



HOUSE OF REPRESENTATIVES

**STANDING COMMITTEE ON PRIMARY INDUSTRIES, RESOURCES AND
RURAL AND REGIONAL AFFAIRS**

Reference: Benefits of agricultural trade reform

CANBERRA

Wednesday, 3 December 1997

OFFICIAL HANSARD REPORT

CANBERRA

HOUSE OR REPRESENTATIVES
STANDING COMMITTEE ON PRIMARY INDUSTRIES, RESOURCES
AND RURAL AND REGIONAL AFFAIRS

Members:

Mrs Bailey (Chair)
Mr Adams (Deputy Chair)

Mr Andren	Mr Katter
Mr Causley	Mr Nairn
Mr Cobb	Mr O'Connor
Mr Fitzgibbon	Mr Stephen Smith
Mrs Gash	Mrs Stone
Mr Hawker	Mr Wakelin

Terms of Reference:

The committee is to inquire into the benefits for regional Australia and Australia's primary industries of, and further issues associated with, world trade reform, including the policy implications of:

- . the growing international demand for food, especially in Asia;
- . the opportunities for primary industries arising from international trade reforms globally, regionally and bilaterally;
- . factors affecting Australia's international competitiveness and capacity to realise these opportunities;
- . the treatment of non-tariff measures, including quarantine, within the World Trade Organisation and how these impact on Australia's primary industries; and
- . how the momentum for trade reform in the primary industries sector can be maintained and encouraged on a global, regional and bilateral level.

WITNESSES

FISHER, Mr Neil Bray, Executive Director, Grains Council of Australia, NFF House, 14-16 Brisbane Avenue, Barton, Australian Capital Territory, 2601	58
PIETZNER, Ms Kirsten Lex, Research Officer, Grains Council of Australia, NFF House, 14-16 Brisbane Avenue, Australian Capital Territory, 2601	58

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Mrs Bailey (Chair)

Mr Adams	Mr Nairn
Mr Causley	Mr O'Connor
Mr Cobb	Mrs Stone
Mr Fitzgibbon	

The committee met at 10.06 a.m.

Mr Adams took the chair.

FISHER, Mr Neil Bray, Executive Director, Grains Council of Australia, NFF House, 14-16 Brisbane Avenue, Barton, Australian Capital Territory, 2601

PIETZNER, Ms Kirsten Lex, Research Officer, Grains Council of Australia, NFF House, 14-16 Brisbane Avenue, Australian Capital Territory, 2601

ACTING CHAIR (Mr Adams)—I declare open this hearing into the benefits of agricultural trade reform. This is the third hearing of our inquiry. It follows hearings at which we heard from the National Farmers Federation and the Australian Horticultural Corporation.

Before proceeding I advise the witnesses that committee public hearings are recognised as proceedings of the parliament and warrant the same respect that proceedings of the House of Representatives demand. Witnesses are protected by parliamentary privilege in respect of the evidence that they give before the committee. Witnesses will not be asked to take an oath or make an affirmation. However, they are reminded that false evidence given to a parliamentary committee may be regarded as a contempt of the parliament. The committee prefers that all evidence be given in public, but should witnesses at any stage wish to give evidence in private, they may ask to do so and the committee will give consideration to the request.

Welcome. We have received a submission from you. Before we ask any questions, would you like to make a brief statement to the committee?

Mr Fisher—On behalf of the Grains Council I would like to thank the committee for giving us the opportunity to speak to our submission. As you are aware, we have already made a submission to the inquiry, so we do not intend to repeat that. However, I would like to stress to you the importance of continued agricultural trade reform to the future of the Australian grains industry and the Australian nation, by highlighting a number of statistics which put our submission into context.

Relative to other primary industries, the grains industry is the largest of the Australian primary industries. The grains industry accounts for about one-quarter of Australia's total farm gross value of production and around one-quarter of the value of total Australian farm exports. For the last year that we have statistics available—1996-1997—ABARE estimate that the total gross value of production for the Australian grains industry was \$7.217 billion.

Most of the value of the Australian grains crop is earned from exports. The percentage of income earned by the different grain commodities from exports varies. The five-year averages are wheat, 79 per cent; coarse grains, 53 per cent; pulses, 65 per cent; and oil seeds, 36 per cent, with this percentage rising rapidly from 17 per cent in 1991-1992 to 52 per cent in 1996-1997. The five-year percentage average for the income earned by the grains industry from exports is 68 per cent.

In 1996-97, the grains industry earned 80 per cent of its income from exports. Australia's share of the total international grain trade is around 10 to 15 per cent, and we are the world's fourth largest exporter of grain. However, the Australian grains industry produces only around two per cent of the world's total grain production. With Australia being a small producer but a large exporter of grain, the underlying price levels for the Australian grains industry are set by world supply and demand. Consequently, the trade distorting

policies of other governments have adversely affected, and continue to adversely affect, the prices received by growers for their grain.

While the Uruguay Round on agriculture was an important step towards trade reform, its greatest practical effect was to put in place international trade rules applicable to agriculture rather than to liberalise agricultural trade per se. The outcome of the 1999 WTO round of agricultural negotiations will therefore be a crucial factor in determining the future prosperity of the Australian grains industry.

Consequently, our central message to the committee is as follows. We are an industry which derives well over half of its income from exports. We therefore seek global trade reform as a vital element in ensuring the future prosperity of grain growers, their families, their rural communities, their industry and the nation. With the permission of the committee I have also got some additional statistics which we would like to table. Thank you.

ACTING CHAIR—Please do. Thanks very much. How does the Grains Council see its role in developing future markets or having access to opening up markets? Does it see its role in that way, in any way?

Mr Fisher—Yes, we do. The Grains Council has for a number of years participated in the Joint Ministerial Agricultural Consultative Committee, which has just been reactivated by the Deputy Prime Minister and the Minister for Primary Industries and Energy. In concert with that, the Grains Council is taking a leading role also, underneath that committee, in establishing what we call our grain trade or working group. That committee has representation from the Australian Wheat Board, the Australian Grain Marketing Federation and the Australian Grain Exporters Association. The bulk handlers have now been invited to attend, and also the Grains Research and Development Corporation. In fact, we have representation from rice growers and others, right across the grains industry.

