

Dear Senator Heffernan and fellow Committee members,

Thank you for allowing me an opportunity to present a submission and to appear before you in person at the public hearings at Parliament House Sydney on Tuesday 16th July, 2013.

One can only hope that this Inquiry will lead to satisfactory outcomes for the Australian Wheat Industry which I now believe is in a serious state of 'flux' with grave concerns for its future prosperity and stability.

I along with 50 of my grower colleagues attended the Senate Inquiry into Australian Wheat Exports on April 22nd 2008.

The Inquiry was Chaired by Labor Senator Glenn Sterle and those of us in attendance were shocked by the bipartisanship of the Liberal and Labor Senators who were as one with their hostility towards the Single desk National Pooling legislation. We were also shocked by the contempt that was shown to growers and their forebears who had arguably developed one of the finest wheat marketing arrangements that the world had ever known.

That these arrangements were the envy of wheat growers across the globe and had given Australia a reputation for quality wheat and after sales service appeared to mean nothing to the Liberal and Labor Senators who sat on the Inquiry and it was obvious that the findings and recommendations were a fait de compli.

Former NFF leader and Chair of WEMA said that in 38 years of agri political representation and advocacy he had never seen such contempt as he experienced during the wheat export debate.

#### INTRODUCTION.

The fact that our wheat assets have rapidly fallen into foreign hands and continues to do so with the current proposal of US giant Archer Daniels Midland to purchase Graincorp comes as no surprise to those of us who have had a strong involvement in the wheat industry.

In June, 2008, The Rudd Government with the assistance of the Liberal Party, in what could be called one of Australian Agriculture's blackest days (see Farmonline-my comments-video), abolished Australia's iconic wheat marketing legislation which was widely known as the single desk.

The demise of the legislation began with the controversy over the Iraq UN Oil for Food exposure and the failure of the then Prime Minister John Howard to defend the interests of his Nation and its wheat growers. He set up an Inquiry which was headed by Justice Cole (Cole Inquiry) with terms of reference that were designed to malign our National Pool manager AWB Ltd and absolve the Government of any knowledge or blame. I believe that John Howard 'blighted' his reputation over this issue and many wheat growers to this day lay the blame for the loss of the single desk on him.

On 23rd June, 2008 the single desk legislation was removed by the Rudd Government with the bipartisan support of the Liberal Party who crossed the floor and voted with them amidst laughter and merriment and the jeering of the Nationals who remained loyal to the wishes of their wheat grower constituents (see Windsor Poll). Senators can view footage of this on the YouTube video –Liberal Wheat Treachery.

Not only did the legislation that was abolished allow Australian wheat growers to collectively market their wheat globally to best advantage but it kept supply chain costs to a minimum, because growers were able to leverage supply chain providers including bulk handlers, port operators and freight providers.

The loss of the legislation means that growers are now at the mercy of the merchants and those that control the supply chain.

The removal of the single desk national pooling legislation was a direct transfer of the marketing of Australia's wheat crop from growers and the National Parliament (statutory powers) to middlemen

merchants, mostly foreign and who have strong and powerful ownership of the supply chain. (The Rudd Government and the Liberal Party were warned that this would occur.)

Since deregulation (loss of the single desk), foreign traders have moved into the Australian wheat market with the knowledge that they have an opportunity to extract monopoly rents from growers in the supply chain and to siphon off more income from our wheat as they trade on the world wheat market. These mega merchants which include Cargill (US) and Glencore (Swiss) source wheat from across the globe.

So in effect, the Rudd Government and the Liberal Party transferred the marketing of the Australian wheat crop from growers and the Parliament (statutory powers) to foreign mega merchants who have not missed an opportunity to get involved and make substantial profits, which under the regulated system were being directed back to growers through increased returns.

a) Are the the current arrangements in the interests of -

(1)-Australia's farmers.

How could the control of Australia's wheat supply chains and the marketing of Australia's wheat crop by merchants (mostly foreign) be in the best interests of Australian farmers?

The merchants that are rapidly taking control of our industry have control of the supply chains, they are end users and in the case of the foreign entities are in the business of marketing the grain from parts of the world that we compete for markets against. There is anecdotal evidence that the merchants are supplying grain to global end users under multi source contacts or put differently our wheat is being co mingled with wheat from other nations.

How can it possibly be in the interests of our Nation and growers to not only have merchants competing down prices to secure markets but to have these same merchants owning end user facilities (including Abattoirs and feedlots, flour mills and malt houses) when it is obvious that these interests have a requirement to keep the price of grain as low as possible for their own commercial gain?

How can Australia promote its grain now or service markets when our grain is controlled by multi merchants?

There is strong evidence that we are losing our marketing edge because global customers can no longer rely on the quality of our grain.

(11) Australia's long term food security interests.

The ramifications for Australia's food security are very grave.

The merchants have no obligation to maintain stocks of grain for our domestic market as was the case with AWB Ltd, especially under the original Wheat Stabilisation Acts and when the Australian Wheat Board was a statutory authority.

On Friday 12th July, 2013 ABC journalist Lucy Barbour reported that due to strong exports of wheat there now was a shortage of wheat for the domestic market (See ABC Country Hour website-'Strong Exports could cause domestic wheat shortage').

One can only imagine the damage that will be caused to our domestic end users and the rapid escalation of food prices if Australia is left with little wheat available in a time of drought.

We already have reports of dairy farmers in south western Victoria not being able to afford feed for their cows.

b)-there are potential impacts on competing grain traders access to grain handling facilities, ports, silos and transport infrastructure.

It has become obvious that for traders to be able to participate in the grain market post deregulation they must be aligned with an organisation that has a strong presence through ownership of significant supply chain facilities.

This was always going to be the case and comes as no surprise.

In addition, it is worth noting that the so called competition in a deregulated wheat market is a fallacy.

The merchants do not compete for grain but they are in the business of sourcing grain for their end users customers at the lowest possible cost.

-there are potential impacts for grain traders, and a competitive marketplace, of access to warehoused grain stock information.

Stocks information is another fallacy promoted by those theoreticians who promote the deregulation mantra.

To expect that any stakeholder in the supply chain whether it be grower, end user or merchant would wish to expose his position to the market place is a ridiculous notion.

The larger multi nationals and supply chain holders are able to extract substantial profits because of the market knowledge that they hold-the expectation that they will want to share this knowledge or indeed that they should is pure fantasy.

d) there is potential for conflict between the responsibility to shareholders and the best interest of Australian producers and consumers.

Why would there be an expectation of a shareholder driven company to look after the interests of producers or consumers?

Free Market fundamentalism has seen a transfer of ownership of the wheat industry with no obligation to anyone other than the shareholders of the players involved.

We have a situation developing in the Grains Industry which will see the problems brought about by the duopoly in the super market chain appear minor in comparison.

Australia does not have a marketing arrangement which has an obligation to market all grain that is grown as was present under what was known as the receiver of last resort provision under the wheat marketing legislation.

e) any other related matters.

Supply Chain costs.

Without the National pool to leverage supply chain providers we have seen a massive escalation of costs. For instance freight charges have increased by 35 % in the past five years.

The Future.

I foresee massive problems ahead for our wheat industry and strongly believe that there will be a pressing need to rebuild a legislative frame work in future that will ensure maximum net returns for producers, grain of the highest quality being marketed to our global customers and stability and equity for all players.

The WEMA plan as proposed by the WEMA Committee will be a substantial starting point.

I look forward to discussing these matters with the committee.

Jock Munro.