



# The puck stops here! Canada challenges Australia's grain supply chains

## AT A GLANCE

- » Production and export of grain is less variable in Canada than Australia and is growing at a much faster rate. Climate change trends are favouring grain production in Canada while slowing productivity growth in Australia.
- » The total cost of a typical export grain supply chain in Canada is about \$107 per tonne compared with about \$87 per tonne in Australia.
- » Grain storage and transport costs are higher in Canada than Australia. This is because most grain in Canada is stored on-farm and needs to be transported more than 1000km to port. Australia's export grain is mostly stored in-warehouse and is transported less than 400km to port (see Figure 2).
- » Port receipt, handling and vessel charges in Canada are two thirds of the equivalent charges in Australia – \$14 per tonne in Canada versus \$21 per tonne in Australia.
- » The cost of producing a tonne of wheat is about \$18 lower in Canada than Australia. This is mainly due to the higher yields achieved in Canada.

## Summary

Australia and Canada have long competed on the world stage in the export of wheat, barley and canola. In this report, AEGIC compares the efficiency of getting Canadian grain from paddock to the export customer against that costs of exporting Australian grain to the same customers. The report identifies opportunities for Australia to increase its competitive position and to enhance the value of Australia's export grain.

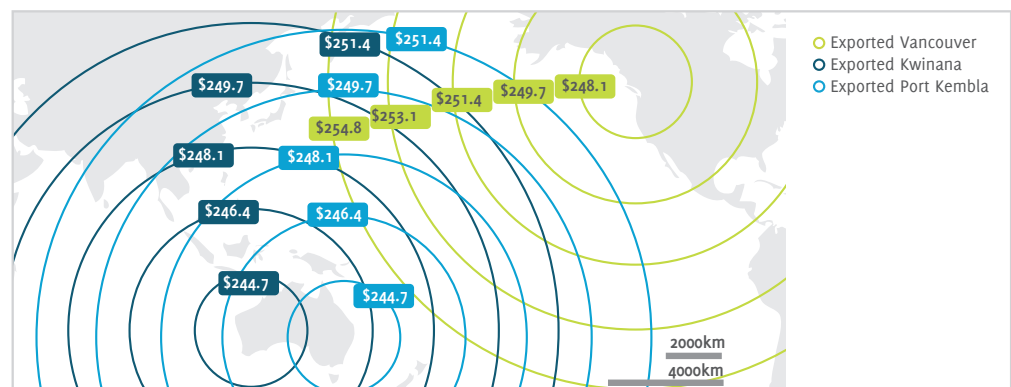
As international requirements for these grains shift and climatic and financial pressures increase, understanding the operating environment of one of Australia's most important competitors is vital.

During the past 15 years grain supply chains in Canada have undergone substantial renewal and reform, more than doubling the number of high throughput receipt sites located on high capacity, highly efficient rail lines. The majority of Canadian grain is now delivered through this infrastructure which has reduced the time taken to deliver grain to port by one third.

Canadian supply chains still operate at a higher cost than Australian supply chains, but with higher yields, Canada can deliver grain into Asia at almost the same cost (see Figure 1). This is despite the long distance grain must travel from inland Canadian growing areas to port, and then the long distance to Asian markets.

The Canadian grain industry also maintains a strong independent presence promoting grain in international markets. During 42 years of operation, the Canadian International Grains Institute (CIGI) have put 39,000 people through its programs, 14,000 of whom are in Australia's strategic Asian markets. Australia does not have an equivalent presence in key export markets.

Figure 1 Supplying the Asian market\*



\* Whole of supply chain costs, including production costs, between Canadian (green) and Australian (blue) grain.  
Source: AEGIC



## Key findings of the report

The Report found five areas where Australia has the opportunity to increase the competitiveness of its international export grain supply chains.

- 1. Fair access and cost efficiency:** Australia's grains industry may be well served by a grain monitoring program similar to Canada's that results in more effective policy formulation and reduced regulatory burden.
- 2. Strengthen key markets:** A focus on strengthening key markets, and greater reliance on opportunism, may be the market strategy that best serves the long-term interests of the Australian export grain sector.
- 3. A research challenge:** Current production and productivity trends favour Canada, driving their increased competitiveness in our key markets. Hence there is a need for continued research, supported by industry and government, to boost farm production and adapt to the changing climate.
- 4. Better integrated, clear and consistent road and rail policy:** Australia needs to re-visit policies regarding long-lived assets such as road and rail infrastructure and services. Policies need to encourage private or public/private investment partnerships which boost the provision of supply chain infrastructure.