At the moment, we are sitting down and working out a comprehensive plan of market access issues and other issues that we want included in the next WTO round. So the Grains Council has taken the lead to facilitate that, to give it a mechanism, and we will then feed that information into the joint ministerial committee to ensure that we have a coordinated act within the grains industry.

ACTING CHAIR—Excellent.

Mr CAUSLEY—It is obvious that the big players in the world are the EC and the US. How confident are you that they are going to change their ways and reduce the subsidisation and certainly the export enhancement they have on some of their exported product?

Mr Fisher—We are hopeful, but we are also realistic. We have been concerned that the United States have still got the capacity to reintroduce the export enhancement program. It has not been used for over 18 months, but commonsense does not always prevail. We are concerned that there is still the financial ability of the United States to reactivate the EEP program whenever they like. We are concerned that they may backslide by pushing the EEP program back towards their commitments under the GATT round, and that they may reintroduce the EEP program towards the end of their commitments in 1999. We are hopeful though

that, with the budget pressure that is on in the United States and the fact that they have to spend a lot of money on welfare, education and those sorts of issues, agriculture will be one area that will be impacted on and so they will not have the money for that reform program.

However, I have just come back from the International Federation of Agricultural Producers meeting in Argentina, where the American Farm Bureau—which has 4.8 million members—was saying, ‘Yes, we embrace free trade; yes, we think the act is a good act; but we would like to see the government help us put in place a crop insurance scheme, where we are guaranteed a particular price for our product.’ If they did not actually achieve that price, they would then be able to get insurance. When we pursued that with the president of the American Farm Bureau, he said, ‘Well, it wouldn’t work without government support.’ They estimate that it could be up to \$2 billion annually that they would have to get from the federal government in the United States. So issues like that really do concern us.

ACTING CHAIR—That was crop insurance.

Mr Fisher—Yes, that is nice terminology.

Mr CAUSLEY—It would be fair to say that Australia really is in a cleft stick situation because we cannot dictate to the world. So we have got to more or less beg some of these people to open up their markets. We cannot really do much about it; we are beggars on the world market.

Mr Fisher—We are very small producers, but we are large exporters, particularly the grains industry. We support the efforts of the government in taking leadership in the Cairns group because we believe that, by continuing the Cairns group, we can gain significant leverage in these international discussions and with countries that think as we do. While we are small, we should not underestimate the role that the Cairns group can play in forcing the larger players to the table.

Mr CAUSLEY—I notice there has been some movement in tariffs with some countries. Is that having any significant effect—any significant benefit?

Mr Fisher—It is hard to quantify. In recent months we have been successful in getting the Chinese to actually identify what their tariff levels are. They have always threatened that if we tripped over their particular tariff, we would be hit with a 90 per cent tariff. We have never breached the quota, because we did not know what it was. We are seeing some movement, particularly in the Asian countries, in reducing tariffs—not as fast as we would like, of course, but there is definitely some movement. Some of the critics of trade reform suggest that we should not do anything until the other countries do something. But, because we are such a large exporter and a fairly small producer, we are not always in a position to pursue that strategy. We have to be at the forefront of that liberalisation so that we can continue to demonstrate to the Europeans and to the United States that we are serious about removing the impediments to international trade because we will, ultimately, for the grains industry, be the beneficiary.

Mr COBB—What permanent success has there been so far?

Mr Fisher—It is very hard to quantify that. We have seen decoupling of arrangements in the

European Union from support mechanisms which encourage production to giving income support, as distinct from production. So we have seen a reduction in the amount of grain that sat in the European Union—significant world stocks—and that has continued to have a dampener on international trade. We have seen the same thing happen in the United States, where the supply-demand ratio at the moment is about the lowest it has been for about the last 10 years. So, as I said, it is hard to quantify. It is hard to say that what we have got out of the GATT round is significant, but the fact that we have taken those large surpluses out of the marketplace has meant that we have seen an increase in price. If you look at the price that we are receiving in Australia for ASW 10, which is the barometer of prices in Australia, the Australian Wheat Board believes that we have now reached a new plateau and that those prices have gone from an average of about \$A150 to around \$A200. It believes that that is a direct result of this freeing up of the international trade.

Mrs STONE—Our two biggest competitors are the US and Canada. Canada has got a single-desk selling situation; the US, as we know, does not. Since the 1930s, Australia basically has had a single-desk selling situation. What is your view, in terms of the fact that we still do government to government trade in Japan? Korea is not quite the same but, in terms of our futures, what importance do you place on the single-desk selling status of export grains out of Australia?

Mr Fisher—The Grains Council is a strong supporter of maintaining the single desk and, again, that has been hard to quantify. In 1990 we established what we called the Grains 2000 project, and out of that came the milling wheat strategic plan. We had Booz Allen, which has a worldwide reputation, come in, and we asked them to quantify the advantages of the single desk to the Australian grower and the community. They put a dollar figure on it and they said that it varied from anywhere from about \$2.40 to \$5.50.

To us, that is justification for continuing the single desk. We are strong supporters of it, because we believe it gives us the ability to lever into particular markets and maintain our quality. We say that because, if we have to slog it out in the bulk, undifferentiated and subsidised markets with the Europeans and the United States, we will not be able to compete. We have to be a bit smarter and, to be a bit smarter, we have to find niche markets and ensure that we deliver a quality product; and we believe the single desk gives us that advantage.

Mr CAUSLEY—Some producers argue that that is not done well enough by the board. As minister for agriculture in New South Wales, I got quite a few complaints, particularly concerning barley. The barley growers did not believe that the board was getting the best price for their niche markets.

Mrs STONE—But the Barley Board as a single entity has not got an exporting arm.

Mr CAUSLEY—That is true.

