

# IMPACT OF FLOODING ON GRAIN

## SOUTH-EAST AUSTRALIA

3 November 2022

- Supply chains are being disrupted by closures and damage to roads and railways in Victoria and New South Wales. These disruptions are likely to be felt for a few weeks as floodwaters recede and repairs can be completed. Despite this, grain supply and logistics are still holding up relatively well though this may deteriorate with more rainfall forecast throughout the week for much of the east coast and South Australia. Damaged roads will mean longer delivery times and increased freight costs, and will likely lead to longer waits at delivery points end users are sourcing grains from alternate sources e.g. Buyers are taking grain from Southern Vic rather than the Riverina region where grain is typically cheaper. Rail freight has not been significantly impacted with some branch line closures, but main lines remain operational. Though further rainfall and flooding events may see additional rail closures. The rainfall has seen harvest throughout NSW and Victoria delayed by 2–3 weeks with crops still yet to mature, this will buy grain logistics some time to recover before significant tonnages begin to hit supply chains.
- As mentioned above, demand for grain is still there, though the sources where grain is purchased from are changing depending upon road/freight closures and flooding. There are some shorts beginning to develop in prompt market due to the delayed harvest across much of NSW and VIC which has pushed immediate delivery prices sharply higher and is particularly supportive of feed grades despite the expected uptick in downgrading of crops. Most grower selling remains focused on what is left of the old crop with little forward grower selling of new crop at the moment given current weather conditions and uncertainty regarding crop quality.
- Immediate delivery has seen some big values for those that can deliver due to weather and logistics issues, whilst prices through the November and even into the December period were firmer across wheat and barley last week. It is still too early to assess full extent of downgrading across the east coast grain quality will become a larger issue if rain continues into November. Current spreads from milling to feed quality wheat are now in excess of \$100 per tonne. Barley pricing has been much steadier though pricing has followed wheat higher over the past week with some shorts in the market as a result of the delayed harvest. New crop barley bids are being priced off a spread to wheat until more info surrounding quality is known.

### OTHER CONSIDERATIONS INCLUDE

Further harvest delays driven by rainfall over the next week would remain very supportive of grain prices.

Damage to farm equipment: Fencing, vehicles, sheds etc will impact farmers' ability to recover from impacts of flooding, placing additional pressure on already tight margins due to high input costs.

Consumer impacts: All of the above will place additional cost on production. Reduced production, lower quality, longer delivery times, increased freight costs. All of these combined will lift prices all along the supply chain and will result in higher prices in the supermarket.