



The easter bunny, santa clause & moratorium premiums

What do they have in common?

Mecardo

- >7000 subscribers.
- Produce >600 public analytical reports per year.
- We like to question assumptions.

Who we are

- Small & diverse team
- Provide strategic & marketing advice to government, corporate and producers
- Risk management advisory for producers and consumers of agricultural commodities



Disclaimer

- I have been involved in trading GM seed and animal feed
- I have also been involved in trading organic crops
- I am not pro or anti-gm, I am pro choice.



Purpose of today

- Provide some background into the GM moratorium
- Provide a summary of our report on the analysis of price premiums in South Australia







*“The government **believes** GM food crops **could** have a negative impact on the marketing of the state’s premium food and wine in export markets around the world”*

(Previous) Government of South Australia

Never assume, always check.

Methodology utilised by GM opponents

- Comparing non-gm in SA and Gm in another state



- Choosing upcountry sites to fit viewpoint



- Only using a short time frame



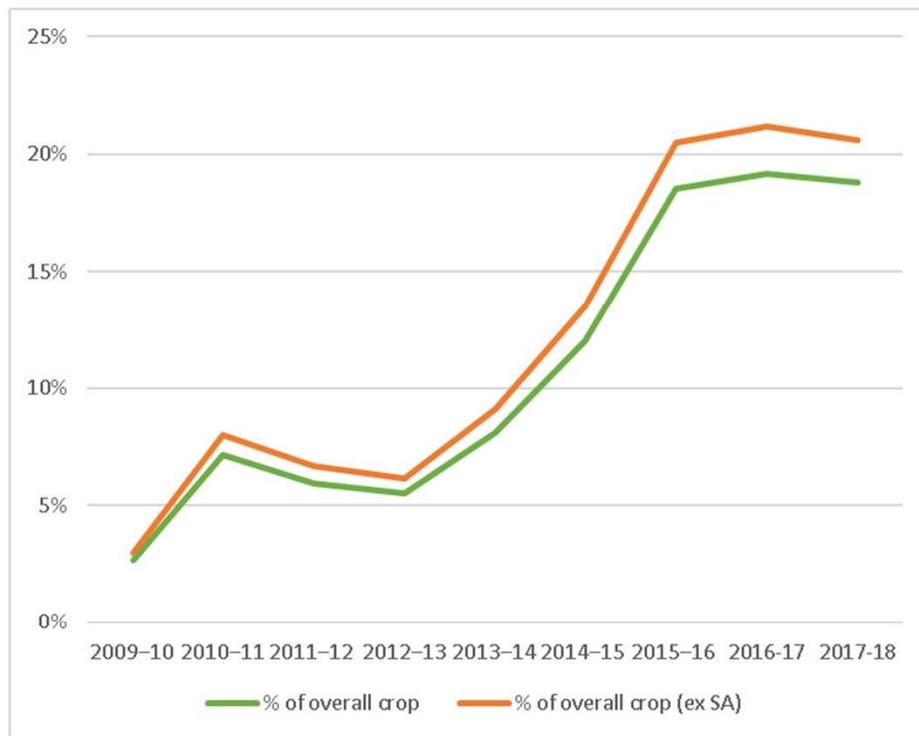
Scope

- Examine the premium paid to farmers in South Australia
- Factors excluded:
 - Agronomic
 - Environmental
 - Regulatory

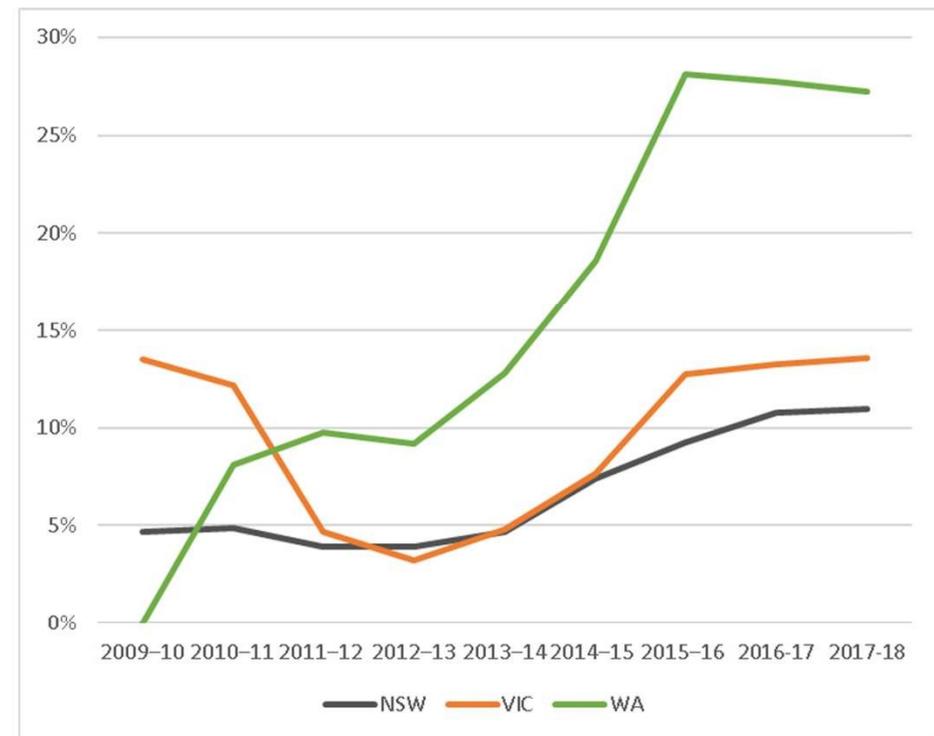
Where is GM canola permitted?



GM canola adoption

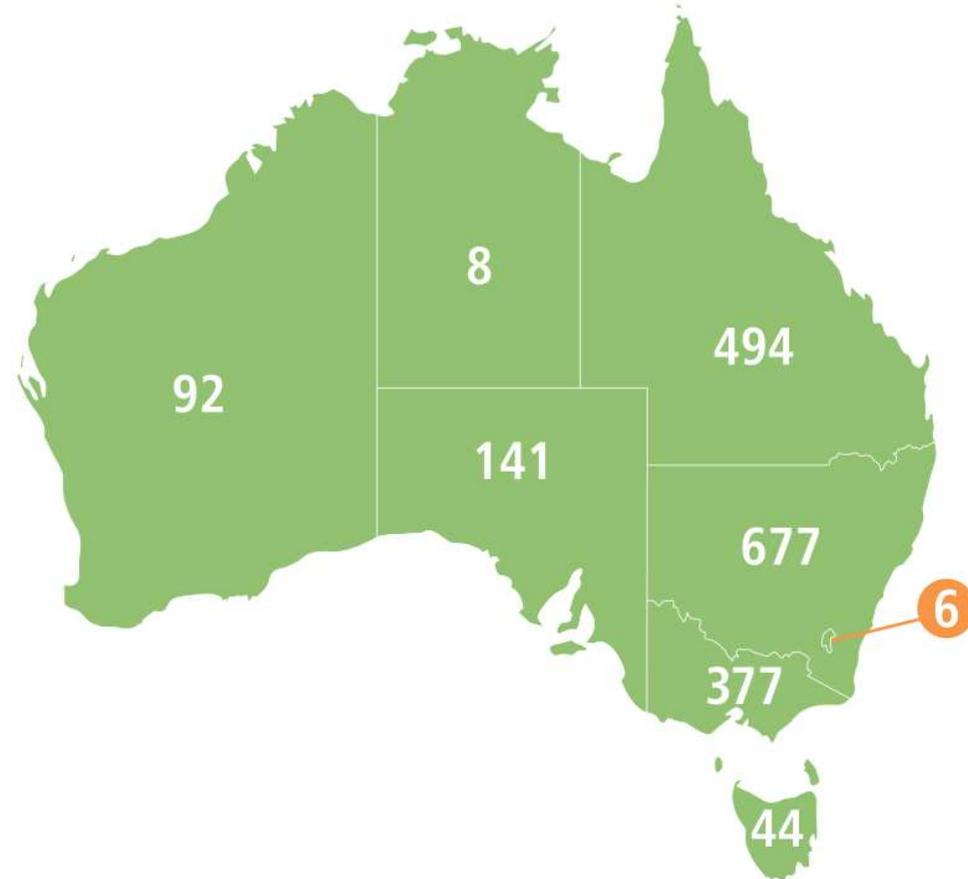


% of national crop sown as GM



% of GM canola crops in each state

Is co-existence possible?



Where is the premium?

