



Media Release

Input sought on cost efficiency of the grain export supply chain

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A review of export supply chain costs for South Australia's \$2.2 billion grains industry has moved into a second phase.

The Essential Services Commission has released for public comment the draft report of an independent inquiry commissioned by the State Government last March.

This focused primarily on the performance and behaviour of global agri-business company Viterra, which operates 94 percent of the State's commercial grain storage sites and has a 91 percent share of supply chain port bulk grain loading services.

The report finds that the export supply chain is not inefficient in totality and that Viterra's healthy returns are not demonstrably unreasonable, as it appears to have "focused on extracting supply chain efficiencies, rather than protecting and preserving unduly high returns".

However, it notes that the findings arise from the available evidence and do not represent an assessment of how the market may evolve.

"Our intention now is to get feedback and further evidence directly from the industry and other stakeholders, including how they think current issues might evolve and new issues may arise down the track," said Commission CEO Adam Wilson.

"The report notes the potential for things to change and we want to make sure that we have the best system in place to support our grain producers."

Viterra, part of Dutch-owned Glencore Agriculture, also operates in western Victoria, with a total storage capacity across the two States of over 10 million tonnes.

The inquiry finds that the grain trading market in South Australia appears to be competitive, with 11 grain traders having booked shipping slot capacity with Viterra to export the 2016-17 grain harvest.

The report acknowledges that South Australia produces high-quality grain and makes it available for export in a timely manner.

However, as a relatively small player internationally, the industry faces a continuing competitive threat from existing and emerging low cost producers, has little influence on the global market and is vulnerable to global trends.

It also operates under an imperative to reduce export supply chain costs simply to maintain market share.

Among its other findings, the report notes that:

- ▶ the freight cost component of the export supply chain costs is efficient, within the current economy-wide framework for establishing road user charges and identifying road investment priorities, and
- ▶ the public release of more grain stock information has both strong industry advocates and opponents.

The full report can be accessed at via the Commission's website at www.escosa.sa.gov.au.
Submissions will be received until 17 September 2018.

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The Essential Services Commission is an independent statutory authority with functions in a range of essential services including water, sewerage, electricity, gas, rail and maritime services, and also has a general advisory function on economic matters. For more information, visit www.escosa.sa.gov.au.

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