Mr Fisher—I do not think I would like to comment on the merits of the state statutory marketing authorities. I think it is up to the growers in those particular states to make those decisions. Obviously, when you have got a single desk, there will always be critics; but that does not hurt, because that will make sure that the board lifts its game. We have just seen the Australian Wheat Board appoint a new managing director, and he has made some staff changes. They have got in place their business review process. We believe that, with the restructuring of the Australian Wheat Board that we are currently still negotiating with the

government, we will have a board with a single desk that will have the best of both worlds: it will have a private enterprise culture but it will still have a single desk.

Mr NAIRN—Your submission is obviously very strongly supporting trade liberalisation. Have you any examples of you trying to negotiate new markets where barriers in Australia to the entry of other products from the particular country that you might be trying to get initial markets into have caused your negotiations difficulty? For example, we were in Tasmania a few weeks ago, and one of the dairy producers there was saying that they were having difficulties in Thailand because we were, at the time, preventing chicken meat from coming from Thailand into Australia. They were saying that that was acting as a barrier to further negotiations that they were having. Have you struck that problem? Are there any examples that you would like to raise?

Mr Fisher—The Grains Council does not actually get involved in the direct sales. We are the agri-political arm, but the marketing board—

Mr NAIRN—I meant through the whole system.

Mr Fisher—We have heard rumours that the same situation has occurred in Thailand with malt and barley. If you like, we could take that question on notice and come back to you to see whether we can get some specific examples through the Australian Grain Marketing Federation.

ACTING CHAIR—We would be very interested in it.

Mr Fisher—I do not want to talk about rumours. We can take it on notice and come back with some specific examples, if they exist.

Mr NAIRN—With the things that have happened in Asia in recent months, are there any particular changes through any of the marketing boards that you would like to report on at this stage?

Mr Fisher—Obviously, the council is concerned because we need those strong economies to be out in the marketplace and purchasing grain. But the evidence at this stage suggests that, because most of our commitments are in long-term contracts of from anywhere from three to five years, there has been the capacity for negotiation around the contracts in terms of supply of product in a particular year, but still meeting their total sales.

The grains industry has been relatively isolated from the impact of what has been happening in those economies but, obviously, if it is a long-term situation, their capacity to purchase will also be impacted upon. Of course, what concerns us then is that, once they have completed their long-term contracts, they are back in the marketplace and, of course, the Americans have been very aggressive in APEC for obvious reasons. In markets like Indonesia—which we tend to assume is ours, with no justification except that we have got a long-term commitment and contracts with Indonesia—we would be perturbed if those countries, because of their crisis in their economy, started taking EEP grain or something like that out of the United States.

Mr FITZGIBBON—Getting back to your rumour with respect to barley in Thailand, were you

referring specifically to the chicken meat issue?

Mr Fisher—Yes.

Mr FITZGIBBON—If you are going to report back, can you include in that a report on whether that problem still exists notwithstanding the fact that the government has now allowed those imports? As you know, that importation has been made conditional, and I am wondering whether they have still got concerns because of the conditions that have been put on these imports.

Mr Fisher—We will come back and answer those questions.

Mr COBB—What successes have grains had in reducing protection levels compared with other agricultural products? I know it is variable—dairy has had pretty good success and others have had little—but are you roughly average, do you see, overall?

Mr Fisher—Again, it is hard to quantify that, because we have 25 crops that we export into about 100 nations around the world. As I said—I am repeating myself—it is just hard to quantify in percentage terms.

Ms Pietzner—If you look at the fact that the EEP has not been in the market for the last 18 months, as Neil has said, and you look at the prices that are being received now, relative to what were being received when it was being used in the market, I think that gives you a pretty clear indication of the benefits that you can get—particularly, in this instance, subsidies—if they are not present in the market. That benefit is obviously not necessarily related to the GATT outcome, which only cut subsidies and did not eliminate them totally; at the moment they have not been used. But that gives you an indication of what you could achieve if you did have that kind of discipline, that they could not use subsidies as a result of the WTO round.

Mr COBB—In dollar terms, what has that meant for Australia this year—the fact that EEP is not—

Mr Fisher—It depends, because it depends where they have been EEPing us—into which market, how many tonnes were involved and what sort of prices. But we did some calculations when they were in full flight about two or three years ago and our calculations were, at that stage, anywhere from between \$40 to \$80. Kirsten, have you got some numbers there?

Ms Pietzner—I do not have production figures, so I cannot give you what the relative productions were between these years, and obviously how much we produce will then generate income for you. But if you look, say, in 1991-92, the total export value was about \$2.2 billion. As we said before, in 1995-96 and 1996-97, when you did not have the EEP operating in the market, there was over \$7 billion.

Mr Fisher—There was another variable in that of course, and that was that we had an excellent crop, whereas in 1991-92 we had a drought situation.

ACTING CHAIR—Can I just say that this sort of argument is the sort of work that needs to be done for the next round, so that we have argument that has really firmed up—

Mr Fisher—Sorry, I have cut in. One of the things that we have been impressed by is that the horticultural industry have gone through all their range of products, and in particular markets, and worked out what the impediments to their barriers have been. That is what we are trying to do with the grains committee—do exactly the same exercise, market by market, and identify where we have issues that we can then feed into the round. We have just started that process.

Mr CAUSLEY—In Australia, what are the areas that you see are adding costs—either statutory impediments or just costs that are being added on to your product—to make it more difficult to compete in the marketplace?

Mr Fisher—The costs that readily jump to mind are storage handling and transport costs. But, again, they are state issues. The Australian Wheat Board, because it is a single desk, has got a charter in part of its legislation to maximise return to the growers. Because of that, it means they have to put pressure on costs. They have undertaken a number of studies into storage and handling costs and they have undertaken studies into transport costs. Through the Grains Council, we fed that information back to our GCA state affiliates and we have requested those state affiliates to take that up at a state level. They are the big costs.

Registration based adjustments is the terminology—RBAs. They can be anywhere from about \$26 to about \$45, with perhaps New South Wales having the highest cost because of its geography—all the grain has to be lugged back over the Blue Mountains to Port Kembla or Newcastle.

Mr CAUSLEY—Say, for instance, the cost of fuel in North America. It is quite different from the cost of fuel in Australia.

Mr Fisher—It is, but I do not know the cost of diesel fuel in America, off the top of my head.