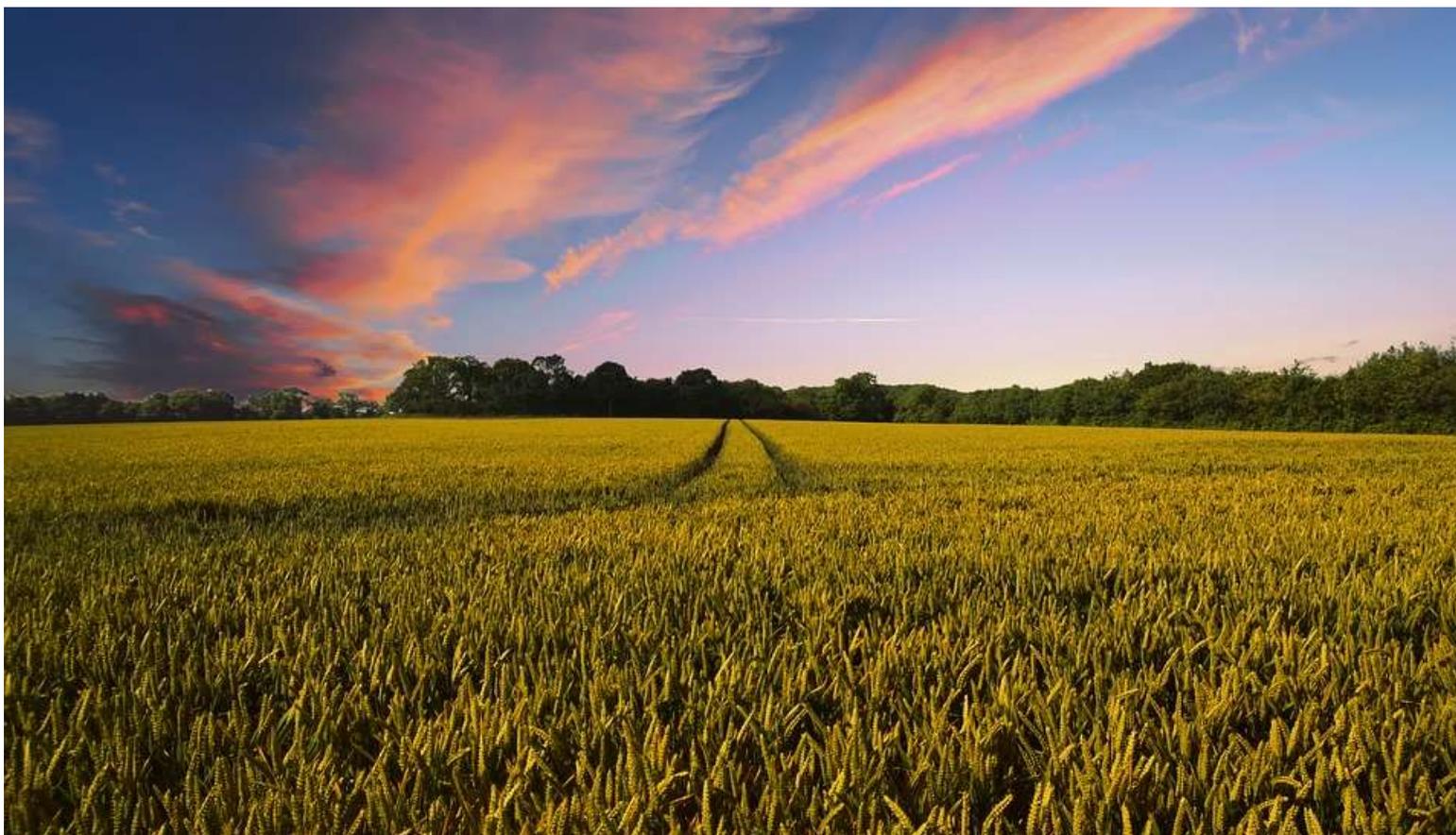


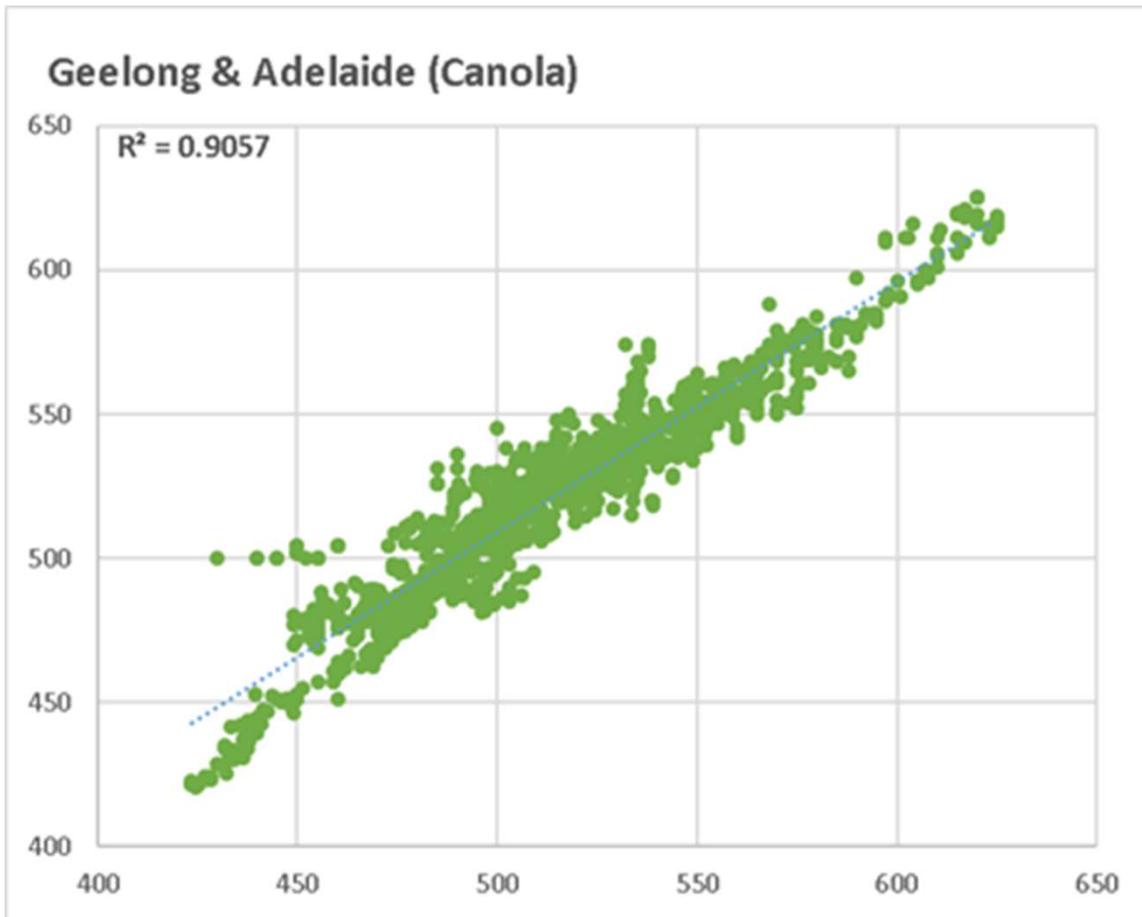
Commodities Analysed

Commodity	Gross value	Percentage of overall
Wheat	927,247,960	15%
Barley	365,584,539	6%
Canola	111,863,194	2%
Wool	447,542,321	7%
Sheep and lamb	534,546,618	9%
Cattle	682,665,753	11%
Pork	326,582,263	5%
Grapes	536,482,844	9%
Total	3,932,515,492	63%

Source:ABS

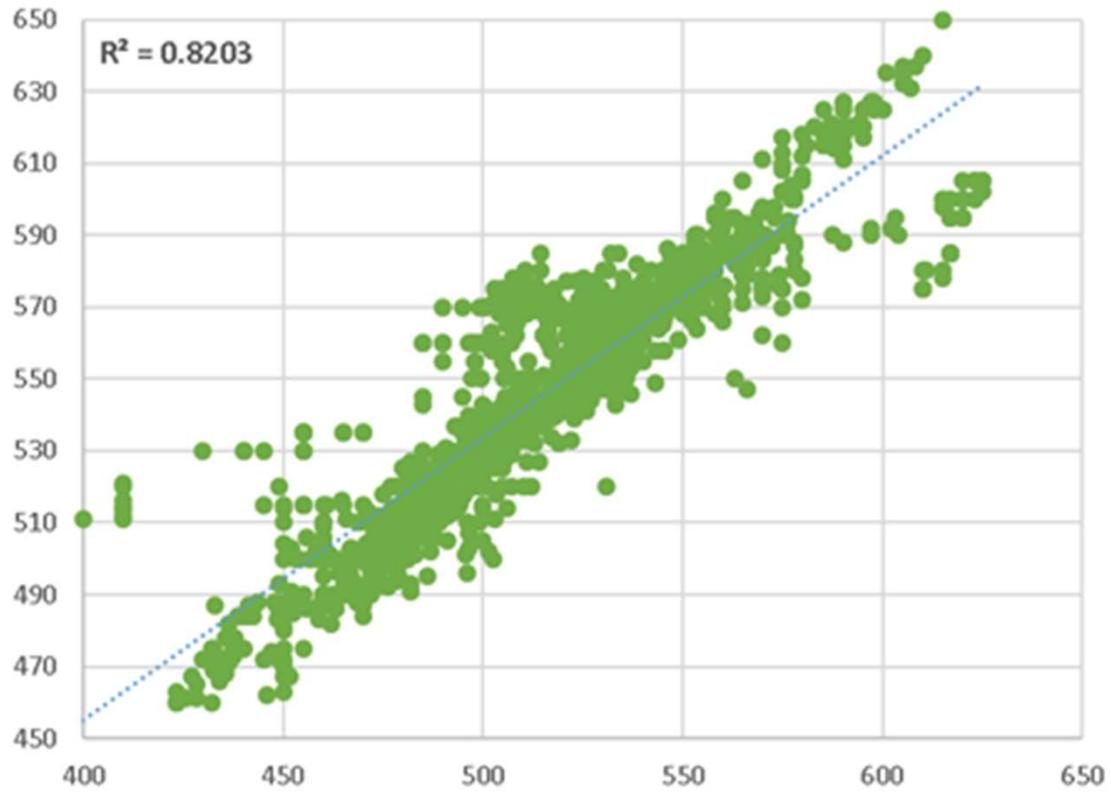
Cropping



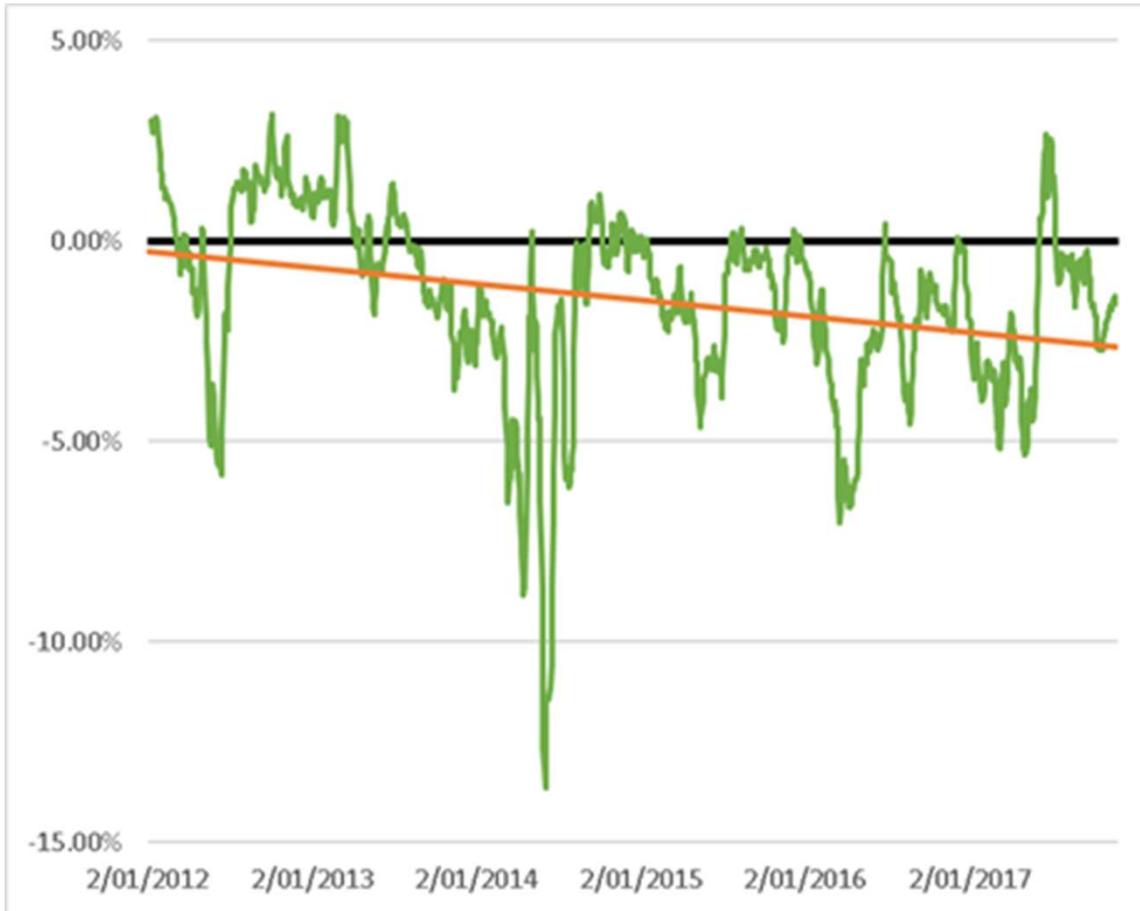


Canola

Kwinana & Adelaide (Canola)

