

Grower Led Initiative to Address the Grain Freight Challenge

Grower Co-Operative Limited Working to Improve Freight Efficiencies

A group of grain growers in northern NSW have recently formed a grower co-operative in Moree. The growers have been working together in a benchmarking group for a number of years, and had clearly identified that freight was one of the biggest input costs in their grain production businesses. This prompted them to consider how they could reduce this cost to add value at the farm gate.

The result has been the creation of Grower Co-operative Limited (GrowerCo) whose sole intention is to reduce freight costs to port, a cost which represents approximately 30% of the entire cost of grain growing.

There are numerous inefficiencies in the existing supply chain, such as lack of coordination between parties, less than optimal train movements and difficulties with competition from the coal industry who move significantly more bulk freight than the combined agricultural product movements in NSW. Individually grain producers are virtually powerless to have an impact on supply chain efficiency but jointly GrowerCo believe growers will be very influential.

The intention is to create unity amongst growers and to partner with other organisations in the grain supply chain to create volume, and ultimately create real logistics savings - savings which can be passed onto producers and partners. GrowerCo are working towards the creation of a grain accumulation system which is able to reduce the freight cost for producers and ultimately improve the efficiency of grain transport in the region.

To date the board has met with supply chain stakeholders including port, rail and up country storage providers, exporters, traders and growers. They were encouraged by the enthusiasm and strong appetite for change observed in these meetings.

GrowerCo does not want to exclude or compete with anyone - in fact the only way to achieve

efficiencies will be to accommodate all stakeholders that use the supply chain. Working with all the stakeholder will enable growers to retain all the options and flexibility currently enjoyed (choice of buyer, timing of sale and delivery etc.).

Similarly, the Buyers, Traders and Exporters will see no difference in their sourcing of grain. They will however experience a dramatic increase in reliability and execution of their physical contracts, with the cost benefit passed back up the supply chain (to growers) in the form of higher up country prices.

Charles Brett, GrowerCo co-director said "establishing a centralised aggregation point will provide the opportunity to move larger volumes of grain to port more efficiently. The existing system is disjointed, where by the various grain organisations each manage the logistic of grain shipment to port independently."

The benefits of this collaborative approach, improved efficiencies and up country prices will not only be for grain exporters. By improving the farm gate value of grain in the export market the domestic basis has to increase to compete, which means better domestic prices. Additionally, while some grain producers may sell all production domestically now, if the export market becomes more competitive and returns a better farm-gate value then the grower will have a choice of which market to sell into.

The creation of GrowerCo is a great example of grain growers working together for mutual benefit, and it is a model which could easily be initiated in other locations.

More information is available on their website: www.growerco.com.au

GrowerCo will not be trading grain.

References:

GrowerCo website: www.growerco.com.au

'Moree co-op into freight fray'. The Land Thursday December 03, 2015 by Amelia Williams

'Growers Group to lower freight costs'. Country Leader

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