

## Estimating the economic contribution of the CBH Group and its members to the Western Australian economy **Summary Report**

### CBH Group

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*Photos: CBH Group*



# Deloitte Access Economics

## Contribution of CBH Group and its members to the Western Australian economy



**\$2.98bn**  
CONTRIBUTION IN 2014-15



**\$1.2bn**

### CAPITAL SPEND PROGRAM

*Conducted by CBH from 2009 to 2015 (2015-16 dollar terms)  
(This \$1.6bn is not included in the above \$2.98bn total contributions.)*



**25%**

### CBH AND ITS GROWER MEMBERS

*Accounted for one quarter of economic activity in the  
WA agricultural sector in 2014-15*



**\$349m**

### IN QUALITY OPTIMISATION BENEFITS

*Estimated benefit to growers utilising CBH's Quality Optimisation  
program over the 10 years since its introduction (2015-16 dollar terms)*

**10<sup>th</sup>**

LARGEST COMPANY IN WA

*CBH generated revenue of  
\$4.1 billion in 2014*

# Executive summary

CBH is a critical part of the Western Australian grain supply chain. It is operating at a strategically significant juncture for the sector, with Asia's population and demographic structure expected to grow and change markedly in future

## Study aims and objectives

- CBH Group (CBH) engaged Deloitte Access Economics to measure the economic contribution that CBH and its grain grower members make to the Western Australian economy in a given year.
- Deloitte Access Economics has utilised its in-house integrated regional input-output model to undertake this study. The size and nature of this contribution is measured using 2014-15 as a reference year.

## About CBH

- CBH was the State's 10th-largest organisation by revenue in 2014 (\$4.1bn). It is 100% owned and controlled by approximately 4,200 WA grain growers. CBH is the second largest privately-owned company in Australia (BRW, 2015).
- The importance of CBH stems from its role in the grain supply chain. It receives, stores and transports more than 90% of WA's grain production. It also markets half of WA's crop and is Australia's largest grain exporter – exporting 10m tonnes of grain annually. This includes wheat, barley, canola, oats, and lupins. CBH connects growers to the world, exporting to over 250 customers across 30 countries.
- CBH's core function is to form the link between the farm gate and customers by providing bulk handling and logistics services to grain growers around WA. It also has a long term strategy to expand its interests down the value chain.

## Grain: a core contributor to the WA agricultural income

- Broadacre crops are a key contributor to WA's total agricultural output. WA farmers produced \$5.3bn worth of broadacre crop in 2013-14, representing some 65% of total State agricultural production. Within WA broadacre farming, wheat is the most valuable crop (60% of production value).
- Production of wheat in WA is also nationally significant. Over the past 10 years, the volume of wheat production in WA has accounted for approximately 36% of national production. Over the same period, WA has accounted for almost half of the value of national wheat export earnings.

- Wheat was also the fifth-highest export earning commodity for the State over the 10 years to 2015 behind iron ore, natural gas, gold and petroleum products. Its stream of export earnings is also notably more stable than many resource commodities.

## An organisation and a sector positioned for growth

- CBH is a globally-oriented business, with 80% of WA wheat production exported, predominantly to Asia and the Middle East. A large proportion of other broadacre crops handled by CBH are also exported, again chiefly to Asia.
- A focus on Asia is critical for future growth in the State's agribusiness sector. According to the UN, by 2050, world population is forecast to rise by 33% from current levels. This is expected to be underpinned by increases in the population of countries in the Asian region.



Source: CBH

- Moreover, the pattern of population growth and wealth in Asia is expected to shift. The UN expects that the proportion of Asia's population residing in urban areas will be comparable to developed nations by 2050. Better access to income-generating employment in urban areas, compared to rural and remote areas, can be expected to engender changing food preferences in the long term. This should support demand for processed grain.

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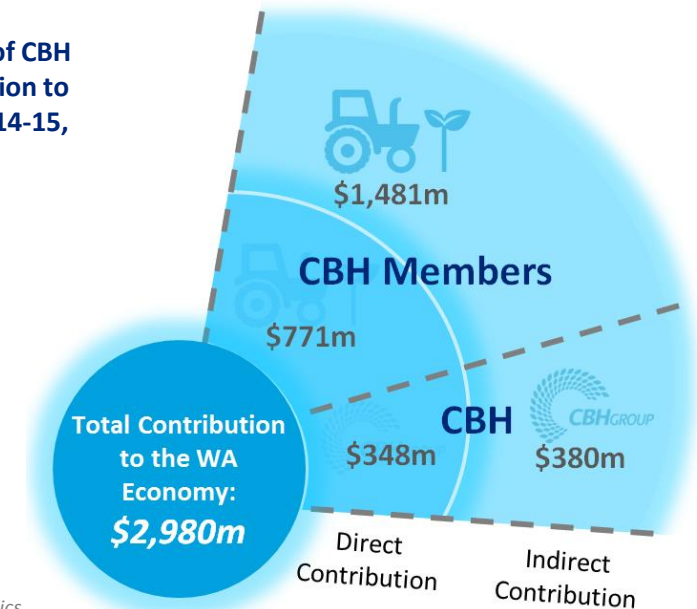
## CBH and its members make a sizeable contribution to the State economy