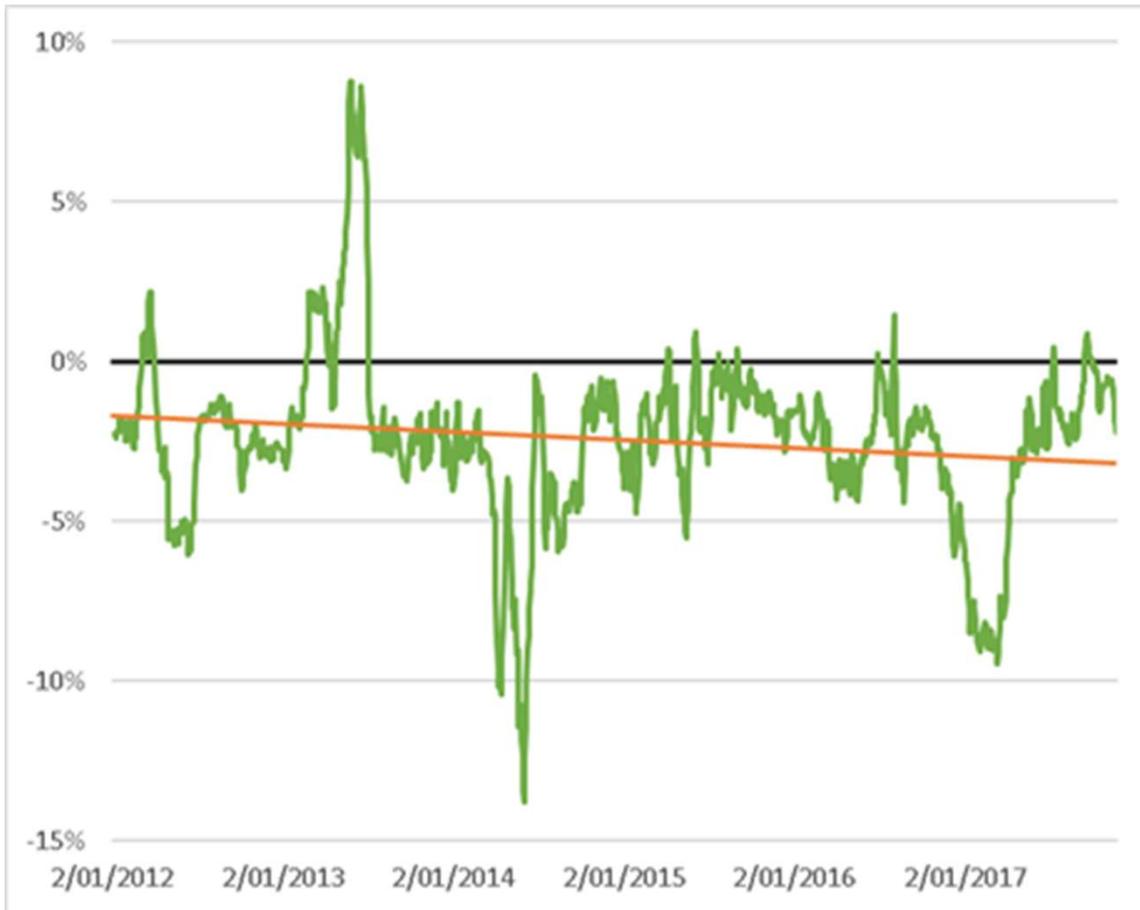


Canola



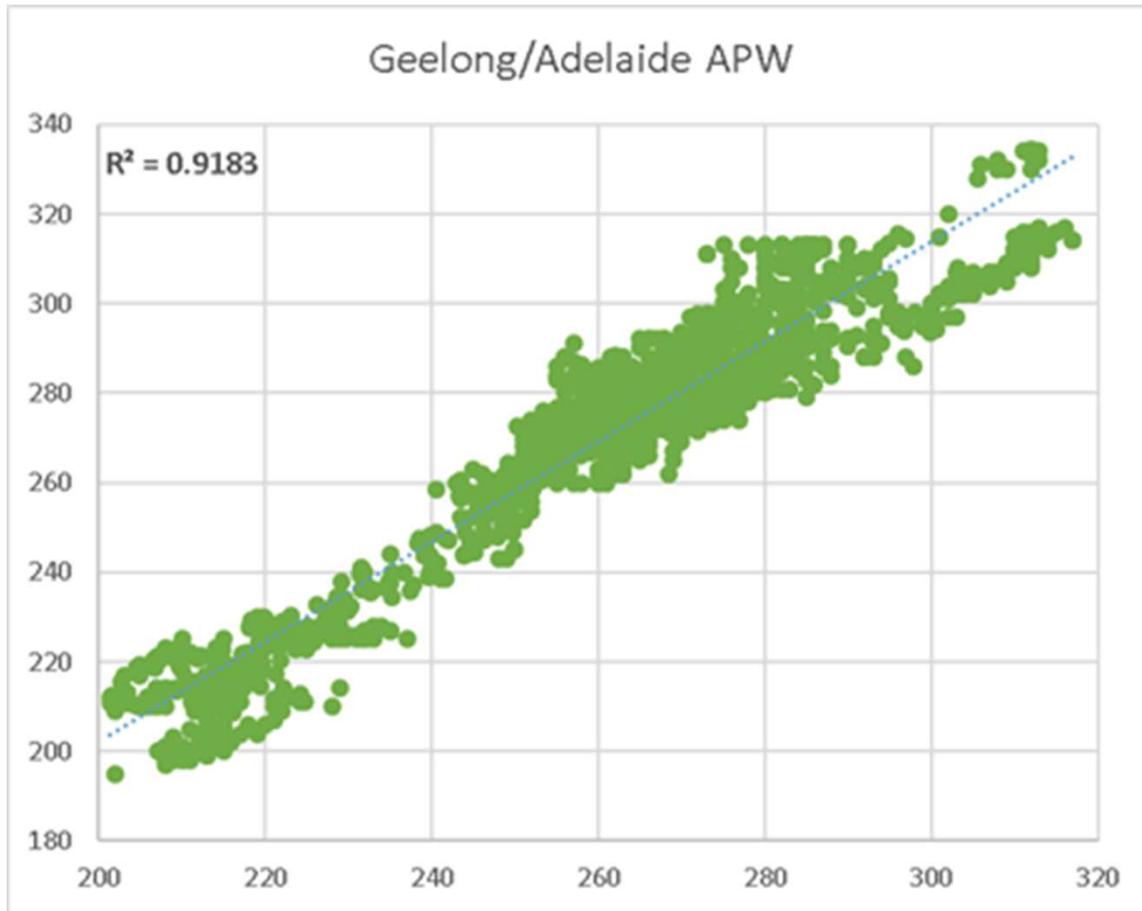
Adelaide v Geelong

- Average discount 3%



Adelaide v Kwinana

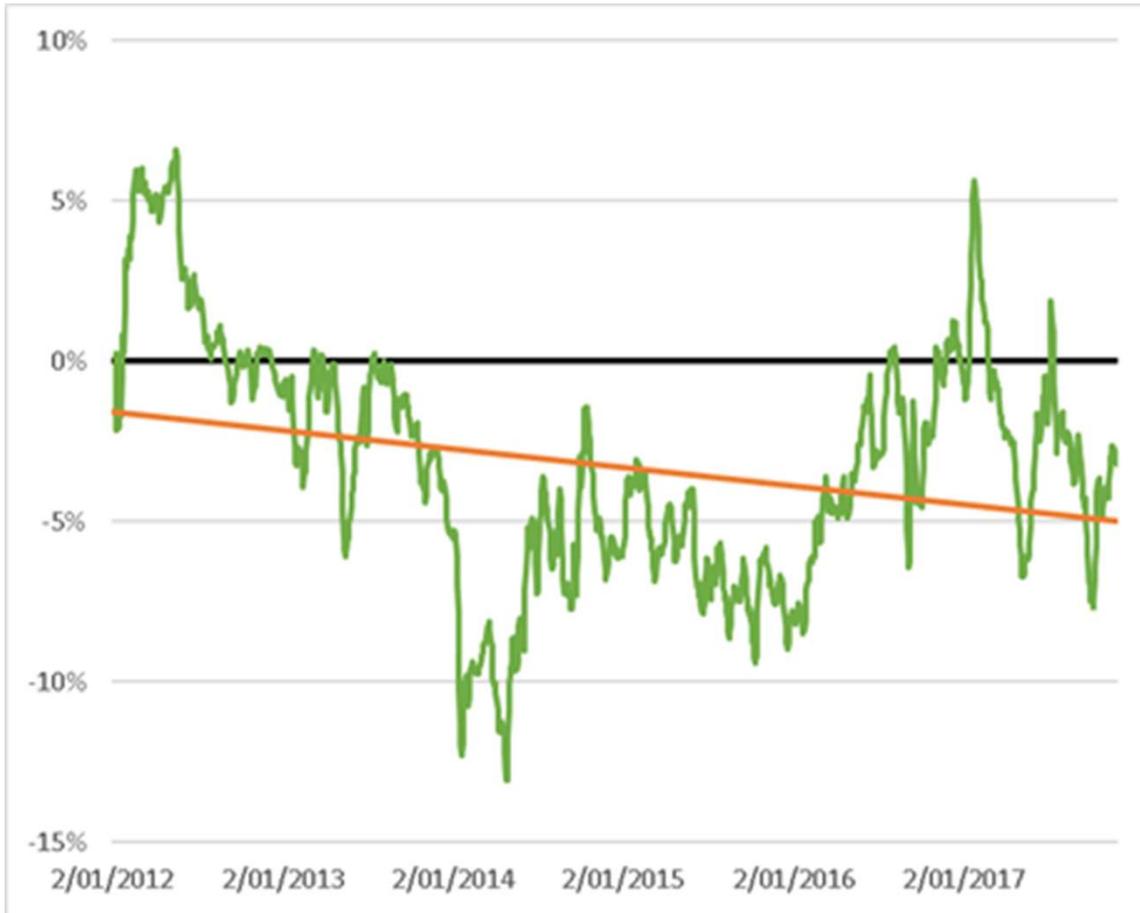
- Average discount 3%



Wheat

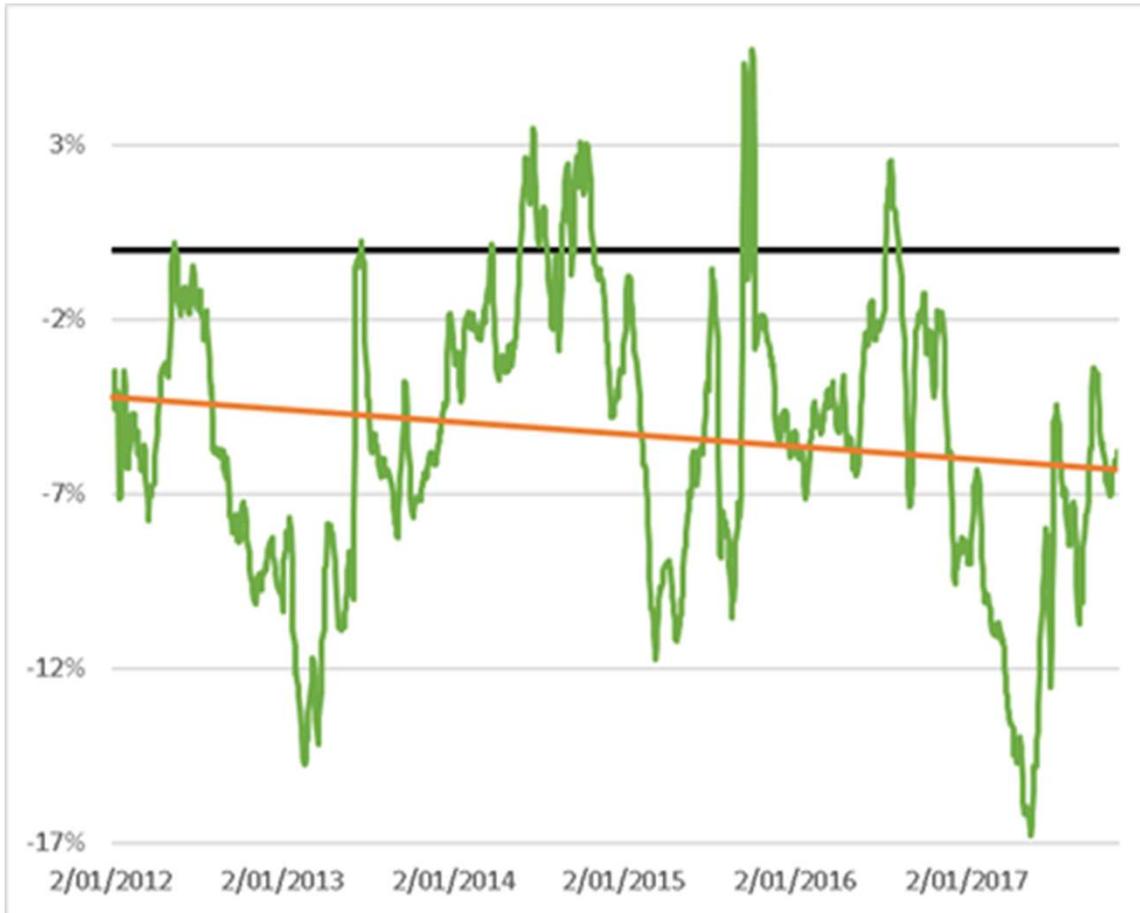


Wheat



