

Communicating Climate Change

Module 17

An initiative of the National Agriculture and Climate Change Action Plan

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Grain marketing considerations under climate change scenarios

Climate change may have major impacts on grain marketing in Australia, especially for producers.

Producers need to consider the viability of production, the flexibility of their planting window, and the costs of holding harvested crops on farm.

Domestic and international grain buyers will need responsive and flexible supply chains.

Key facts

- Historically, Australian grain marketing has been dominated by collective marketing through statutory boards that are responsible for interpreting marketing and price signals for producers.
- With deregulated export wheat marketing (effective 1 July 2008), producers must now engage with an expanded group of intermediaries, some of them new to the Australian market.
- In 2008–2010 deregulation coincides with other emerging trends for grain producers, including climate change.
- Climate change may alter crop production yields and producers' crop variety selections.
- Global 'agflation' is causing the price of food to rise dramatically. Rising fuel costs are also driving fertiliser and chemical costs higher. Agflation is an increase in the price of food and production inputs due to increased demand for the purposes of human consumption, livestock feeding, and use as an alternative energy resource.
- For the first time in about 40 years, world agriculture is now driven by demand—this is quite a change from the supply management and subsidies which dominated much of the 1980s and 1990s.
- Producers need to consider connecting their production systems, which will be more variable, to market opportunities that offer supply security and competitive costing rather than just targeting high quality requirements.
- Producers may need a more opportunistic and nimble approach to grain marketing, reacting to seasonal events and capturing the best of what is available at each turn, rather than committing to long-term supply arrangements that become difficult to service in a volatile and variable production environment.