Mr CAUSLEY—What about AQIS? We hear a lot of complaints to this committee about AQIS. What is your relationship with them?

Mr Fisher—We also enjoy a tempestuous relationship with AQIS. We do have a consultative committee with AQIS, called the AQIS/Grains Industry Consultative Committee. One of the outcomes of the Nairn review was to revamp the consultative committee, to give it some teeth, to change its terms of reference, and to broaden its membership.

We met last week and we had Paul Hickey come to the meeting. He assured us that would occur and we have broadened the membership to include additional representation from, for example, the Fodder Industry Association. So it is truly representative. Obviously, the council was very disappointed that the government did not accept the recommendation to establish AQIS as a statutory authority because we believe that would assist in changing the culture in AQIS into that of a service organisation. As I said, we have enjoyed a difficult relationship with AQIS, but we have an excellent working relationship with individuals within the grain side of AQIS.

Ms Pietzner—I should probably also point out that we have gone through an evaluation of the grains export program within AQIS and, while there are certain problems at the operational level, particularly at the

strategic level, the general feeling within the grains industry is that AQIS, and the work that they do on the export side, is a very valuable asset to our industry, particularly as we are so heavily reliant on our reputation as a quality exporter of grain. While there may be arguments over charges and various other aspects to do with AQIS, in terms of their professional reputation within the international arena, I think it is excellent and that reputation is of enormous benefit to the industry.

ACTING CHAIR—So is the level of AQIS certification at best practice or below that?

Mr Fisher—I would not like to comment about what their level is. I would like to repeat Kirsten's point and that is that, when we discussed AQIS's international reputation, the Australian Wheat Board and the Australian Grain Marketing Federation both said that it was of immense benefit to them in marketing product into overseas countries to have AQIS's stamp on it.

Mr CAUSLEY—It seems to me, though, that you were saying earlier that some efficiencies could be found in the organisation.

Mr Fisher—Yes. But that was not identified in the Nairn committee. For example, the Nairn report said that, while there were a number of critics of AQIS, overall their performance was quite credible and they did not see any major problems with AQIS as an organisation.

Mrs STONE—You talk about downstream processes amongst your recommendations and the significance of the development of good relationships and R&D with them. I am talking about upstream, if you like, where we have got to keep developing the varieties of wheat in Australia. In particular, they have the noodle processing qualities or, indeed, durum and so on. In the past, the Australian wheat industry has relied very heavily on the state government departments to provide that R&D work and, as you know, it takes 10, 15 or 20 years to develop a new wheat seed that works. Is there any concern that the dollars are now no longer there for the basic seed research and that this will impact on the industry? How are you taking care of that problem of the government research, grain industry research nexus? Does that say something about hybrid grains in the future and us having to rely on more imported grains hybridised offshore? What would that do to your bottom line and your ability to keep exporting particular varieties that are specific to Australia, which is a unique environment?

Mr Fisher—There are about 15 questions in there. I will try and answer them. Obviously, the grains industry is concerned that the state government is drawing back resources from R&D. The grains industry in 1958 or 1957 established the wheat research committees which are the precursor to the Grains R&D Corporation. So the grains industry has been at the forefront of deducting levies from growers for R&D. That has become almost a self-fulfilling prophecy in that a lot of the growers see that, the more money you put into R&D, the more chance you give for state governments to walk away from R&D, because we are going to fill up the vacuum.

That was never the intention of our levies. Our levies were to supplement R&D, but the Grains R&D Corporation is increasingly having to pick up core funding in state departments of agriculture to replace the lack of resources. The studies that the Grains R&D Corporation have undertaken have demonstrated that not only does it not make sense but also it is not good economics because state governments can enjoy a

significant return on that investment by producing new varieties which are then realised by growers. Hence, the entire economy benefits from it. That is the first part of your question.

The second part, the issue of hybrids and researchers getting a return on their investment, is an extremely complex issue. The Grains Council made a decision at our annual conference in April this year to have a workshop to look at the issues of the commercialisation of publicly bred cultivars and plant breeders' rights and how we can get a return on that investment back to the individual breeder. At this stage, we do not favour end point royalties on all crops because we believe in horses for courses. Some of the hybrid breeders and the private breeders would really like to see a royalty on product. We can understand that argument, but the industry is still wrestling with that because of the amount of money that they actually put into R&D in the first place. Some growers see it as paying twice for that research.

I have just returned from CYMMYT, which is the international wheat and maize centre just outside Mexico City. I think there are some advantages for the Australian grains industry in looking at purchasing research overseas rather than trying to reinvent the wheel in Australia. We stumbled across—and I mean stumbled across—the fact that there were 500 rust resistant red wheat lines at CYMMYT which could have been put in our breeding programs and gotten over the problem of those rust varieties in the higher rainfall areas. Similarly, they also told us that they have given material to Tamworth which is Karnal bunt resistant. We have to get that material into our breeding programs as quickly as possible to get over that situation. I know in this year's five-year plan, the corporation—our grains R&D corporation—has made a conscious decision to investigate investing in R&D offshore to the benefit of the Australian industry.

Mr FITZGIBBON—I will ask you a difficult question, but you do not have to answer it if you do not want to.

Mr Fisher—Thank you.

Mr FITZGIBBON—Getting back to AQIS and the tough decisions they need to make in respect of chicken, pork or whatever, given that you are so reliant on the export market, it is obviously in your interest that AQIS can get on with these things and make the right decisions in your eyes. What sort of pressure, if any, or liaison or correspondence do you have with AQIS when those decisions are being made? Do you lobby AQIS? Do you raise those issues? Do you get onto them and say, 'Look, you have to make a decision on this chicken or this pork because it is hurting us'?

Mr Fisher—We do not, for the very reasons that you have identified of the politics surrounding that. We just stick strictly to grains industry issues. The one that we are dealing with at the moment is establishing a pest risk analysis panel for importing maize to move it up country. That has some politics around that as well because our organisation is extremely concerned about the risks of importing diseases like Karnal bunt into regional Australia. We do not get into the game of trying to facilitate trade for our industry by asking AQIS to make decisions on other industries. The only issue that we are concerned about is that they make the right decision and it is based on good science.