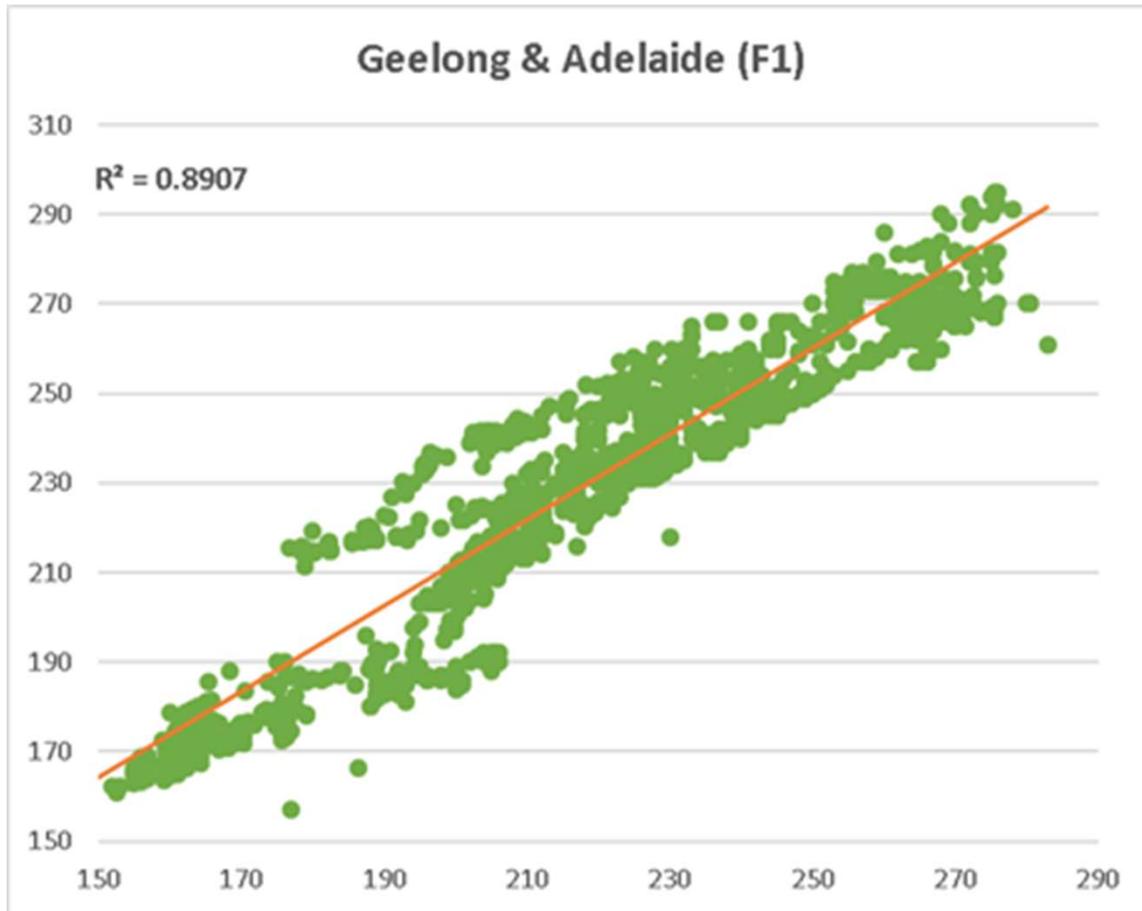
Adelaide vs Geelong

- Average discount 3%

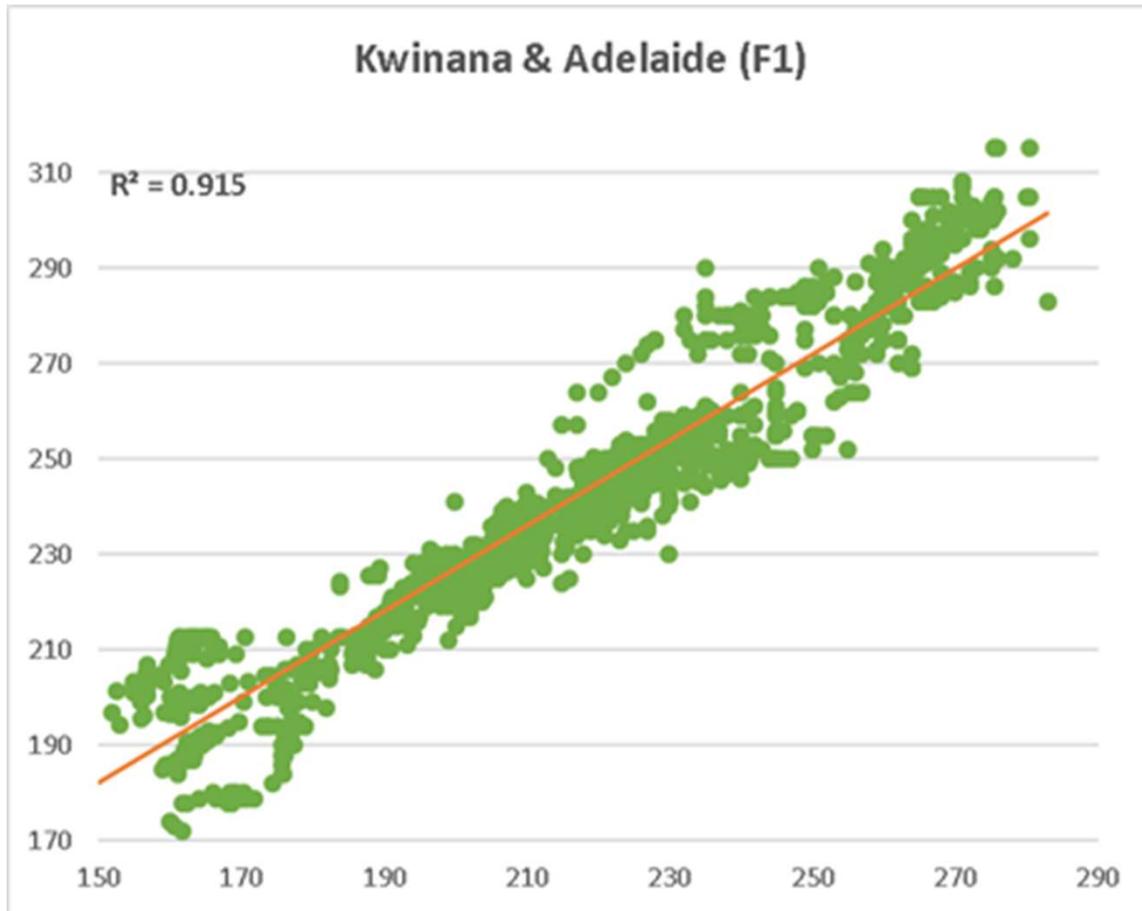


Adelaide vs Kwinana

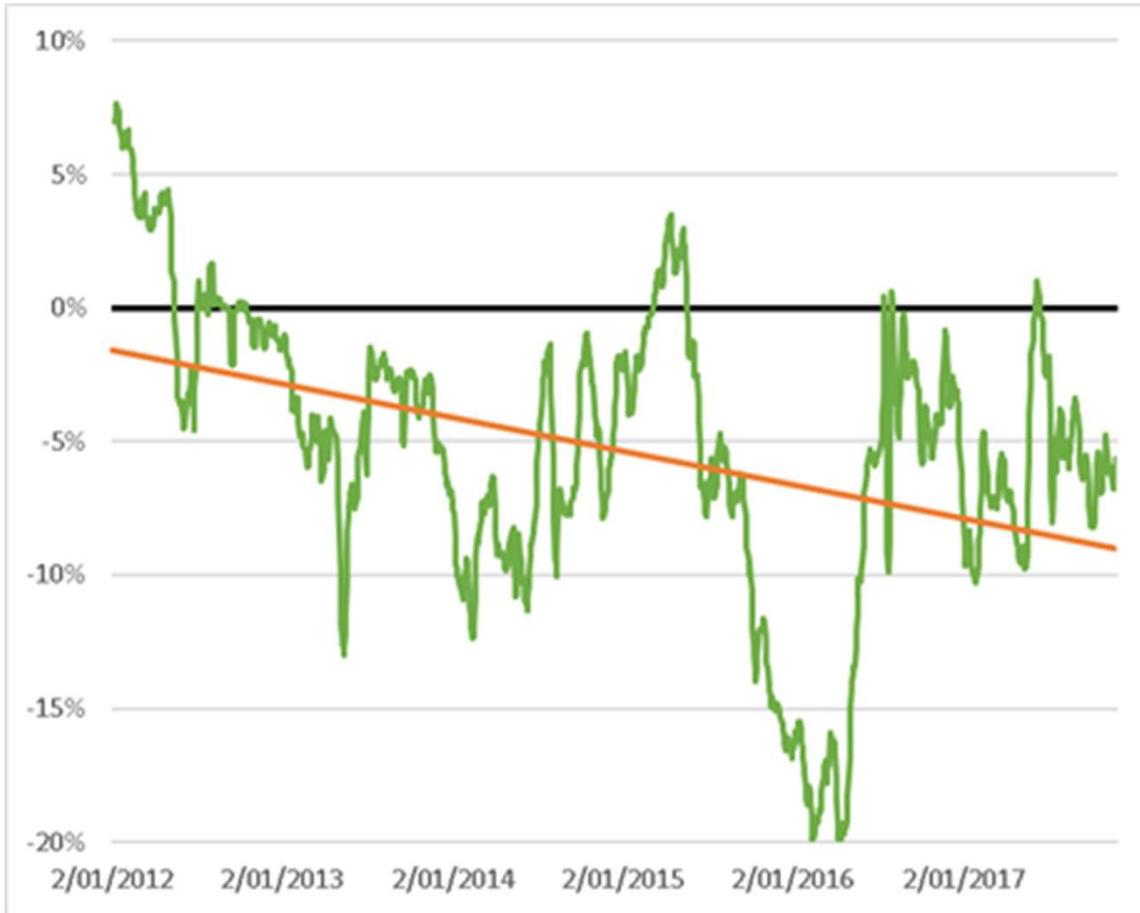
- Average discount 5%



Barley

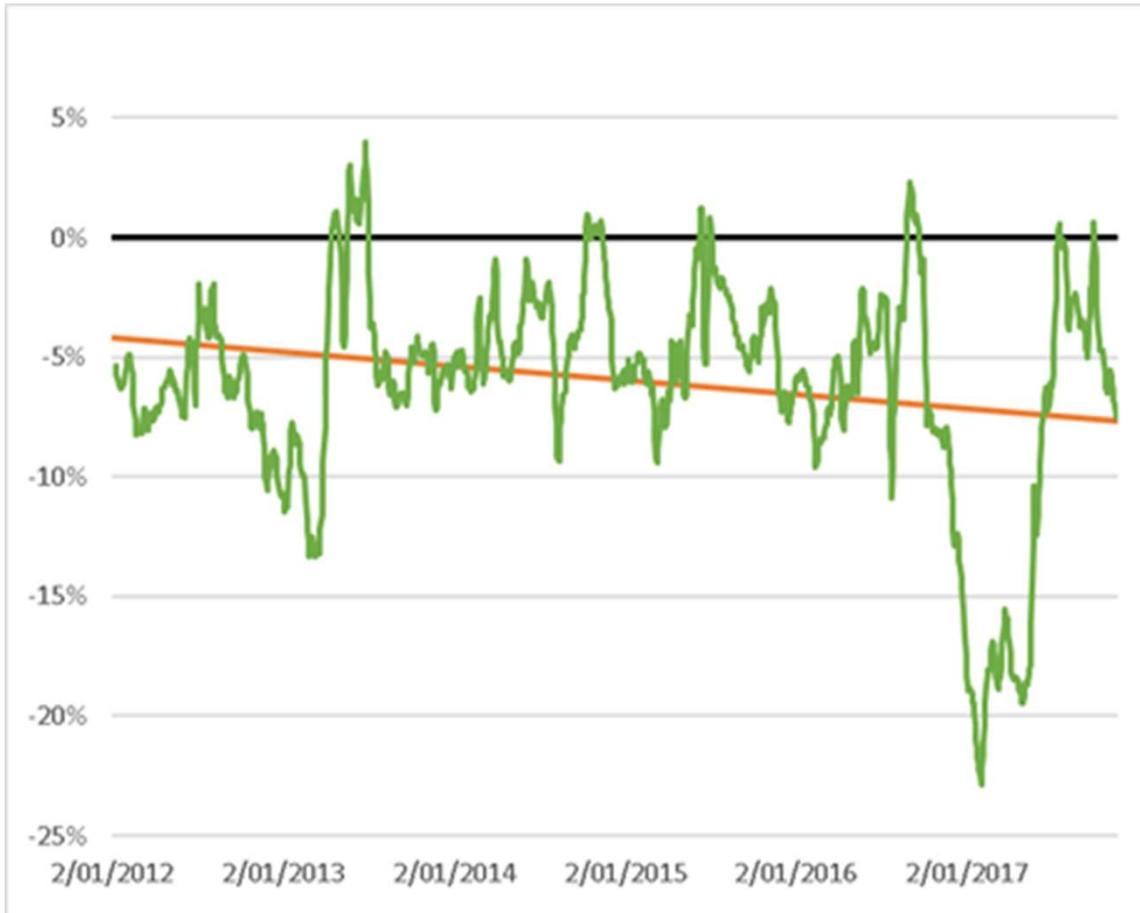


Barley



Adelaide to Geelong

- Average discount 5%