A cooperative venture between



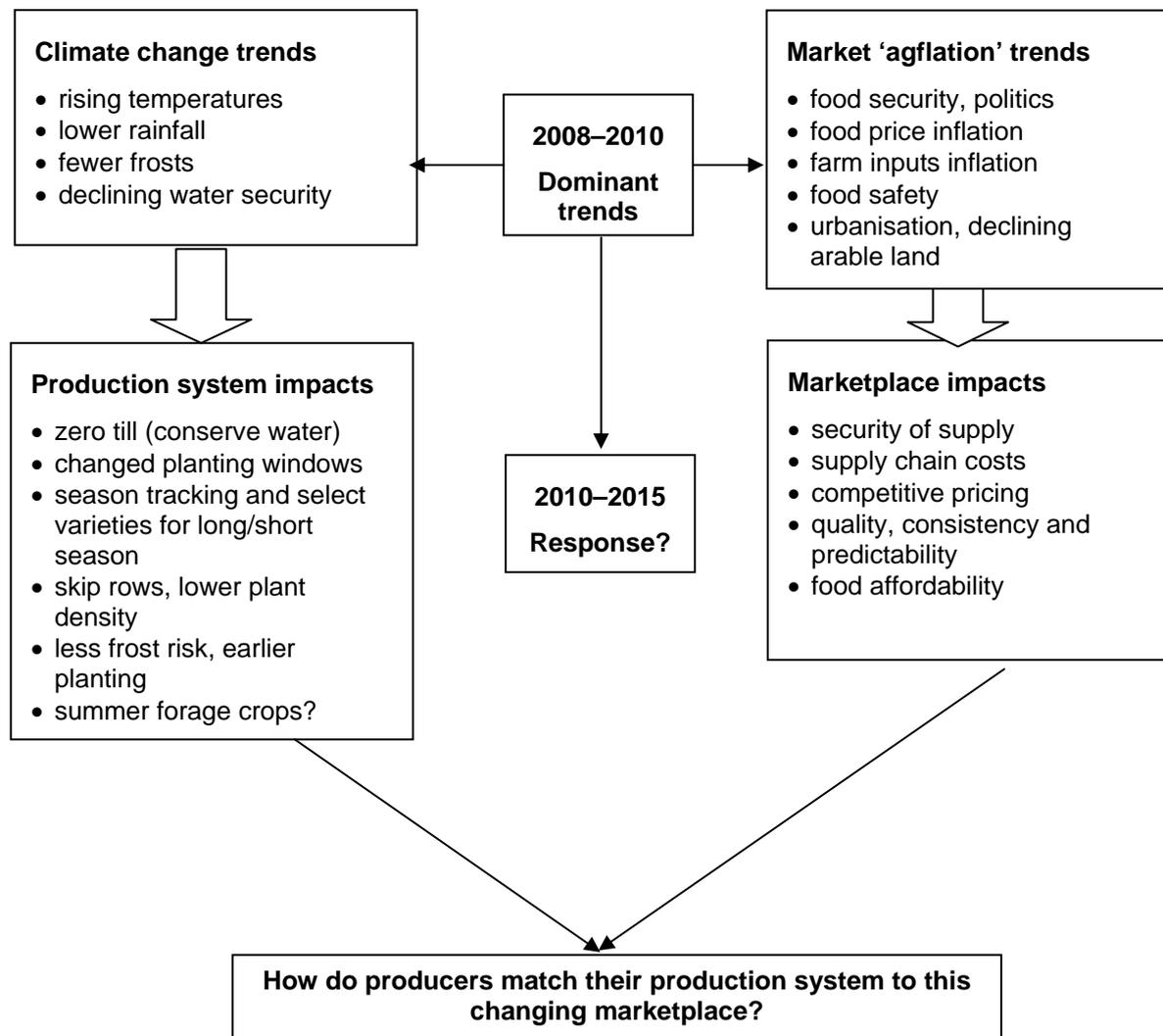


Figure 1: Future marketing considerations for producers

Production variability

Producers will need to consider:

- **focusing on volume** to capture as much plant mass as possible given the available water, rather than targeting grain processing quality
- taking a limited, more **cautious approach to pre-harvest pricing** of crops
- having the **flexibility to shift to a fodder/hay outcome** should spring weather demand an alternative to grain, when risk/reward calculations are done

Planting window flexibility

Producers will need to consider:

- the greater **range of seed/variety options**, to optimise the season
We may see a shift to more purchased seed versus farmer-saved seed, because producers will not be able to hold the full range of versatility required.
- the potential for **reactive planting to water availability**
Summer crops (grain or forage) may become an option, in which case pricing and marketing will be more opportunistic and flexible.

Funding and credit requirements of harvested crops

Producers will need to consider:

- the increased **number of buyers who buy for cash at harvest**
Until recently, through pooling, producers largely self-funded the inventory holding cost from harvest through to delivery to the buyer over the year. They received an advance or loan which they repaid from their final pool receipts.
- **on-farm storage** and **progressive marketing** throughout the year
We may see more direct funding of inventory by producers. Producers may run their own internal pool by selling parcels progressively to gain a price average. However, they will also bear the full funding costs and buyer credit risk.

Logistics and supply chain

International and domestic grain buyers will require **responsive and flexible supply chains** to meet the more variable supply scenario caused by climate change.

The market is expected to demand **more forward-supply commitments**, whereas suppliers will be in a more constrained and uncertain supply situation, and thus less able to make such commitments.

Domestic grain market

For the Victorian Mallee and south-eastern South Australia, the domestic market is dominant. It includes feed grains and fodder for dairy, poultry, pigs, and feedlots; milling for wheat; and malting for barley.

Increasingly, supply comes from produce stored on-farm. However, without establishing the quality of the harvest, it is unlikely that supply agreements can be negotiated. Once negotiated, the domestic grain market will require regular and reliable delivery.

Pricing of supply will likely be a combination of fixed and floating prices, with both supplier and buyer accepting that price volatility may best be shared through some averaging.

For producers seeking greater price certainty, there may be a heightened interest in grain futures and options, where each party can manage their price risk independently.

International grain market

For the northern grainbelt of Western Australia and the Eyre Peninsula in South Australia, climate and production uncertainty is expected to mean a greater commodity and opportunistic focus. Commodity producers compete with a homogeneous product and depend on scale and competitive pricing, whereas niche producers focus on quality and service and achieving a premium price for smaller parcels.



Export demand is typically in minimum 30–40 000 tonne parcels, and continuity is paramount. Given the difficulty of committing to supply before harvest, individual producers are more likely to capture the post-harvest opportunities as they arise on the spot markets.

Further information

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