Mr FITZGIBBON—But the NFF, of which you are a member, does.

Mr Fisher—We are an autonomous commodity council of the National Farmers Federation. They can say it is black and we can say it is white.

Mr ADAMS—On the imports question, our pig breeders are under a lot of pressure from imports. One of the arguments against them on costs is that the price of grain in Australia is a bit dearer than that of some of the competitors who can put pork into Australia. Do you have an answer that I can give my pig producers?

Mr Fisher—It is a very complex issue. We have set up a number of strategic planning units. One has been our feed grains SPU. In that plan, price has been about one of nine or 10 issues raised that have been impacting on the ability of the Australian feed grain grower to supply intensive animal industries. What we finish up with is regional deficits where we have grain in Australia, but not in the right region. We cannot physically get it to that region because, obviously, there is not a railway line from Goondiwindi to Moree, for example. We cannot move lupins around from Western Australia to the intensive animal industries on the east coast because we cannot get the right sort of freight rates because of cabotage. There are all those issues that are involved as well.

We do not believe that grain is overpriced; we do not oppose grain imports. If our grain is too dear and they can satisfy the quarantine requirements, they are more than welcome to bring that grain in, but that is what sets the price for the Australian grain producer. Our capacity as the Grains Council is to ensure that we have a viable grains industry, and our members have to get a return on their investment.

What is going to have to happen though, because in real terms the deregulation of the domestic market only really occurred in 1989 and it is still a learning experience for a number of grain growers and purchasers, is that as the industries mature they will have to sit down around the table, enter into long-term contracts with one another, and say, 'Look, I guarantee to supply you product over three or four years, with some sort of escalation clause'—do it that way. But at the moment we have some grain growers saying, 'That's the price; take it or leave it,' and some intensive animal industry people saying, 'It's too dear; we don't want it.' I think it will happen, but it is a bit like the shampoo: it won't happen overnight.

Ms Pietzner—Another aspect that came out of that strategic planning unit process that may be of interest to your producers is that feed grains, from a grower's point of view, has been seen as a secondary thing; it is not the main focus—you produce your milling wheats; you produce your malting barley; and feed grains is just that you did not quite get there, so you got feed wheat.

But the focus that the Grains Council is taking, or the grains industry as a whole is taking, is that the feed grains industry is a specialist industry, the same as the milling wheat industry and the same as the malting barley industry. So what you have to do is grow feed grains according to the characteristics of your customer. For example, a pig producer will say, 'We want grain that has these qualities and that metabolisable energy rate'—and those sorts of things. You are now getting a lot of research into the grain characteristics and what it is that the end users want, so that we can then match what we grow to what it is that the end user wants.

Of course if you are doing that, and you are producing that quality grain and doing it consistently,

then you would expect that they would pay the relevant price for that. And, of course, if they are able to get consistent feed grains of a consistent quality, it then helps them produce their pork at a consistent quality which helps them in their own marketing, export or domestic. It is the case that the feed grains industry is going to become a much more sophisticated industry than it currently is.

Mr Fisher—Some of the feed varieties, because of the R&D that has been put in, are also increasing their yield. The normal milling wheats, et cetera, probably have a yield of, say, only two to three tonnes per hectare. Some of these feed varieties can get up to six or seven tonnes a hectare, and then it becomes a profitable situation for the grain grower as well.

Mr ADAMS—The other thing is Austrade. Does Austrade assist you in marketing? What is their involvement in negotiations? How do you see Austrade and also the ‘supermarket to Asia’ concept? Where do you fit into that?

Mr Fisher—On the first one, again, as I said, the Grains Council is not directly involved in marketing. My anecdotal evidence suggests that the marketing organisations do not normally rely on Austrade. I am not sure of the reasons. If you would like us to investigate that, we could take that up with the Wheat Board, and again with the marketing organisations—

CHAIR—Can you get back to us on that?

Mr Fisher—And come back to you with the attitude to Austrade. With regard to the supermarket to Asia, we believe supermarket to Asia has been good in the sense that it has brought together a plethora of well-intentioned committees and strategies that not everyone was aware of. They did not know who was accountable to whom and who was driving it. That has been fantastic, and it has actually given it a focus. It reports directly to the Prime Minister, so that has been important from the Grains Council perspective—to actually coordinate, as I said, a whole raft of strategies trying to get into Asia.

One of the things that disappoints the Grains Council is that I still think that our rhetoric is not matching our actions. We talk about Asia being our market, our bread basket and ‘let us get out there’, but if you look at some of the market opportunities, sure, we are trading commodities but we are not doing the next step: the value-adding, investing in downstream industries.

Mr ADAMS—How many more Weet-Bix are we going to make then? What is the opportunity for getting brand names out of Australia?

Mr Fisher—I am not sure about whether we are going to be doing Weet-Bix but, for example, the Australian Wheat Board has got a joint venture in Shenzhen Province in China in a flour mill. That is a strategic investment, because not only does it increase the amount of grain that is sold for flour, but also it trains bakers and millers. As that market matures, hopefully we will sell more Australian grain there.

Again through the Wheat Board we are trying to do a similar exercise in Vietnam. They are the sorts of issues that we believe are important for the Australian grains industry to invest in. Whether the Grain Marketing Federation should be looking at breweries, et cetera, I am not sure, but they are the experts. We

believe there are some opportunities over there that should be investigated.

Mr O'CONNOR—Could you update us on production levels in India, China and the Soviet Union and give us your assessment of the impact of these markets on Australia's future grain exports?

Mr Fisher—There is a whole raft of emerging competitors. China has been almost self-sufficient in the last two years and has not imported any wheat of significance. The Indian market has been affected by drought. We believe there are some marketing opportunities for the Australian grains industry this year in India. I heard a comment from the end of the table about Argentina. I have just come back from there. Last year they had a crop of 70 million tonnes and a crop this year of 80 million tonnes.