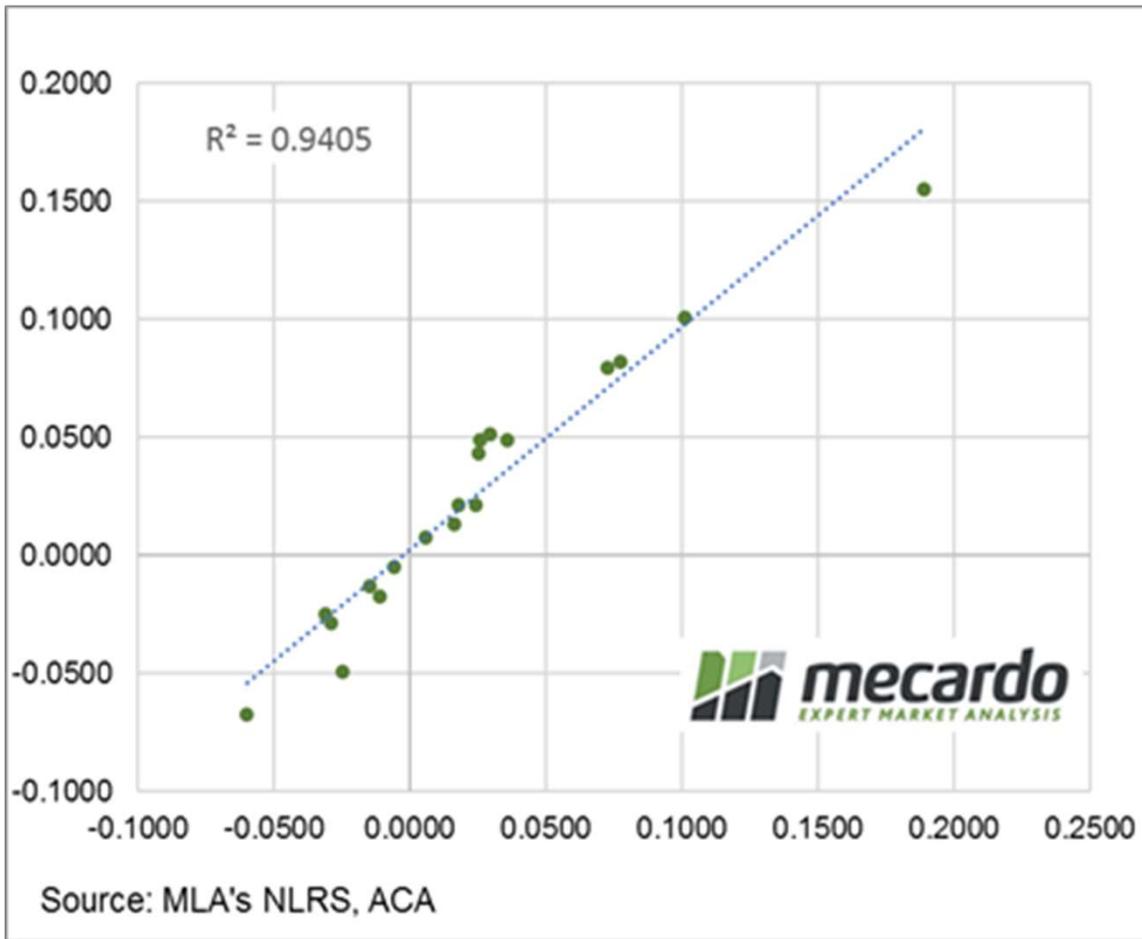


Adelaide to Kwinana

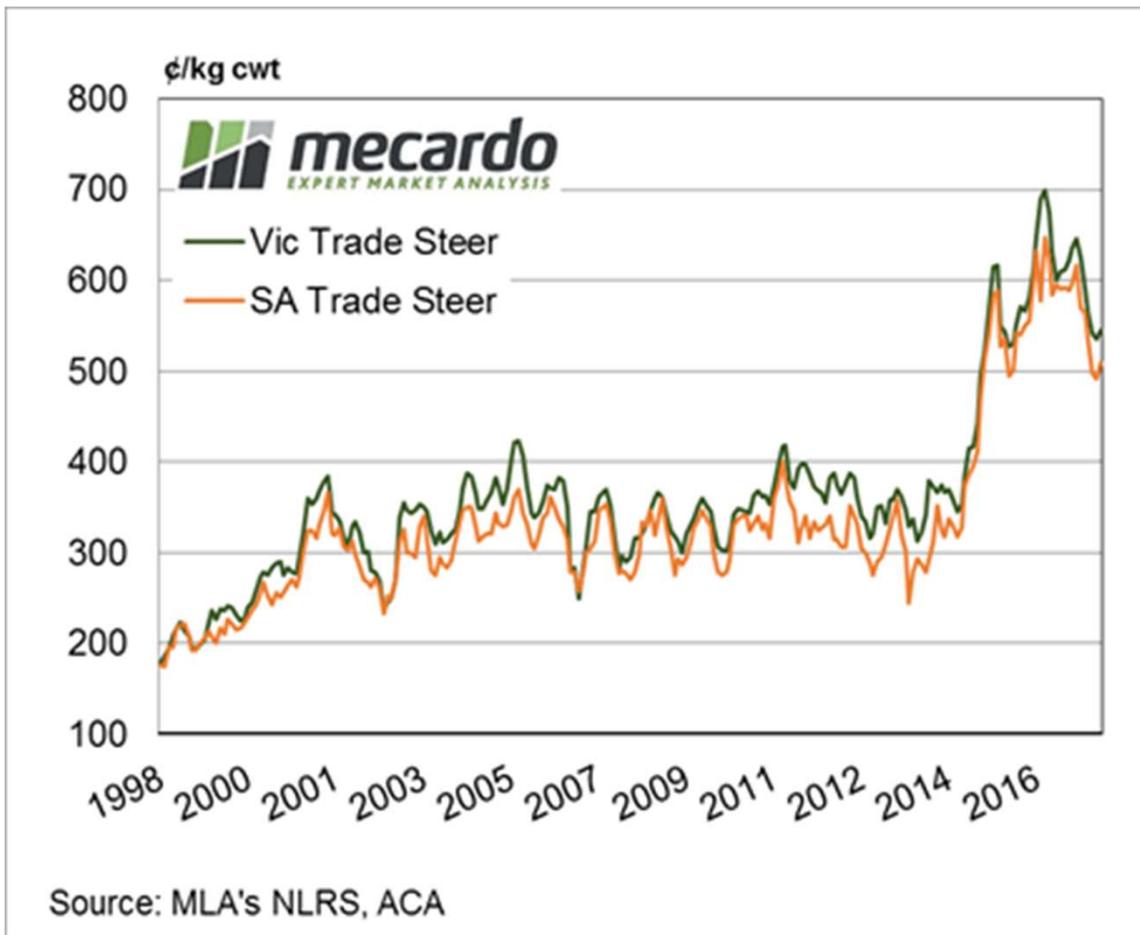
- Average discount 7%

Cattle



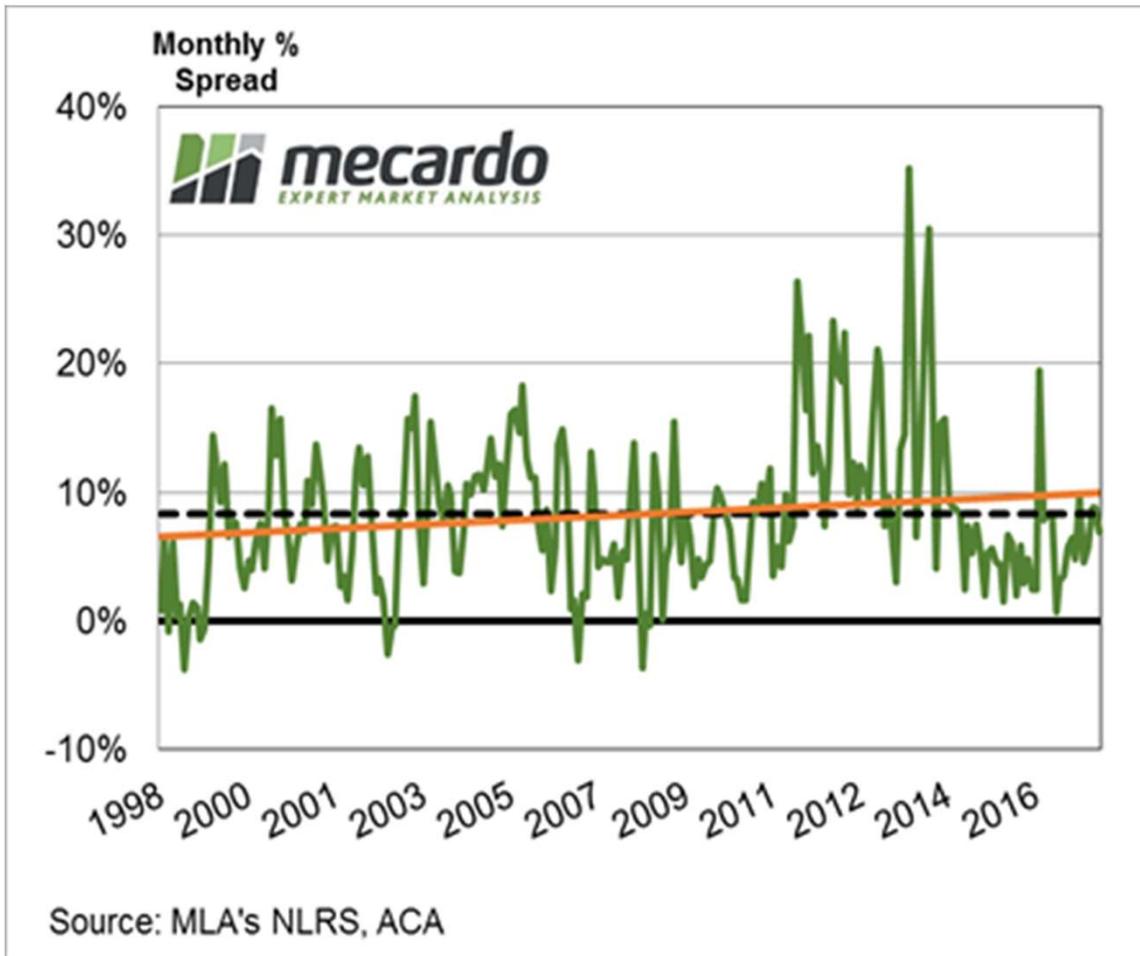


Vic to SA Trade steer



Monthly average price Vic to SA trade steer

- South Australia has largely traded below Victoria.



