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Independent report backs GPSA policy on storage costs

GRAIN Producers SA has welcomed findings outlined in a report by the Australian Export Grains Innovation Centre (AEGIC) on the impacts of storage and handling costs on grain growers.

The report – titled ‘The cost of Australia’s bulk grain export supply chains – an information paper’ was released on Thursday last week.

Its key findings were:

- The cost of getting grain from farm to port is 30 per cent of the cost of production – the single largest cost item for a grain producer in an average year.
- The disclosure of the profits and supply chain efficiencies of bulk handlers is limited.
- Port costs account for about one-third of supply chain costs and are not explicitly disclosed to producers because prices are quoted free in store (FIS) or track. It appears port fees are rising at a faster rate than other grain handling charges.
- The magnitude of supply chain costs is influenced by Australia’s volatile grain production, leading to building excess capacity in the supply chain to handle the large harvests.
- Deductions for shrink and dust vary between regions and crop species and the technical and financial basis for these variations are not well documented.

GPSA Chief Executive Darren Arney says the independent research outlined in the report added further weight to the organisation’s policy on storage and handling.

“Issues around grain freight, logistics and port efficiencies have been a key focus to date for GPSA to improve competition in storage and handling. This independent report supports what we have been asking for through bulk handlers and the State Government,” he said.

“Supply chain costs represent a significant cost to growers which they do not see in their books. The costs are deducted from their final payments and so they don’t have the same level of scrutiny as other costs in a grain growing business.

“GPSA has made a request to Minister for Agriculture Gail Gago for the Essential Services Commission of South Australia to examine supply chain costs. This was also a recommendation from the Select Committee on Grain Handling and there has been no action since the committee’s report was tabled in September 2012.

“Another interesting point highlighted in the report were the costs of shrinkage and dust deducted from growers’ payments. These costs usually receive no attention but they are actually larger than the cost to growers of research and development levies, which in contrast are very closely scrutinised.”

Mr Arney said the report outlined the potential benefits of annually benchmarking supply chain costs to compare each state as well as undertaking extra research on other countries’ supply chain costs to see how Australia compared with the rest of the world.

View the full report at www.aegic.org.au

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About Grain Producers SA:

Grain Producers SA is a not-for-profit organisation that represents all levy-paying grain producers in South Australia. GPSA's objective is to foster the development and implementation of policies that promote the economic and environmental sustainability of the South Australian grains industry for the benefit of its producers and the wider community. Growers are encouraged to have their say on policy and have input on the people who represent them.
