

Ukraine growth highlights supply chain cost issues

From the CEO

With **DARREN ARNEY**



A new report from the Australian Export Grains Innovation Centre is showing why reducing our input and supply chain costs are so important for SA grain producers.

The overall cost of production per tonne for wheat in Australia is \$207/t compared with the Ukraine at \$136/t (FOB) (see table 1). AEGIC classes Ukraine as a modest threat to the Australian wheat export industry in key markets but says the potential threat is large.

Ukraine's competitiveness in international markets has been underpinned by greater rates of yield advancement – they have achieved higher annual increases in production with no change in area – and greater cost efficiencies in its grain supply chains.

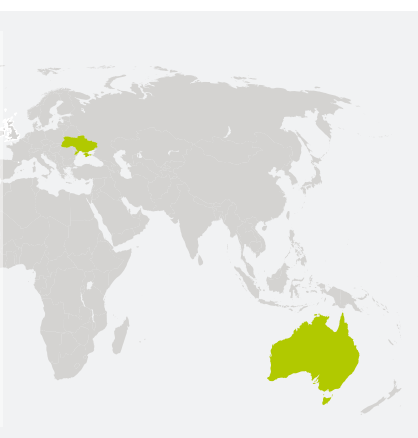
AEGIC expects that during the next decade these advantages are likely to undermine Australia's price competitiveness. AEGIC says there are four factors underpinning the Ukraine grain industry:

- The Ukraine currency devalued 60 percent against the US dollar in 2014-15 compared with Australia's at 25 percent.
- Many Ukraine farmers are yet to fully embrace modern farming which will further reduce their costs of production and improve yield stability.
- European bank investment is helping to address its logistics and infrastructure challenges.
- The nearby Middle East and African nations have a large and growing demand for grain.

Table 1: Costs of wheat production in Ukraine and Australia* (AUD/ha)

Cost Component (\$/t)	Ukraine	Australia
Wheat yield (t/ha)	3.35	1.82
Seed	42	27
Fertiliser	181	90
Chemicals	74	110
Diesel	54	15
Labour	25	11
Variable operating costs	376	253
Direct salary and tax	10	43
Land	60	80
Total costs (\$/ha)	446	376
Total costs (\$/t)	133	207

* Estimates based on weighted averages across regions and production systems. **Source: AEGIC 2016**



But there is an upside ... AEGIC concluded Australia has time to prepare for and counter the competition from Ukraine.

It is this sort of information that GPSA is feeding into state-based decision-makers on behalf of growers. We are producers in an international market and so knowing this level of detail about other nation's competitiveness helps us to better advocate for the action we need to see on the ground here in SA for us to stay competitive.

Ports planning

With this in mind, GPSA had its first meeting last month as part of a consultative group investigating a 50-year ports strategy for South Australia. The State Government is developing a plan as to what infrastructure needs are required for the next 50 years, particularly for agriculture and mining as the state's two largest exports.

The group includes Viterra, Flinders Ports and other major infrastructure owners and service provider stakeholders.

Together with Primary Producers SA, GPSA is helping to advise what the agricultural commodity supply chain may look like. It has been a while since

this process was undertaken. Back in 1966, the largest export commodities in terms of value were wool, lead and wheat while now they are copper, wheat and wine.

GPSA wants to ensure there's an efficient supply chain and low-cost access to markets. SA has always been export based and the state runs well when exports are running well.

Board nominations

This is early notice that GPSA will be seeking nominations for directors to the board in July. There are four board member positions available with the terms of Garry Hansen, Max Wilksch, Brett Roberts and Peter Polkinghorne expiring. Continuing members include Wade Dabinett, Stephen Ball and David Malpas. Andrew Goode continues until the first meeting after the 2017-18 AGM.

It is a great opportunity to represent your industry at a state level, while feeding in policy ideas and commentary on issues to a national level. If any grower is considering directorship, I urge them to get in touch and talk about what skills and time commitments are required.

Details: View the full AEGIC report at <http://bit.ly/1QgBIO4>

Climate update ... 2016 – La Niña or not?

With
Bureau of Meteorology's
DARREN RAY



THERE was a lot happening in 2015 with the Australian climate. A near record strength El Niño event in the Pacific Ocean resulted in hotter and drier conditions from May onwards for many areas.

The northern Indian Ocean also contributed through spring, going into strongly 'positive' values of the Indian Ocean Dipole from mid-September until November.