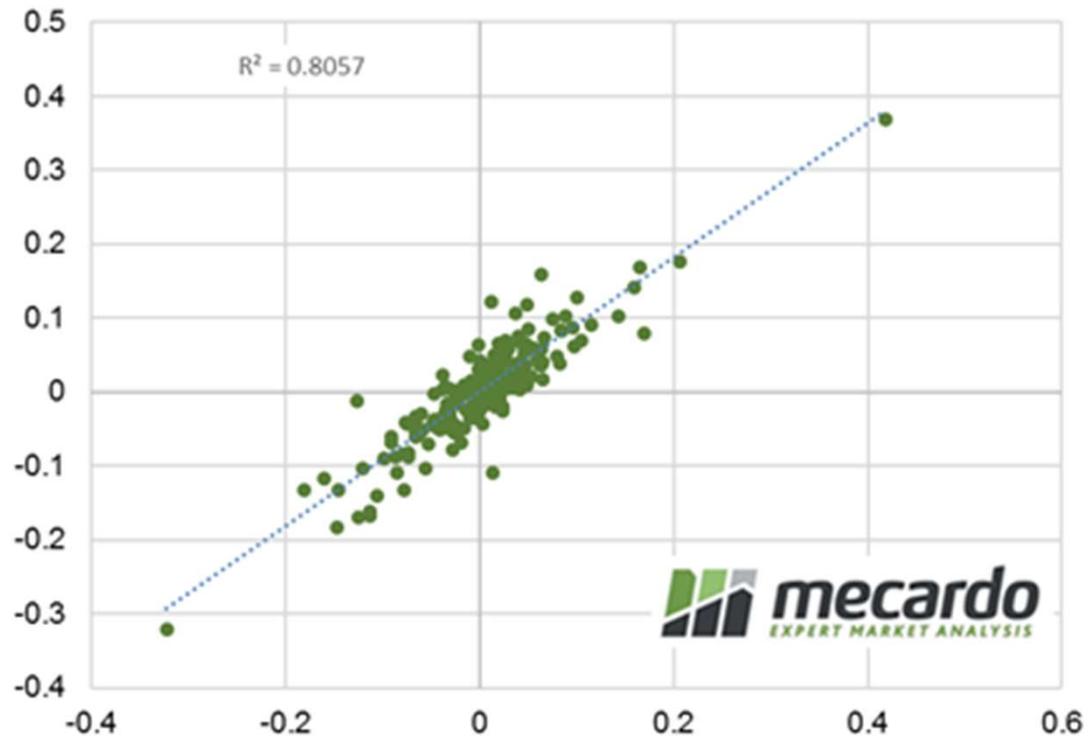
SA v Vic Trade steer

- Victoria has held an average premium of 8.3% over South Australia

Sheep & wool

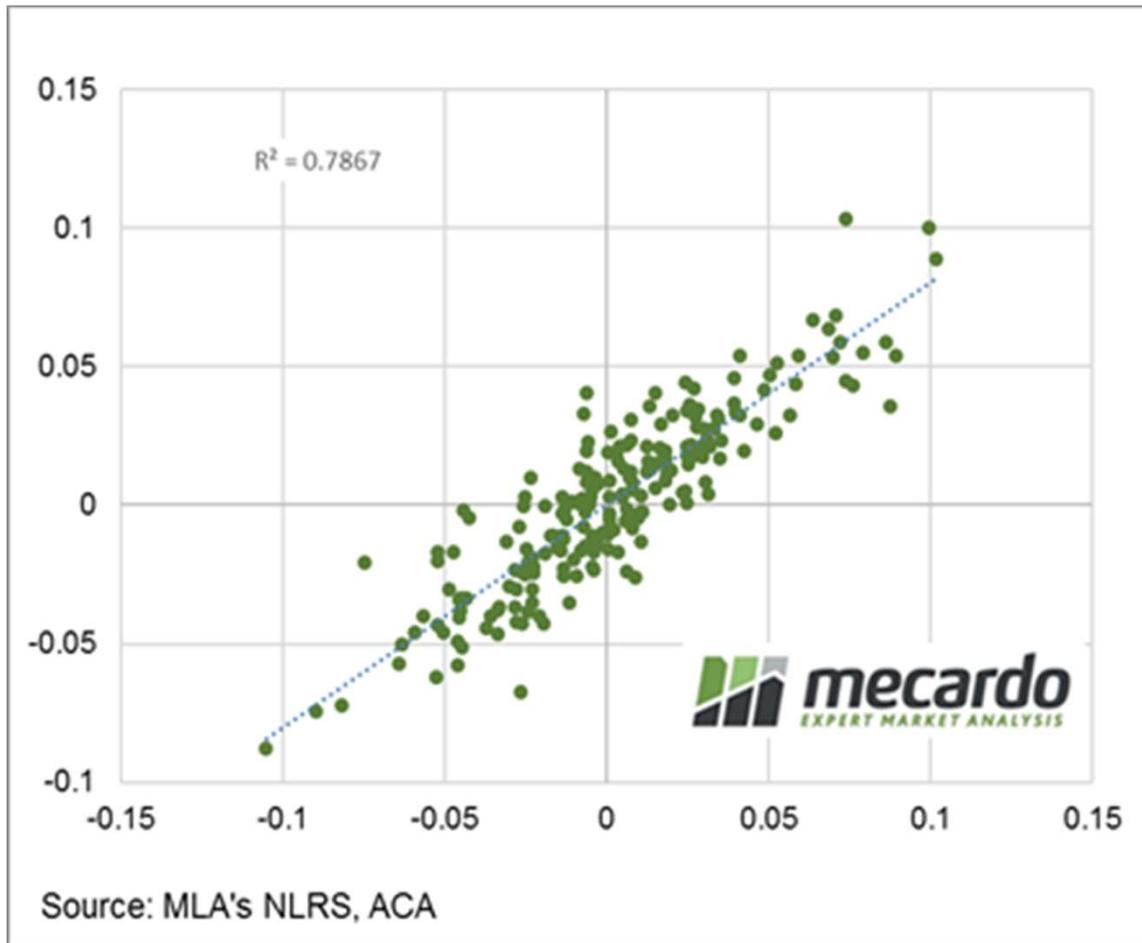


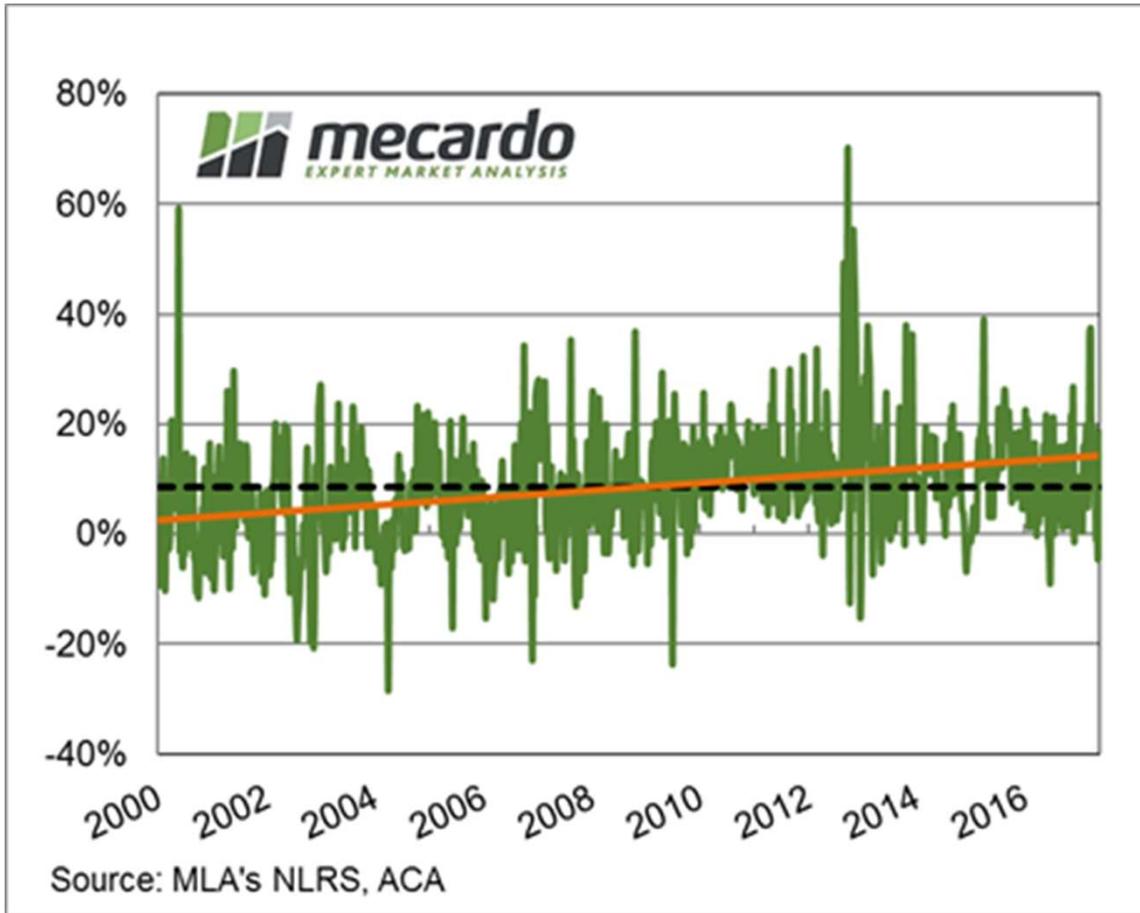
VIC to SA mutton



Source: MLA's NLRS, ACA

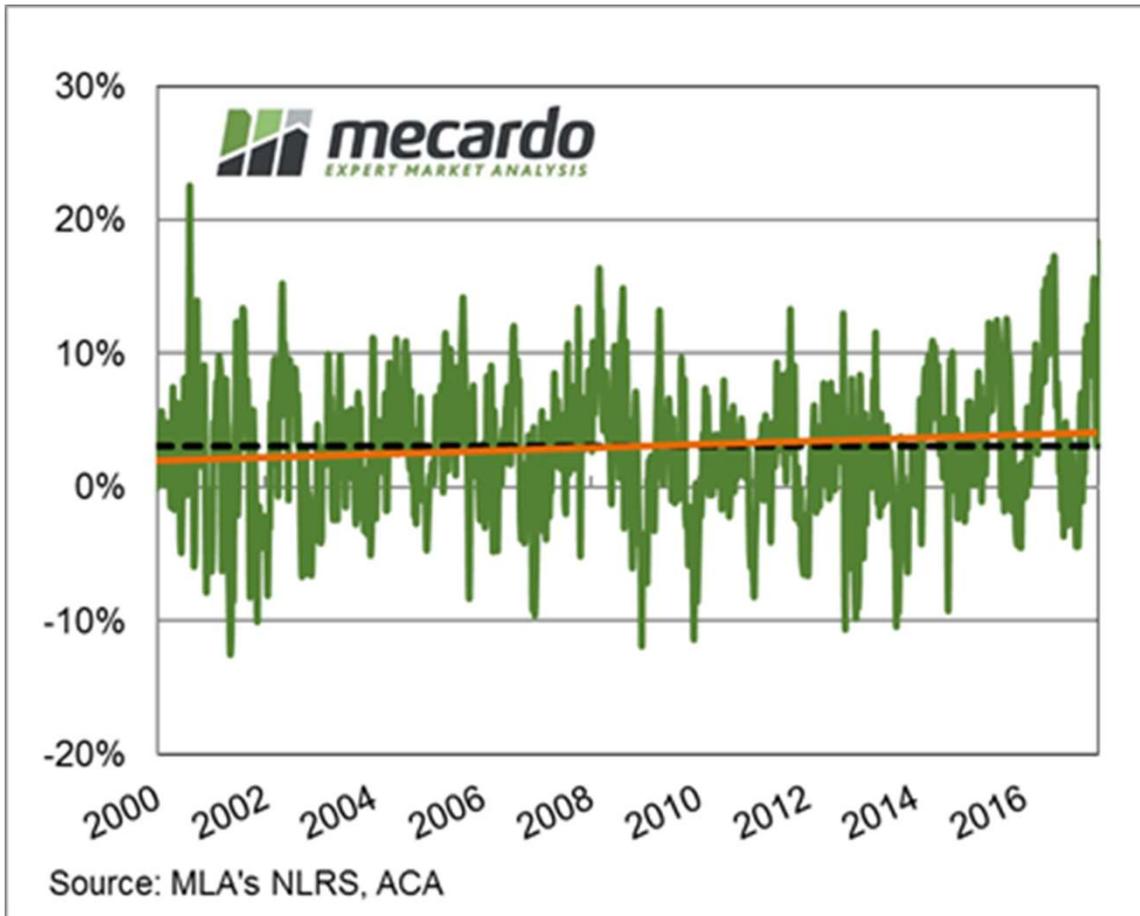
VIC to SA trade lamb





Victorian to SA mutton

- Average discount 9%



Victorian to SA Trade lamb

- Average discount 3%

Wool

“There is no differentiation for wool based on its proximity to the cultivation of GM crops. The main factors are the micron, length & strength of the combined samples.”

We have seen increased interest in the “providence” of wool, with customers interested in the origin of the sheep producing the fibre. To date, this has been contained to factors relating to animal husbandry, land management etc.”