Their natural advantages over Australia are just mind-boggling: topsoil anywhere from half a metre to four or five metres, and rainfall from 20 to 40 inches right across the pampas. We just hope that they continue to put the majority of their exported product into Brazil and countries like that because they will be major competitors as soon as they sort out their infrastructure in terms of transport and handling. They went aggressively into the market last year and dropped the world price by about \$40 for about three or four months because they have to get their grain out of the system to get ready for their summer crop.

The other countries of concern to us are the eastern European countries. Before the Soviet Union took over, countries like Czechoslovakia and Romania were the bread basket of Europe. They have tremendous natural advantages that we do not have, and they will be exporting grain.

Mr O'CONNOR—The former Soviet Union?

Mr Fisher—Russia?

Mr O'CONNOR—Yes.

Mr Fisher—Again, it is the same thing: they have natural advantages that we do not have. Their biggest problems are storage, handling and transport infrastructure. When they get that together, they will also be exporters. I heard the word 'capital'—that is what they need as well. They lose so much of their production in their storage, handling and transport system.

Mr CAUSLEY—It leaks out of the trains along the way.

Mr Fisher—It leaks somewhere.

Mrs STONE—All those other countries you talked about are red wheat producers. Our niche and our competitive edge is in white wheats—noodle growing—and soft wheats. You said we are getting very excited about the red wheat feed. I suggest we will never compete with the red wheats of Canada, the US and those other Northern Hemisphere places. Maybe we will, but at the moment it is impossible for us if you look at the differentials. We have the white wheats, the soft wheats. We have to work much harder in those areas rather than worrying about the bread milling. Is that your view? We are going to have to go with the noodle and the flat breads and the Asian market, which desires that sort of product.

Mr Fisher—I agree; the red wheats are feed wheats.

Mrs STONE—They are also the bread wheats.

Mr Fisher—Yes. Our feed grains strategic plan identified the niche markets for feed wheats into Asia for their intensive livestock industries. So there are some markets there. Again, we do not want to be complacent about our white wheats, because the Canadians and the Americans are all investing heavily in R&D and in white wheats as well. It is something we have to be ever vigilant about because they have worked out that we have got these niche markets, and they want them as well.

CHAIR—How much work do you put into knowing exactly what consumers want?

Mr Fisher—Obviously the Grains Council does not have the resources to do that. We believe that our marketing authorities, whether they be statutory or private, are actually working out what the consumer wants and hopefully are matching that to their needs. A lot of the buying was before the collapse of the former Soviet Union. It was done on a government to government basis; hence the consumer was somewhat removed from that chain. But, as we have seen the international grain market becoming progressively deregulated, we are getting closer to the consumer. I think the Wheat Board at the moment has something like 68 to 70 segregations, and that is in direct response to trying to match that product to exactly what the consumer wants.

They have also just started getting into branding. I am not sure if you are aware of things like Australian Soft and Prime Hard; they have got these brand names, with sharks and that sort of branding, on the product. So we believe that we are rapidly working that way. Obviously you can continue to improve, but we are moving that way as quickly as we can.

Mr COBB—I want to ask a couple of questions on this protection issue. Before I get to that, could I just go back to that overview figure you gave at the beginning. Did you say it was \$7.2 billion gross for all grains?

Mr Fisher—The total gross value of production for the Australian grains industry in 1996-97, according to ABARE, not the Grains Council, was \$7.217 billion.

Mr COBB—Can you give us a rough break-up of that?

Mr Fisher—It is on that front page—wheat, 79 per cent; coarse grains, 53 per cent; et cetera.

Mr COBB—Right. You were talking earlier about doing something similar to the horticultural people to identify which countries have what types of impediments to getting into them. When do you envisage that will be finalised? It is an ongoing thing, I dare say.

Ms Pietzner—The way that the process will work involves two separate things. There is the Grains Trade Working Group, which is the top level group. Then there is the kind of market access that you are talking about, from a specific quarantine level, that will be something that will work below that, and possibly

to the side of that, which is directly liaising with AQIS.

The problem that AQIS has is that they get all of these market access requests but they only have limited resources, so they want to know which are the priority market access issues that we should be working on. One of the things that came out of the meeting a couple of weeks ago was that we should set up this market access committee under the chairmanship of the Grains Council to figure out what the priorities for the grains industry are so that AQIS can then construct their market access program according to what our priorities are. That should be a process that will be undergone over the next couple of months to three months, with AQIS working on a proposal for how that will work.

The major one, the Grains Trade Working Group, is a much broader issue. It is looking at all of the issues that are of priority to the grains industry, whether they be domestic subsidies, export subsidies, quarantine issues, GMOs—all sorts of issues—and we will prioritise them and figure out strategies for them. That is a much longer process. The Grains Council will be writing a questionnaire to all of the participants in that working group to say, ‘What are your priorities?’ Then we will start putting them together and getting that document together.

Mr COBB—As that information comes in, would you be able to ferry it, where appropriate, to this committee? It would be useful.

Ms Pietzner—Yes.

Mr Fisher—With the possible exception that some of the information that may actually be commercial-in-confidence.

Mr COBB—Yes; that is why I said ‘where appropriate’. Once you have all that information and you have a better idea where the impediments are, obviously your mind will be turning to the next negotiating round. Could I get some comments from you on how you feel about who will be in there doing the hard yards lobbying for Australia and the other nations with Cairns type of thinking, if you feel that we are putting enough resources and effort and focus into that and, if so, what suggestions you have to really make that effective? Obviously from what you have said earlier we are talking about the potential of hundreds of millions of dollars of extra income; this is our first big next crack at it and we have to make it work.

Mr Fisher—The Cairns Group are scheduled to meet in Australia next March-April. We believe that is the starting point for cranking up the next round. Obviously we would like the support of the government to take a leadership role in that and continue to ensure that the Cairns Group operates as it did in the last round, and that the Australian government supplies the resources to ensure that the Cairns Group can operate effectively. That is one part of the strategy.

The second part of the strategy is on an individual commodity level. The Grains Council has always taken a strong interest in the International Federation of Agricultural Producers organisations because it has been heavily dominated by the Europeans in that they have had the chairmanship of the committee for a number of years and the current chairman of the grains group is a Frenchman. We have now positioned an Australian in as the senior vice president of the grains group and, without letting out too many secrets, we

have a strategy in place to hopefully have an Australian as the chairman of the grains group in May next year.