- The outcomes of the input-output modelling undertaken in this study shows that **CBH and its members contributed approximately \$2.98bn in gross value-add to the WA economy in 2014-15\*** (Figure A). CBH accounts for approximately \$0.73bn of this total contribution, while its members make up around \$2.25bn.
- This study has captured CBH and grower contributions together given the close relationship between CBH and WA grain growers. CBH is a co-operative with the purpose of providing an efficient link for growers through the supply chain to market. The nature of the transactions between CBH and growers means the combined approach adopted in this study provides a robust view of economic contribution
- Almost half of this total economic contribution relates to the *indirect contribution* generated by CBH's grower members (see Box A below). This is a function of grower spending on intermediate inputs for farming operations, which has a flow-on effect through the economy.
- The *direct contribution* component of both CBH and its growers – \$1.1bn – equates to 25% of the entire gross value-add of the agricultural, forestry and fishing industries in WA in 2014-15.

## Member benefits beyond big picture contribution

- CBH generates value for growers in a number of ways – not all of which can be captured through the input-output modelling process. Due to such limitations, the study also considers the value of two key benefits provided by CBH to its members: capital investment and Quality Optimisation.
- CBH undertakes a large capital investment in up-country storage, port facilities and transport on behalf of members to ensure efficiency and longevity in the State's grain supply chain. Meanwhile, Quality Optimisation (QO) allows growers to realise a higher value for their crops and reduce on-farm blending time.
- Its capital investment program has amounted to \$1.2bn (2015-16 dollar terms) in the past seven years. Over the 10 years to 2022, the QO program is expected to generate around \$349m (2015-16 dollar terms) in value and time saving benefits for growers.

**Figure A – Summary of CBH and grower contribution to the WA economy, 2014-15, gross value added**



Source: Deloitte Access Economics

## Box A – About economic contribution studies

- *Economic contribution is modelled using an input-output model of the economy (see Appendix A for more details). Contribution is measured in economic 'value-added' terms. This is a consistent measure of economic activity to Gross State Product (GSP), allowing contribution to be understood as a share of the State economy.*
- *Contribution is measured in 'direct' and 'indirect' terms. Direct contribution represents the value-added to the economy from the income earned by the labour (wages) and capital (gross operating surplus) directly employed by CBH and its members.*
- *The indirect contribution refers to the flow-on economic activity created by CBH and members' payments to intermediate suppliers in other sectors of the economy. The size of this flow-on activity is dictated by the size of payments made to other sectors of the economy.*

\*It should be noted that several inputs and assumptions - such as areas planted, surpluses and harvest sizes - will vary significantly from year-to-year based on conditions in agricultural markets, weather conditions in growing regions etc. As a result, the contribution will also vary significantly from year to year. These calculations are based on the 2014-15 season only

# Community benefits – beyond dollars and cents

## CBH and its members also support local regional communities in Western Australia

### CBH is active in the communities in which it operates...

- CBH is intertwined with the WA Wheatbelt community (Figure B). For CBH to be successful its crucial that rural communities are similarly successful. As such, CBH aims to improve the sustainability and vitality of Western Australian grain growing communities through a range of community partnerships. These partnerships provide direct benefits to those living and working in regional communities
- CBH invests \$1.5m per annum through their *Community Investment Program* which goes to programs including sport and recreation, capacity building, health, safety and lifestyle and the arts
- Over the last 4 years CBH has contributed almost \$600,000 to charitable organisations from forfeited grain under the Harvest Mass Management Scheme (HMMS). CBH is also one of the Wheatbelt's largest employers, with a regional workforce of over 500 full time employees and over 2,000 casual staff employed during harvest
- CBH's capital investment program also has positive flow-on impacts to the rural communities in which these investments are made. For example, over the last 5 years CBH has invested over \$880m in infrastructure and maintenance activities related to regional transport networks

### ...And its grower members are also key contributors to regional communities

- People in farming families are typically known for having a greater sense of connectedness to their local community<sup>1</sup>. This is reflected in the comparison of volunteering rates of people in farming communities
- The 2011 Census showed that in the Wheatbelt SA4<sup>2</sup> region, around 28% of the population aged 15 years and over had engaged in voluntary work for an organisation or group at the time of the Census. This compares to just 15.6% of the adult population in the greater Perth region
- This means Wheatbelt residents were almost twice as likely as their city-dwelling counterparts to do voluntary work for an organisation or group

1. Australian Bureau of Statistics, 4102.0 - Australian Social Trends, December 2012

2. The SA4 regions are the largest sub-State regions in the main structure of the Australian Statistical Geography Standard. A minimum of 100,000 persons was set for the SA4s, although there are some exceptions to this

3. *The Economic, Social and Cultural Value of Volunteering to Western Australia, Volunteering WA, May 2015*

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- This may be partly explained by the fact that volunteering is more common in smaller communities which rely on volunteers to carry out essential functions such as fire fighting<sup>3</sup>
- The volunteer hours of farming communities in grain growing region of WA also generate economic value to those communities. While measuring this value is beyond the scope of this study, as an indicator, a recent report by Volunteering WA<sup>3</sup> estimated the socio-economic and cultural value of volunteering to WA in 2015 was worth \$39bn

### Figure B – Snapshot of CBH's community support program



### Current CBH corporate partnerships



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