Andrew Woods, Wool Analyst, Independent Commodity Services, December 2017

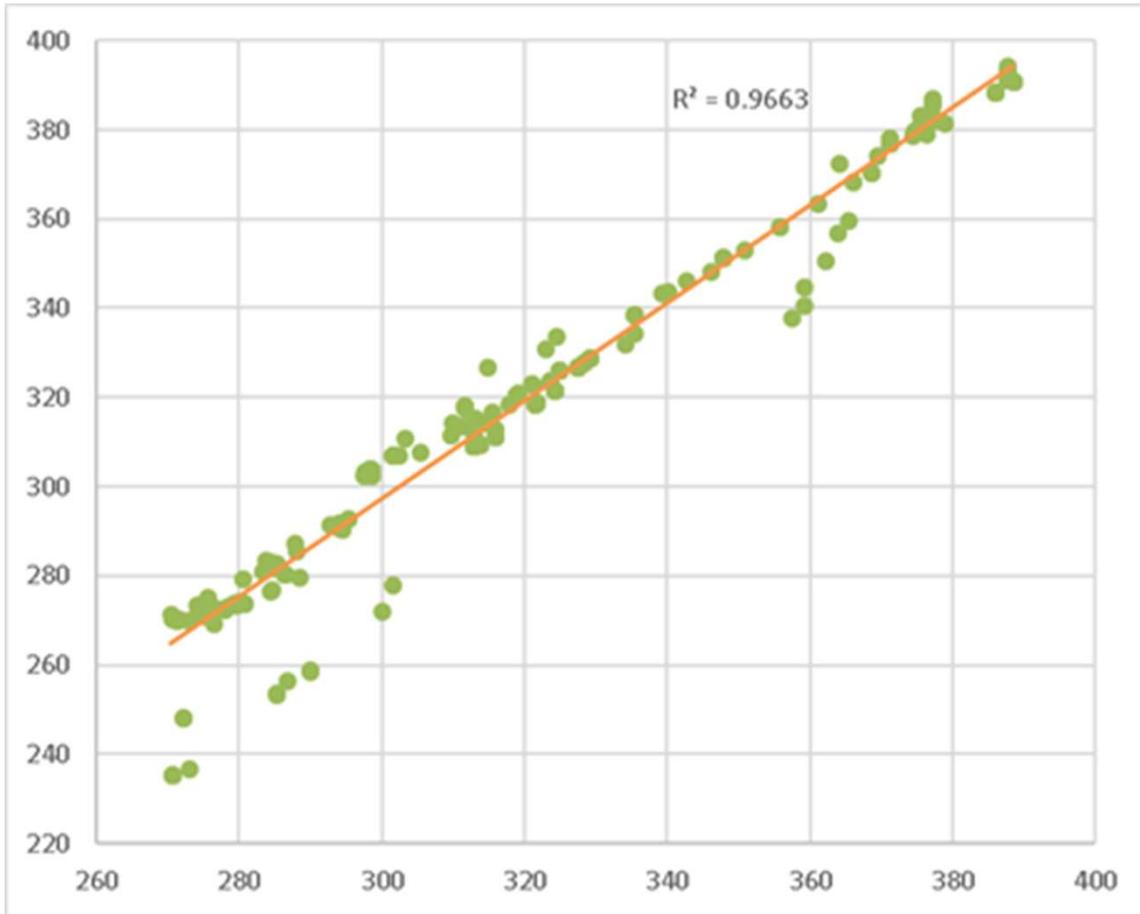
“Wool is traded internationally in the world fibre market, with blending on many types to produce the ideal yarn and fabric.

Factors such as softness, style and character are subjective assessments used by exporters alongside the more robust measured traits of micron, fibre strength & length, vegetable matter and yield.

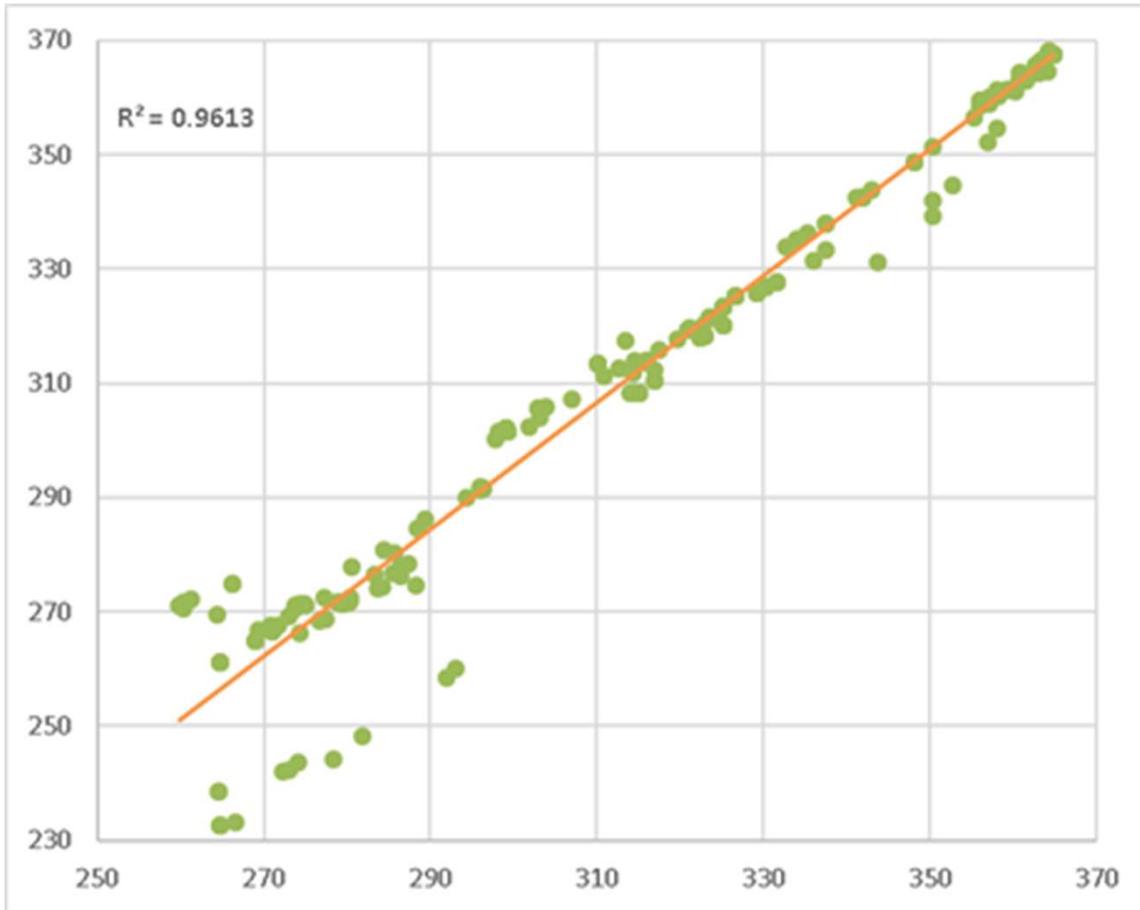
There is no evidence to date that the wool market rewards or indeed seeks any information relating to the GM status.”