Table 1 Detail of component costs of Australian and Canadian supply chains (\$/t)

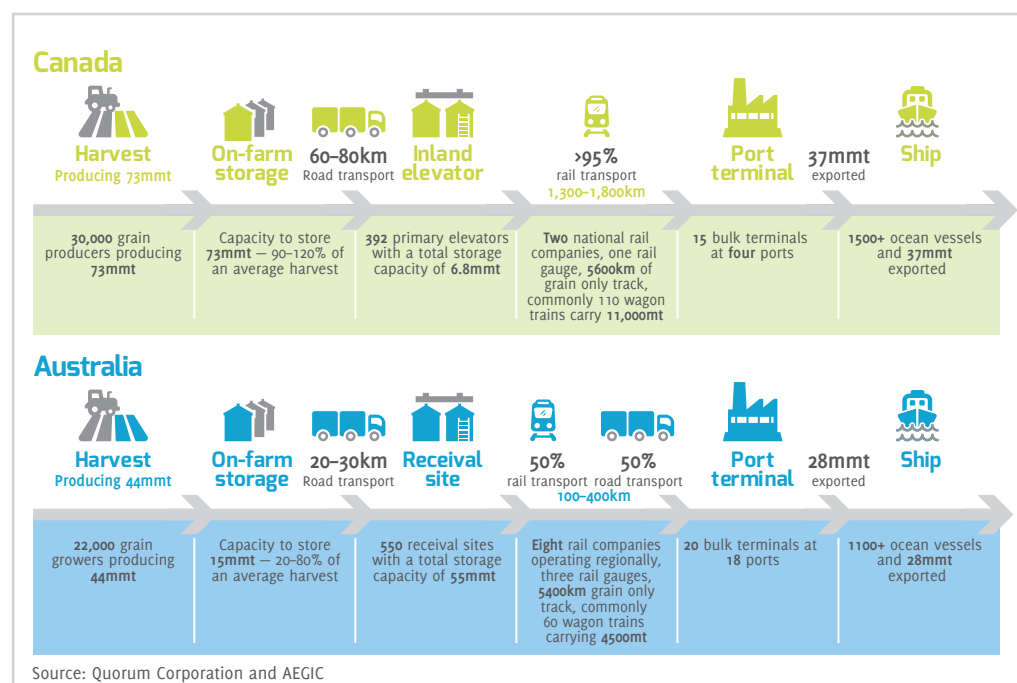
| Cost component (\$/t)                                | Canada       | Australia    |
|--|--------------|--------------|
| On-farm storage                                      | 17.7         | 5.0          |
| Cartage – farm to site                               | 10.7         | 8.9          |
| Handling and elevation                               | 15.2         | 14.4         |
| Upcountry storage                                    | n/a          | 3.9          |
| Transport – upcountry to port                        | 46.8         | 27.8         |
| Receival and handling charges at port                | 10.1         | 13.5         |
| Other port and vessel charges                        | 3.8          | 7.5          |
| Levies and check-offs                                | 3.0          | 2.8          |
| End point royalties (Australia)                      | n/a          | 3.0          |
| <b>Total supply chain costs</b>                      | <b>107.3</b> | <b>86.8</b>  |
| <i>Including production costs</i>                    |              |              |
| Variable operating costs                             | 139.1        | 157.1        |
| <b>Total (incl supply chain and production cost)</b> | <b>246.4</b> | <b>243.9</b> |

Note: All figures relating to costs in Australia are quoted in Australian dollars whereas those relating to costs in Canada are quoted in Canadian dollars.

Source: AEGIC

- 5. Network optimisation:** Selective closure of some receival points with service upgrades to others could lower supply chain costs in Australia. Further efficiencies may be realised through increasing the flexibility around vessel inspections, nominations and loading sequences.

Figure 2 The dominant grain flows for export supply chains in Canada and Australia



Source: Quorum Corporation and AEGIC

### PREPARED BY:

**Dr Peter White**  
Supply Chain Specialist  
peter.white@aegic.org.au

**Dr Chris Carter**  
Economist  
chris.carter@aegic.org.au

**Prof Ross Kingwell**  
Chief Economist  
ross.kingwell@aegic.org.au

**Download report here**  
[www.aegic.org.au](http://www.aegic.org.au)



Australian Export Grains Innovation Centre

**More information**  
3 Baron-Hay Court, South Perth  
Western Australia 6151  
T +61 (0)8 9368 3785  
E admin@aegic.org.au  
[aegic.org.au](http://aegic.org.au)



Department of  
Agriculture and Food



**GRDC**  
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Development  
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