no ongoing reporting of efficiency metrics

Disclosure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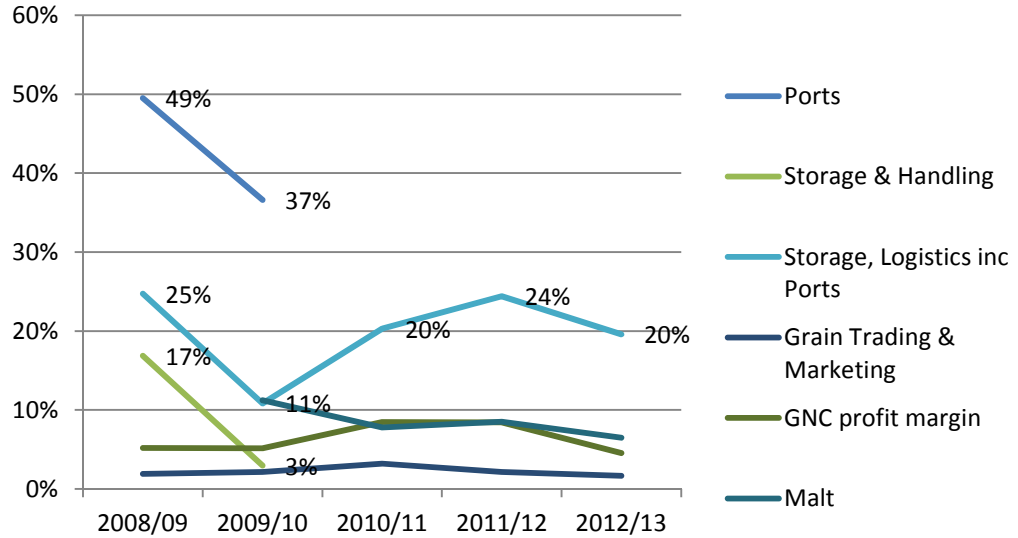
Storage & Handling
Grain Trading & Marketing
Flour Milling (CBH's 50% share)
CBH Profit margin before tax and impairments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Ports
Storage & Handling
Storage, Logistics inc Ports
Grain Trading & Marketing
GNC profit margin
Malt

Disclosure

- Limited reporting of supply chain operations
- Sector reporting diminishing
- Aggregated accounting

Future Opportunities

- Ongoing benchmarking of costs and efficiency metrics

- Canadian system with mandated reporting on efficiency metrics (annual 120 page report)
  - Grain movement – cycle times
  - Traffic composition
  - Demurrage costs

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Finding 3: Port fees are significant and not explicitly disclosed to producers

Port fees not explicitly presented to producers after the shift to FIS and track quotes

Port fees

- Port fees are significant and rising
  - ~$21/t across Australia
  - Charges rising more rapidly than upcountry