We know that the dairy industry is trying to convince Mr Rowley to assume a similar position in the dairy group. As you know, Graham Blight is currently the president of that group but Graham is going to be standing down. We are trying to put in place, at the international level, a raft of ideas: we have got the Cairns Group operating on one side and we are trying to secure the presidency of the IFAP group so that we can continue to keep the momentum for agricultural trade reform going.

Ms Pietzner—In terms of our contribution into the international arena, if you look at the way these agreements work, an intensive amount of research has to go in to what effect certain types of reforms would have on current policies and whether those types of reforms will actually give you reform or whether it is just a nice word which people can get around and continue whatever it is that they have been doing. I think that this is where Australia has done well. We should continue to invest in that type of heavy analytical research that really does look at the effects of the policies and look at where those weaknesses are. It is also something that goes on, for example, within the OECD. They do a lot of intensive research as well. For example, a recent report has come out from ABARE on the multilateral trade negotiations and what we should be seeking at the next round. It puts forward some potential strategies that Australia could take into that round.

When it comes to those international negotiations, ideas and intellectual capital are extremely important. If Australia can convince the Cairns group of our ideas, and the Cairns group goes on and convinces the European Union and the Americans of our ideas, then that will have an enormous impact in terms of what outcome you get. Obviously, power plays come into it. The European Union and the Americans will still have the substantial structural power that they have. But, at the same time, you have to try to capture the intellectual high ground in terms of the ideas that are being argued over. You can be arguing over something that will really have no relevance in terms of the effect on reducing subsidies—the practical effects of agricultural trade reform—or you can be arguing over very important ideas in terms of what will have an effect.

I think that Australia really needs to continue that kind of research that is going on in ABARE. I am sure that is also going on within DFAT at the moment, in terms of this information and analysis exchange that is going on within the WTO, to try to get that framework right so that we are arguing over the right things. We need to be clear on what it is that we want and what it is that will be effective in achieving an outcome.

CHAIR—You obviously have all of these measures and strategies in place. Are they going to be effective with enlargement?

Mr Fisher—We hope so. We would like the Cairns Group to be as large as possible but still have that intellectual rigour in that the people who are sitting around the Cairns Group table are actually strong supporters of what the Cairns Group actually wants. For example, we have started negotiations with the Brazilian farmer organisations to see whether they would be interested in joining the Cairns Group.

At the IFAP conference, we had a specific paper on the South Americas—so you had the Bolivians, the Nicaraguans, the Argentineans. The Argentineans have always been strong supporters of the Cairns Group. We are hopeful that some of those other South American countries will join the Cairns Group as well. We do not believe that our strategies are going to be diluted or dissipated by broadening the Cairns Group.

Our argument would be that the bigger the Cairns Group is with a group of fair trading nations, the greater leverage you can put on the other two big players. Without being a pessimist, I think it has become critical given the fact that Clinton lost Fastrack the other day. If the Americans start backsliding because of that, we have got a real problem.

Mr CAUSLEY—What about the new generation of non-tariff barriers? It is a continuing sort of argument, isn't it, and the ground shifts?

Mr Fisher—They just get smarter and cleverer, and now they are talking about sanitary and phytosanitary and GMOs. That is all part of the thing that Kirsten referred to in part of our strategy to ensure that we do not allow those issues to become non-tariff trade barriers.

Mr CAUSLEY—I have always been fairly critical of the non-countervailing measures we have in the agreement. Have you got any opinions on that?

Mr Fisher—Yes. The Grains Council has also been disappointed because every time that we have tried to take some action, we have been able to demonstrate injury, but we have not been able to demonstrate material injury. It seems a bit of a catch-22 that you have to be absolutely decimated before you can demonstrate that you have suffered material injury. So while we hold them up as being important, in reality, they have not been of significant benefit to the Australian grain growers because we have not been able to demonstrate material injury.

Mr NAIRN—On some of the figures here showing a dramatic increase in export in wheat in the last couple of years, where has most of that gone? Are there new markets, or just traditional markets buying more? In looking through those figures and how they have changed over the last five years, how stable is the domestic market? Clearly, if you look at what is left out of the total production when you take out the export, there have been varying amounts. I know that it is not quantities, but dollar value, and the price has probably fluctuated, as well. But there are quite different amounts clearly left for the domestic market.

Mr Fisher—Could I take the first question on notice? I am not trying to walk away from it. It is just because it is wheat and that is a single desk through the Australian Wheat Board. I think that the wheat board is probably in a better position to tell us exactly where that growth in the markets is, whether it has been additional tonnage into normal markets, or whether they have broadened it into new markets. I know that they have identified some new markets. So we will take that one on notice.

On the second question, the domestic market has been anywhere from around two million tonnes up to about seven million tonnes. One of the things that came out of the strategic planning process was that we had a huge untapped potential market on the domestic market. We have now seen that. But, of course, the domestic market is subject to the problems that we have, too, in terms of drought. One of the reasons for the

significant increase in exports is that we have seen a turnaround in our production from 1991-92 to 1992-93 where eastern Australia suffered severe droughts, to last year which was our biggest winter crop ever. A lot of that found a home on the domestic market.

CHAIR—Given that 80 per cent of your income comes from exports, we would presume that the vast bulk of your growers are really focused on the export trade. Do you have any means by which you get information out to your growers keeping them up to date with the latest that is happening in the trade reform areas and with the latest that is coming through with R&D? Firstly, do you have a means of disseminating that sort of information to your growers? If you do, could you tell us how you do that and what reaction you get to that information? The reason I am asking you this question is that so many of the areas that we have visited and so many of the different producers actually complained to us that they never get any information. There is a very high level of ignorance as to what is happening, especially in the area of trade reform. Many of them just do not see the benefits at all.

Mr Fisher—On the first part of the question, we do not have the resources and the mechanism to get that message back to our growers. That frustrates the Grains Council because I think that one of the things that both the government and the industry could be criticised for is that we have not been good at selling the benefits of trade reform to our constituents. You only have to see the plethora of information that is available in a written format that could have been disseminated to our growers, but we just have not got the resources.