**Michael De Kleuver, GM Wool, Rodwells
December, 2017**

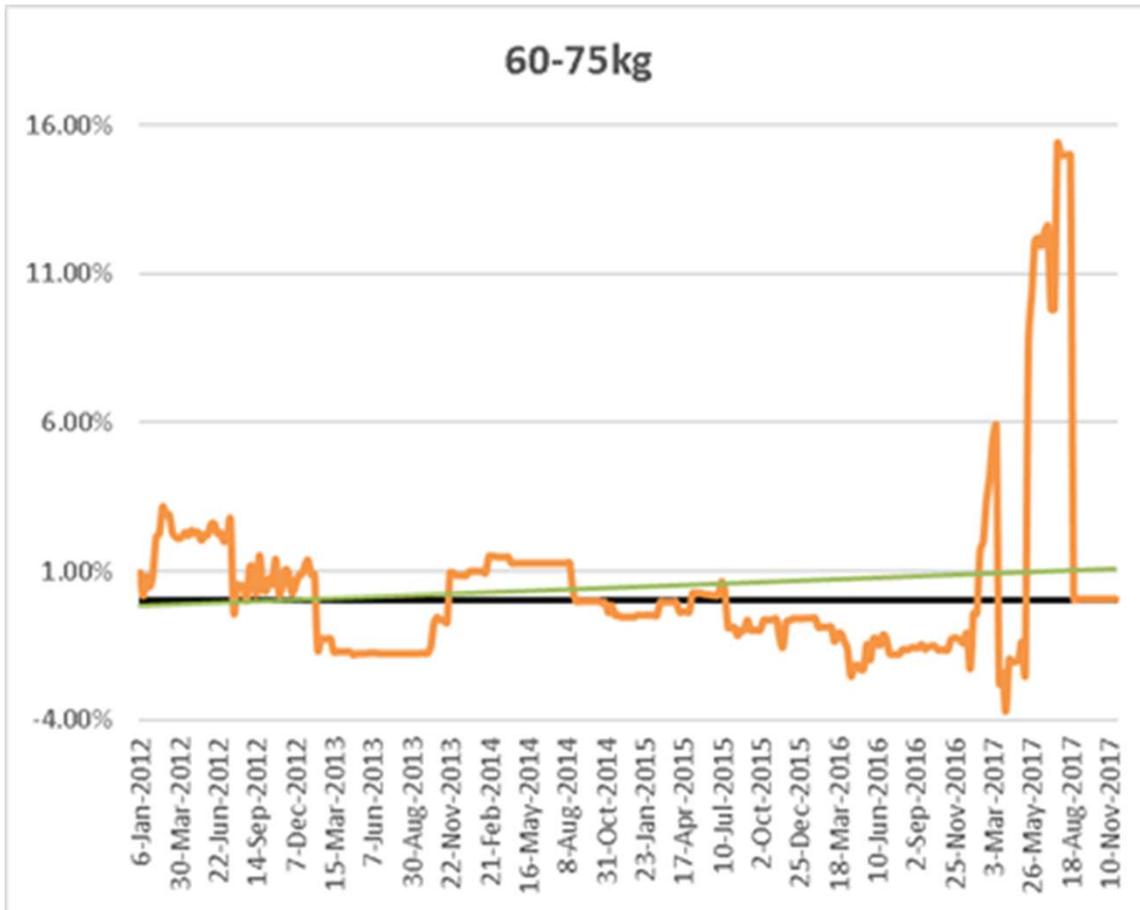




**60-75kg carcasse
weight pork price
between SA and Vic**

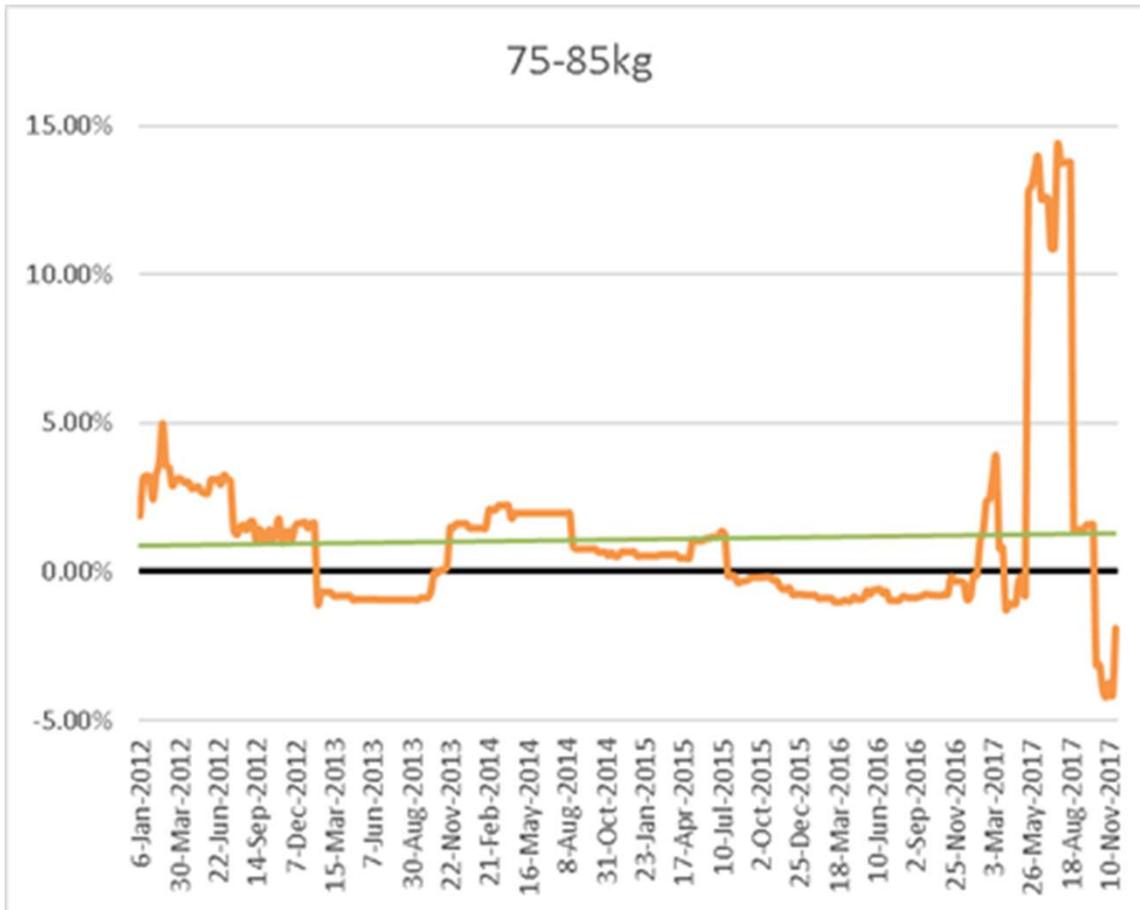


**75-85kg carcasse
weight pork price
between SA and Vic**



Pork

- Average premium 0.46%
- When 2017 is excluded, a discount of 0.13%

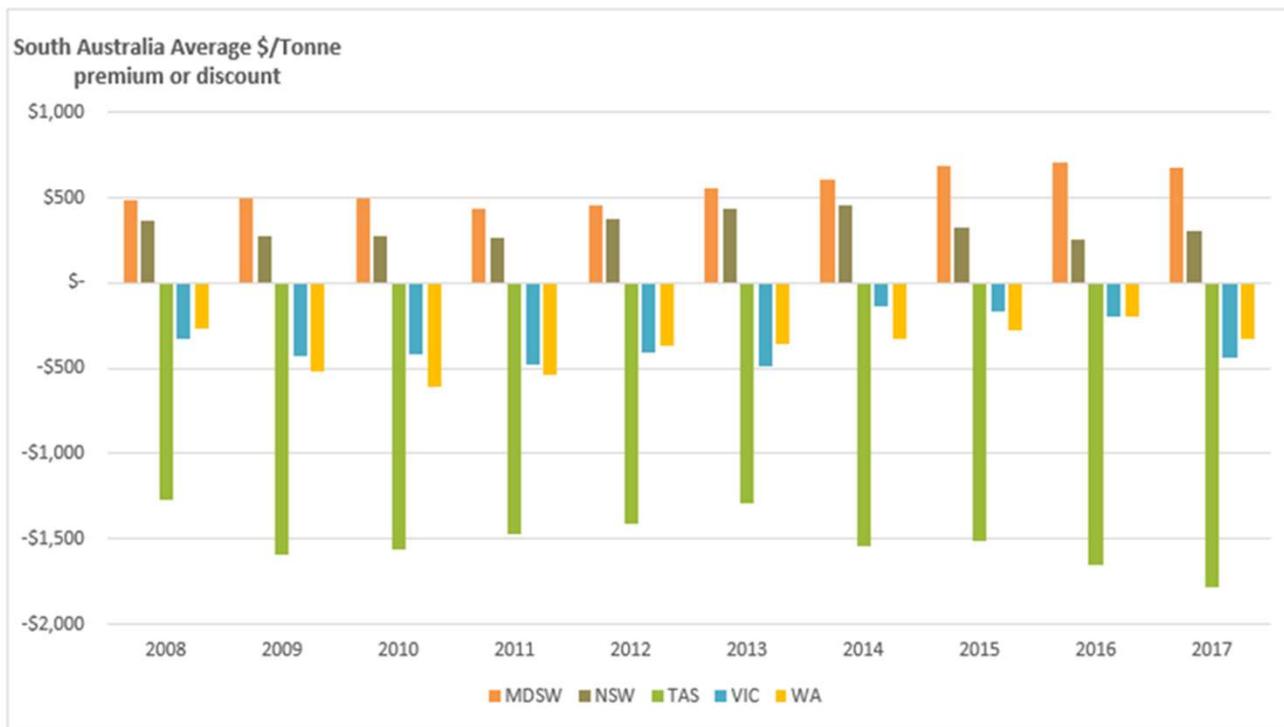


Pork

- Average premium 1.08%
- When 2017 is excluded, the premium drops to 0.5%

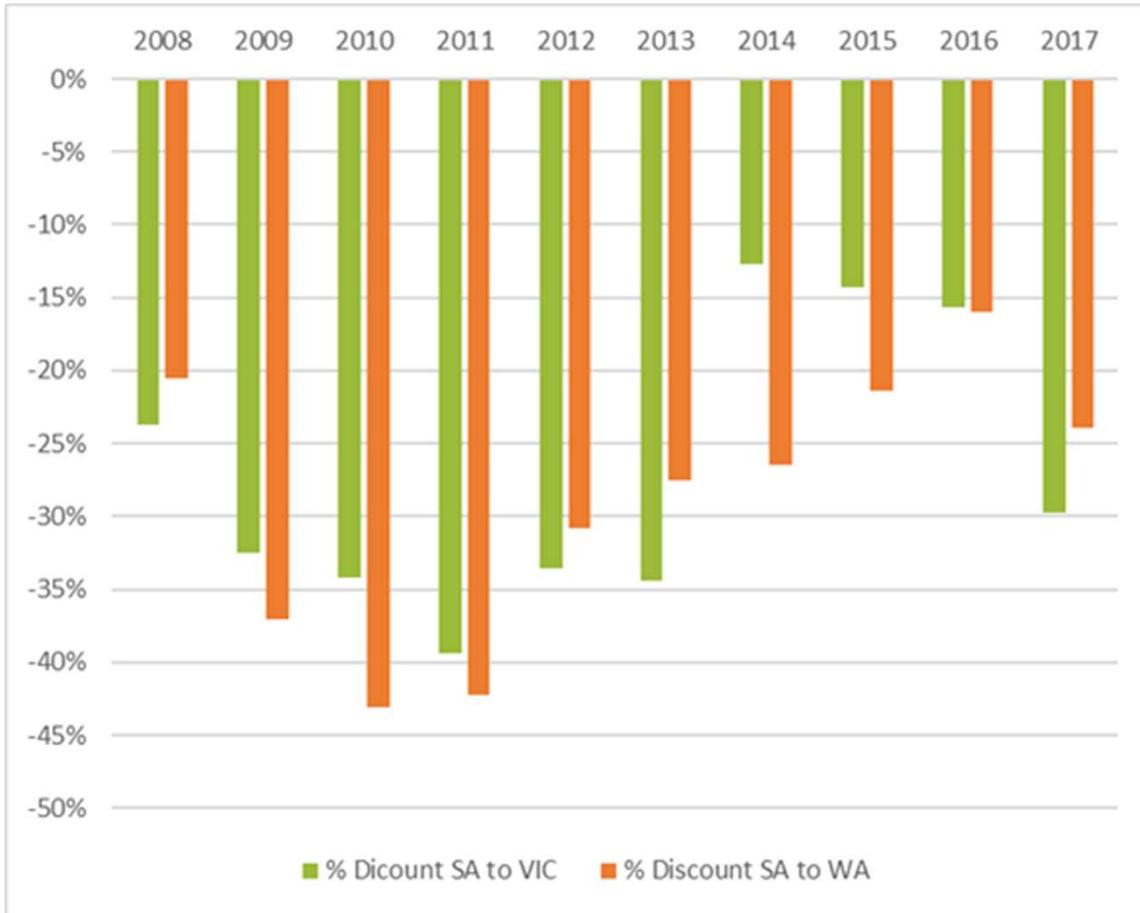
Wine/Grapes





SA average \$/mt premium or discount

- Premium vs New South Wales & Murray Darling-Swan Hill district
- Discount vs Victoria, Tasmania and Western Australia



Discount vs WA & VIC

- Average discount to Victoria 27%
- Average discount to Western Australia 29%

'Winegrapes are not traded as a homogeneous commodity and the \$/tonne price received by grape growers is determined by a wide variety of factors. The location of the vineyard and quality of the grapes are significant determinants of price, while other factors such as distance to the winery and contract arrangements can also have an influence.'

It is the view of the industry analysts at Wine Australia that a region or state's status as 'GM free' would be unlikely to have an effect on grape price and therefore would not be expected to play a role in premiums or discounts to any states.'

Wine Australia, December, 2017

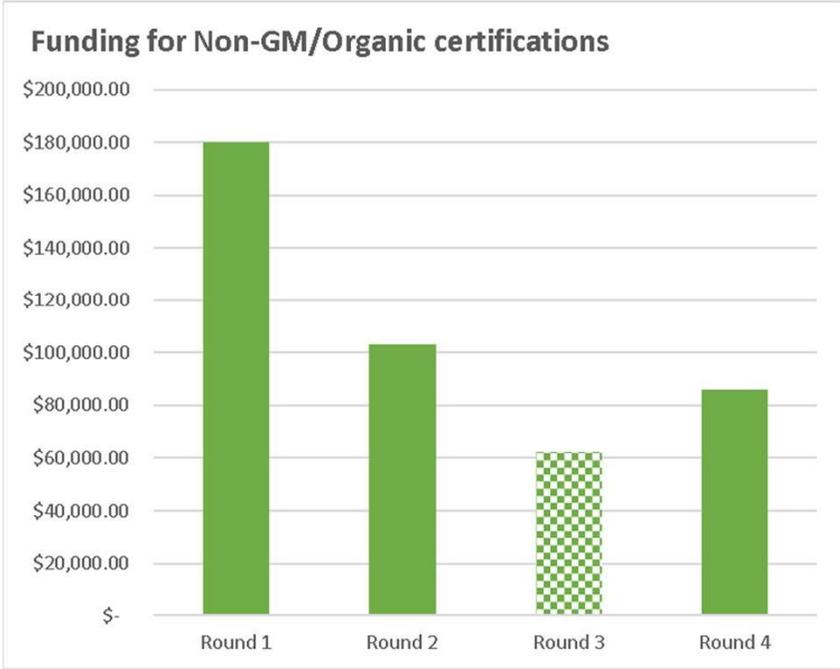
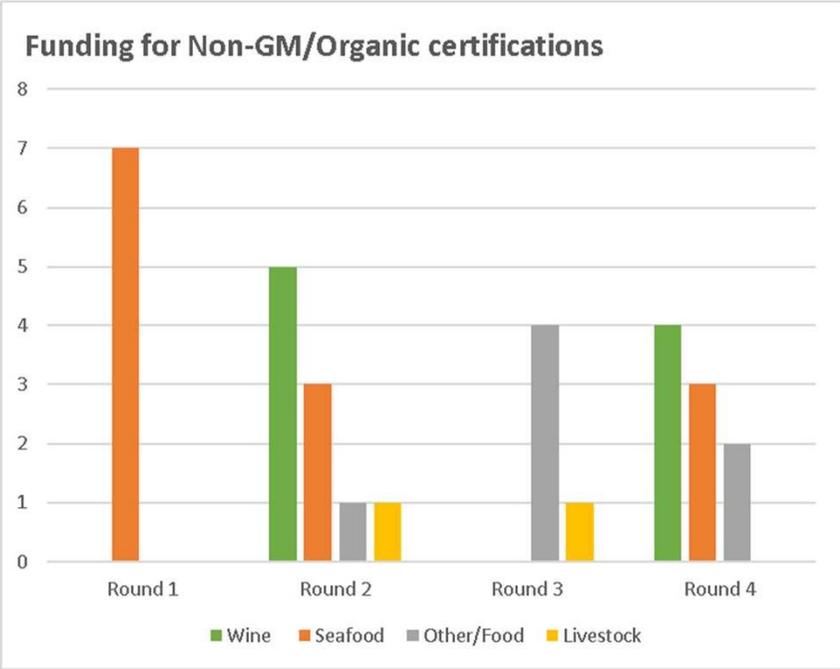


It's about the greater
good

*“.....the state's premium food and wine
in export markets around the world”*



How to make a market: Government Intervention



Final thoughts

- Premiums and discounts are not linked to moratorium
- Co-existence is possible
- It's just another tool
- Science & economics are irrelevant



"The truth is there are not a lot of votes out there in country South Australia for us, so in some ways we are free of the electoral imperatives about this"

Jay Weatherill, 2017