The Indian Ocean Dipole, or IOD, is a pattern of variability in the northern Indian Ocean, in which there are cooler ocean temperatures near north-western Australia and reduced moisture for rainfall in the 'positive' phase, or warmer waters in that area and increased moisture for rainfall in the 'negative' phase. The IOD starts in June/July, with peak influence in

August to October, then dies off in November. The typical influence on rainfall can be seen on the Bureau of Meteorology [webpages](#).

Cooling in the central Pacific indicates the 2015 El Niño is in its death throes, and likely to be declared over soon. Southern Oscillation Index, or SOI, values, are staying persistently negative in the last few months, typical of El Niño impacts on weather patterns, with the atmosphere tending to sink down more over Australia, inhibiting rainfall.

Recent weak activity in the tropics has impacted the start of the southern growing season, with reduced moisture from the tropics resulting in sporadic and patchy rainfall through April. A recent pulse of tropical activity has left areas of NSW and Victoria with falls of 30-100 millimetres and western Tasmania has had welcome relief in a persistent westerly airstream. But elsewhere, the start to the southern growing season has been patchy (www.bom.gov.au/jsp/awap/rain/)

While the season is slow to start, further ahead the outlook is positive. Statistically, after an El Niño there is a 40-50% chance of La Niña, and ocean model forecasts are consistent with this possibility. If it eventuates, La Niña tends to result in above average winter and spring rainfall (www.bom.gov.au/climate/enso/ninacomp.shtml).

Also worth watching is the possibility of the 'negative' phase of the IOD. There are increasing indications of this influence developing. The latest Bureau of Meteorology [outlooks](#) reflect this, with increasing odds of wetter conditions through winter for many areas, and indications of this persisting into spring. The only influence acting against rainfall may be a stronger than average sub-tropical ridge, that may keep cold fronts further south than usual, reducing rainfall along the southern coast of Australia.

To keep an eye on the latest, [subscribe](#) to the free Outlook and the ENSO Wrap-Up on how these influences may unfold in 2016.

News in brief

New member for ASAP

Mid North farmer Natalie Sommerville is GPSA's newest committee member on the Agricultural Security and Priority Committee. Nat replaces Peter Grocke on the committee, which advocates for the right to farm by making informed recommendations for the GPSA Board to consider. Nat is co-owner of Euromina Holdings, focusing on wheat, barley, canola, beans and hay for export. Through Partners in Grain SA, Natalie helps to deliver and organise professional development activities and events for local farming families. She is also the state representative for the National Rural Women's Network and a committee member of Ag Excellence Alliance. She studied at University of Adelaide, combining agricultural subjects in the final year of a Bachelor of Applied Science Natural Resource Management.

Agribusiness program

PIRSA has recently launched the Agribusiness Growth Funding Program aimed to accelerate business growth, employment and export development

in the state's agribusiness value-adding and food and beverage industries. The four-year program will help small value-adding agribusinesses and food and beverage producers gain expert business advice on planning and managing their growth. It will include a comprehensive business evaluation, action plans and business management coaching.

More information: www.pir.sa.gov.au/primary_industry/industry_support/agribusiness_growth_program

RAS entries open

Entries are open for the Grains and Fodder Competition at the Royal Adelaide Show. There's a range of classes in wheat, barley, oats, triticale, pulses, small seeds, oilseeds and fodder. GPSA co-sponsors the Most Successful Exhibitor in the grains and fodder section and Grand Champion Wheat and sponsors the Champion Oats prize. The RAS also runs a grains and fodder photography competition. Entries close June 3.

More information: theshow.com.au

WHS case studies

Have you solved a work health and safety issue on-farm? Safework SA is seeking examples of case studies that could be used in a new manual for primary production businesses. Contact GPSA for more information.

Health check

With seeding underway in many areas, Primary Producers SA's Healthy Farmers program is reminding growers to keep healthy choices in mind when it comes to food and exercise. SA Health has developed a Brief Health Check survey to provide advice on making healthier choices and options to get help. The check will ask about diet, physical activity, alcohol consumption, smoking habits and general health and some questions about your workplace. It takes less than 10 minutes to complete and all responses are confidential. Free phone-based lifestyle coaching programs are available, depending on the check's results.

Details: The Health Check is available under 'What's News' on GPSA's website. Email healthyworkers@sa.gov.au or call PPSA on **08 8297 2299**.