Our budget for the Grains Council for an industry that was worth \$7 billion last year is just a little bit over \$1 million, of which only \$500,000 comes directly from the growers. Our staff is six. So we have not got the resources to have someone getting that information out to growers on the advantages of trade reform for the grains industry.

On the second part, on the R&D, we are little bit more fortunate because the Grains R&D Corporation is the largest of the corporations and it has got the resources to be able to get information on R&D back to growers. So they have got a whole comprehensive strategy and actual people who communicate the advantages of R&D back to the grain growers. That is a two-way street, because at the same time as they are getting any information out to growers they are asking growers what issues they want researched and whether the Grains R&D Corporation is doing a good job. They measure that each year, and there is a high recognition of the advantages of investments in R&D and high recognition of the good job that the Grains R&D Corporation is doing. It is just unfortunate that we have not got the same mechanism on the first part of your question.

CHAIR—Do you see that government should be playing a greater role in this area?

Mr Fisher—One of the problems there that we face is that when anything becomes too hard we generally say, 'The government should do it.' For the government to do it, we have to get the resources to do it. I am not sure that we should always throw up our hands and say that the government should do it, but I think both the industry and the government in partnership could improve the communication of that message. In fact, the Deputy Prime Minister was saying to us at the ag trade consultative group that, if we are not careful, we really do run the risk of losing this debate because the public commentators, the Alan Joneses and those people of the world, get out to a mass market every day to Joe Average and they run very emotional

and not always factual arguments—I was choosing my words carefully—

Mr ADAMS—That is an understatement.

Mr Fisher—That has an impact. There are ads on the TV now showing orange growers having their trees bulldozed. That is very vivid and that sinks in with the average person who votes. They say, ‘We do not need any advantages. We do not need free trade,’ and yet we are an exporting nation. We cannot survive, and the grains industry will not survive, if we lose this debate. As I said, we are a very small producer and a very large exporter and we just cannot survive without freer trade.

Mr COBB—Does the council ever send information to someone like Alan Jones?

Mr Fisher—Yes.

Mr COBB—And what happens to it?

Mr Fisher—We have written to those people, but that is about the only mechanism that we can use.

Mr COBB—Is it acknowledged?

Mr Fisher—It is acknowledged.

Mr CAUSLEY—But you will not get on his program because he does not like an alternative point of view.

Mr NAIRN—That would be in your charter, though. You talked about the charter.

Mr Fisher—Yes, it is in our charter.

Mr NAIRN—It would be in your charter to get on the program if you could.

Mr Fisher—We try and get a little bit smarter. We have growers all of a sudden ring up; we do it that way rather than through the Grains Council directly ringing up. We try and arrange an appropriate response.

CHAIR—Are there any other questions from members?

Mr COBB—I have one question the other way. Where would we be now if we had not been pursuing these sorts of policies over the last few years?

Mr Fisher—Again I do not know how to answer that question. I do not mean to be glib about it. The grains industry in Australia would obviously be a lot smaller, because we would not have had those export opportunities if we had to slug it out in those bulk, undifferentiated markets, subsidised markets, with the Americans. We saw EEP impact on our price by anywhere between \$40 and \$80 a tonne. That would have

made it non-sustainable for a significant number of growers across the wheat belt. So we would have had a smaller industry; we would have earned fewer export dollars.

CHAIR—Do your growers understand that? I am just wondering because 80 per cent of it is export.

Mr Fisher—Some do. The growers who participate in the—

CHAIR—I think there is more chance of your growers understanding that than the orange growers, say.

Mr Fisher—The growers we deal with through our farm organisations, at the level we operate at, obviously do. I am not sure that, if I went to a silo queue out in western New South Wales and sat down underneath the truck, in the shade, and started talking to them about the advantages of free trade, in the first instance they would all appreciate it. But I am very confident that at the end of half an hour they would understand the advantages of free trade. They would know where their wheat was going, why it was going into those markets and that it would not have got there if we had to be, as I said, slugging it out with the Yanks in subsidised markets.

Mr CAUSLEY—We still have some discussion from time to time amongst farmer groups about price support, don't we?

Mr Fisher—In New South Wales, it resurfaces not annually but every two or three years.

Mr COBB—Just on those figures you have given of, say, \$50 per tonne—to pick the conservative, round-figure lower end of it—if you multiply that by 16,000 million tonnes of wheat, that works out at \$800 million.

Mr Fisher—But, of course, what happened then was that the Australian industry contracted. When we were being belted by the Americans, you would have seen that our production was around nine million or 10 million tonnes, because our guys just could not afford to compete at those prices, and so they did something else. I am not sure what they did—they probably went into the wool industry—but they moved. The price has improved, we have seen a change from around \$A150 to around \$A200, and we grew our largest winter crop last year, with a combination of good weather and the sowing of more grain.

Mr COBB—It is not only benefiting you but also benefiting other industries by taking the supply pressure off them.

Mr Fisher—Where they have got the opportunity to move into those other industries, yes.

Mr ADAMS—What is the profile of the wheat farmers in Australia? Tell us how many just farm for wheat; how many farm wool and wheat, and that sort of breakdown. You might want to take that on notice.

Mr Fisher—We will have to take that on notice. We talk about a 'wheat grower' and, in Western Australia for example, there are wheat growers who grow nothing else but wheat, wheat, wheat: monoculture.

But, in what we call the sheep-wheat belt through South Australia, Victoria and southern New South Wales up to, say, central New South Wales, the wheat growers produce wheat, sheep and canola. It varies from state to state and from region to region. Again, back in Queensland, you can have just grain growers.

CHAIR—As there are no further questions, I thank you very much for attending today. We appreciate it.

Mr Fisher—Thank you, and we will come back to you with more detail in answer to those questions.

Resolved (on motion by Mr Nairn):

That, pursuant to the power conferred by paragraph (o) of standing order 28B, this committee authorises publication of the evidence given before it at the public hearing this day.

Committee adjourned at 11.12 a.m.