- Port fees not explicitly visible to producers

Future Opportunities

- Provide easier access and understanding of port fees for producers

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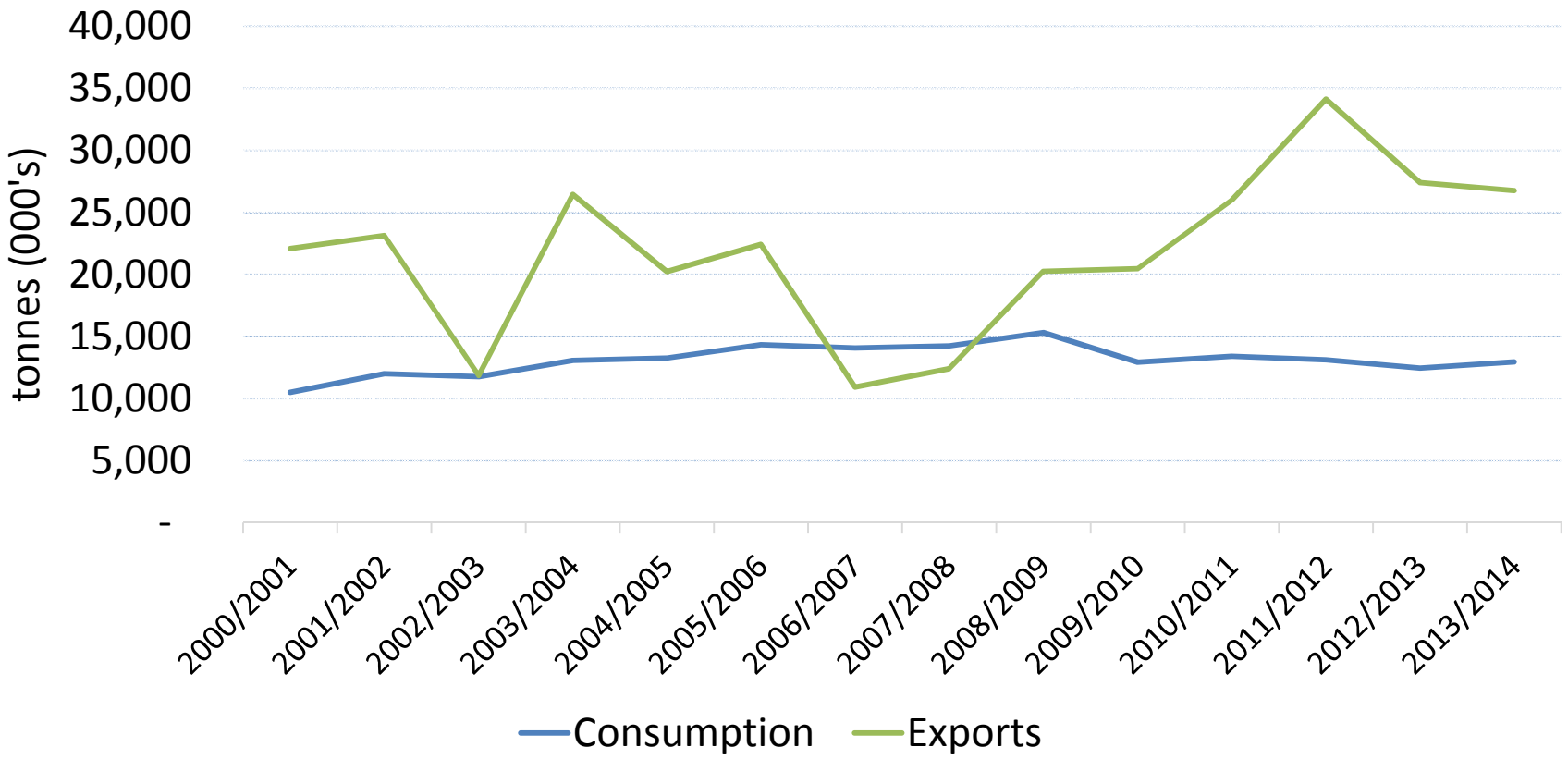
Finding 4: More volatile production increases supply chain costs

Australia's grain export volatility is double that of the USA and Canada

Volatility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Consumption
Exports

Volatility: Opportunities

- Increased investment in production forecasting
  - Provision of longer lead time for storage, freight and shipping

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Finding 5: Limited transparency and scientific rigour in shrink and dust deductions

Producers paying as much in shrinkage as for research

Shrink and dust

Wheat 2013–14	CBH*	GrainCorp	Viterra	Emerald	Cargill
	(%)				
Shrinkage					
At receival site	0.5	0.7	0.6	0.6	0.7
At port (ex third-party receival site)	-	0.25	0.25	0.6	n/a
At port (ex port owner site)	-	0.25	0	0	n/a
Dust					
Dust at port	0.25	n/a	0.1%	0.1	n/a

Future Opportunities

- Standardised industry approach to shrinkage
  - Managed through central body
  - Scientific justification for charges

Summary of key findings

- Supply chain costs are ~30% of production cost
- Limited disclosure of profits and efficiency metrics at all segments of supply chain
- Port costs are significant and not explicitly disclosed to producers
- More volatile production increases supply chain costs
- Limited transparency in shrink and dust deductions

Summary of opportunities

- More discussion in how to realise supply and value chain opportunities
- Enable ongoing benchmarking of costs and efficiency metrics
- Provide easier access and understanding of port fees for producers
- Increased investment in production forecasting
- Standardised industry approach to shrinkage

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Questions?

Thankyou