

## **MEDIA RELEASE – FOR IMMEDIATE RELEASE**

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### **Grain Growers withhold Grain Supply Chain report**

Grain Growers Limited (GGL) have withheld from the public and the grains industry at large, a special internal report which they have used as the basis to make public calls for various investigations and inquiries into the grains supply chain.

In response to being asked for comment on the GGL calls, Grain Trade Australia CEO, Mr Pat O’Shannassy said “it is difficult to make any comments on something that we have not seen. It would seem a little opportunistic to make substantial claims, without providing the evidence upon which they are made”.

GTA is the representative body for grain supply chain operators and grain marketers. There has been no contact or engagement from GGL with GTA to either discuss or explain their claimed report and any conclusions, but rather a rush to the media to capture headlines and make unsubstantiated claims. “In the end, this approach really does the grain sector as a whole a disservice, rather than a constructive service”, commented Mr O’Shannassy.

The discussion around the grain supply chain and its export capacity has emerged following record grain production over the last 3 seasons. The sector has seen a situation where grain production and supply has exceeded the export supply chain capacity to move all the grain available for sale to the market within specific timeframes. GTA has engaged with stakeholders including growers on this issue. For example, at the 2022 AGIC conference there was a specific session dedicated to discussing this topic featuring GPA Director Andrew Weidemann, and Emerald Grain CEO David Johnson.

“The grain export supply chain is moving more grain than ever before in its history. For the 2022/23 season, by the end of Jan 2023, we have already exported a record 15.8 Mt (million metric tonnes).”

ABARES are forecasting a record 48.6 Mt of exports for the full 2022/23 season which is 13% greater than the previous record set only last year in 2021/22 at a then record 47 Mt and significantly above the 10-year average of 29.7 Mt.

With record exports, there is record value. For 2022/23 ABARES are forecasting export value at \$A27.1 billion, which is 127% above the 10-year average of \$11.9 billion.

There has been significant increase in competition through private investment and **expansion in export capacity** since deregulation of wheat exports in 2008. In 2008 there were 18 bulk grain export terminals operated by 4 companies. In 2023 there are 32 bulk grain export terminals operated by 18 companies, in addition to significant growth in the number of container packing facilities for export.

The supply chain operators have a clear understanding of the constraints which are concentrated around moving grain to export terminals, including labour, road and rail transport availability and infrastructure. Mr O’Shannassy said “We don’t need an expensive inquiry to ask the supply chain participants what they already know but having a collaborative and united industry approach to engage with government to seek to improve the supply chain constraints would be useful for all”.

Improving supply chain capacity is in everyone’s interest. Improvements could include better access to labour and technology, improved port in-take through investment in road and rail and reducing container costs and increasing availability. Just as growers need to prepare for drought years, the supply chain and capital markets need to juggle capacity for big seasons and bear the burden of having underutilised assets in average seasons.

This underutilisation of assets during years of average and lower production and the cost of excess port and freight assets was highlighted in an independent report in 2020 by consulting firm LEK, commission by the Federal Department of Transport and Infrastructure as part of the [National Freight and Supply Chain Strategy](#). The report looks at Australia’s grain supply chain port and rail freight costs and compares these with competing countries. It notes Australia should consider the level of assets and levels of (under) utilisation over time. Since that report being released the grain sector has **further increased** the capital invested and the capacity within the supply chain.

Australia produced a record 67.4Mt in 2021-22, 38 per cent above the 10-year average of 48.8 Mt. Exports are expected to be a record 48.6 Mt for 2022-23 season, 63 per cent above the 10-year average of 29.8 Mt. The grain industry's value is forecast at \$28.7b for 2021-22, 85% per cent above 10-year average of \$15.5b. The value of exports for 2021-22 is forecast at \$23.7b, 70 per cent above the 2016-17 record.

Traditionally, productivity and ACCC type investigations and inquiries are in response to anti-competitive conduct or clear evidence of "market failure". In our view, the data and evidence show that rather than market failure, the grain industry has never been in better shape. There have been three exceptional seasons requiring the industry to work hard to move and export more grain than ever before.

### **We have already had multiple inquiries.**

The wheat supply chain is one of the most examined agricultural supply chains in the country. Since the deregulation of the Wheat Single Desk in 2008 there have been more than 30 inquiries, wheat port code and productivity reports held at both a state and federal level into the grain supply chain.

These inquiries and investigations consistently find no evidence of market failure but instead competition and innovation, with sound commercial contracting, quality assurance processes, industry consultation and formal dispute resolution mechanisms.

### **Local prices – local factors**

Even with record crop production and the supply chain constraints, grower cash prices remain historically high, with independent analysis by Profarmer Australia showing grower prices are between the eighth and 10th decile. This does not look like market failure. It shows the industry has never been stronger than it is today.

Local cash prices also take into account local issues. That is, Australian issues firstly drive Australian prices. The connection, or quite often disconnection between cash values and off-shore futures markets relate to the factors that drive Australia's export and domestic supply chains. Locally for example Victorian issues drive Victorian prices and so on. These can include production, logistical issues, capacity as well as the respective levels of sales and purchases of the grain marketers. Each local market is competitive. If a grain marketer or consumer has purchased grain, they require to execute their programs, it does not make sense to pay a higher price for additional grain they do not need.

Just because a grower does not get the price they want or think they should get, is not an example of market failure. In these situations, growers hoping for higher prices are also facing competition, not from other exporting countries, but from other growers in their own local region. The question really is what is a fair price and to whom? The market determines the price, and the market is local.

There is significant competition among grain buyers with multiple active buyers, and naturally there is competition among growers selling grain. The value of the grain is based on the price agreed between a willing buyer and seller.

Industry understands issues with supply chain capacity, which require significant investment from public and private sector participants whilst balancing asset utilisation factors and variable production seasons.

### **Media Contact:**

Pat O'Shannassy

CEO, Grain Trade Australia

Phone: [+61 2 9235 2155](tel:+61292352155)

Email: [pat.oshannassy@graintrade.org.au](mailto:pat.oshannassy@graintrade.org.au) | [www.graintrade.org.au](http://www.graintrade.org.au)

### **About GTA**

*GTA is a national trade association/peak body and is the focal point for the commercial grains industry within Australia. The role of GTA is to provide a framework across Industry to facilitate and promote the trade of grain. GTA Members are drawn from all sectors of the grain value chain from production to domestic end users and exporters. GTA has over 270 organisations as Members. Their businesses range from regional family businesses to large national and international trading/storage and handling companies who are involved in grain marketing activities, grain storage, human and stock feed milling. GTA Members are responsible for over 95% of all grain contracts, grain storage and freight movements made each year in Australia. GTA is a leader in international grain trade issues through its founding and active membership of the International Grain Trade Coalition (IGTC). A list of GTA Members can be found at [www.graintrade.org.au](http://www.graintrade.org.au)*