

**The pricing and supply arrangements in the Australian and global chemical and fertiliser markets, the implications for Australian farmers of world chemical and fertiliser supply and pricing arrangements, monopolistic and cartel behaviour and related matters.**

**Submission:**

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It is more and more apparent that despite a paper war of submissions between the Australian public and the government, there seems to be no impact on the policy making that results from any amount of proof of monopolistic and cartel behaviour and all related matters.

**Background:**

Prior to the so-called 'deregulation' of the Queensland Sugar Industry, cane farming families had the capacity to earn a viable return on their considerable investment, of capital and labour. Australian fertilizer companies retained some credibility in the marketplace by offering a range of products, local and imported, which were competitively priced (although protected by import tariffs). Little has changed regarding government policy, in the balance of farmers versus fertilizer corporations, policy inevitably favours the entrenched fertilizer corporations. However, the behaviour of fertilizer corporations has now seen a massive increase in price, almost identically across the market (Incitec and Hi Fert). The result of so-called 'deregulation' and National Competition Policy, has seen a take-it-or-leave-it mentality from the corporate fertilizer importer/distributors, with obscene escalation of prices, unjustifiable when charted against the massive annual profits which have become the norm (70% quoted). Through an apparent total disregard for others' rights or natural justice, one fertilizer executive stated in a media report that the price of fertilizer was dependent on the farmers 'ability to pay'.

He is clearly ignorant of the state of penury that most Australian farming enterprises have been driven to, with many hardly making interest payments let alone drawing a living wage for those family members working on farm. Excluding those 'Pitt Street Farmers' whose only interest in the farming sector is the convenience of using their 'farming enterprise' to write off income tax obligations from other more lucrative endeavours, perhaps in the corporate field, where failure appears to be rewarded by payouts in the millions or the Superannuation Funds which have massive tax write-off concessions (they can make a tax write-off and still show a cash profit due to these government concessions - clearly a *corruption* of the taxation system which is not available to working cane farmers...*so much for level playing fields.*)

A cursory check of recorded income levels in the farming sector will clearly indicate that this sector has little or no ability to pay the outrageous prices imposed on fertilizer, *let alone the 18% interest charges which are imposed on late payment of the same by these corporations.* Spiralling incidence of depression and other related illness along with increasing rural suicide rates, clearly confirm that farming families have long lost confidence in government policy and law makers who show little understanding or

appreciation of the growing chasm between the penury of the productive ‘rural poor’ and the obscene greed of the corporate power-brokers who have held the dubious ‘honour’ of the highest failure rate in the nation’s business sector at around 29%.

Instead of opening the market to other competitors, the fertilizer industry has shrunk to eliminate local and international competition and any semblance of customer service, with local dealers being little more than debt collectors and delivery men for the cartels who control the market.

If government is serious about level playing fields and minimum standards of living for all Australians, there must be an end to the price-taking sham that is the lot of Australian farmers at the mercy of the trans-national, corporate price-makers who dictate prices that have no relationship to actual cost of production in this country. See comparative prices below:

Comparative prices on Fertilizers purchased:

| Fertilizer prices/ tonne:   | 1969    | 2002     | 2007     | 2008      |
|-----------------------------|---------|----------|----------|-----------|
| 1 tonne Sulphate of Ammonia | \$54.15 | \$425.70 | \$482.00 | \$640.00  |
| 1 Tonne Nitraphoska         |         |          | \$662.50 | \$1047.00 |

While cane farmers have endured the removal of all regulations that offered any share of market power, that power was transferred to the millers and refiners as well as all manner of input suppliers, leaving farmers at the mercy of any and all who have wrested control of each aspect of the production line. Farmers have been relegated to the role of price-takers and powerless peasants.

Cane farmers receive only a relatively small percentage of the sugar content of their cane product. (On current prices this equates to approximately .07cents per kg. from an average retail of \$1.38/kg.)

*This is equivalent to car manufacturers being paid for the engine only when a whole vehicle is sold to a retailer...hardly a reasonable outcome.*

*In competitor countries, canefarmers and sugar producers are paid for all the products that their cane produces, e.g., ethanol, sugar, paper, molasses and co-generation from bagasse, etc. In Australia, canefarmers are expected to pay massive input costs of bloated fertilizer prices, 1<sup>st</sup> world wage prices and other input costs...but only receive a pittance in comparison to those competitor nations, including those in the developing world. Australian canefarmers receive the lowest price for their product of any other sugar producers in the world. That is a national disgrace...added to that, we pay more for fertilizer because of government policy dictates that slant market power towards the corporate sector in every respect.*

**While canefarmers are paid a pittance for their product (approximately .07c/kg), millers are charging those same farmers .90 cents/kg for white sugar, \$1.18 for raw sugar and \$1.70 for brown sugar (direct ex-mill) and refiners are charging a variety of prices on domestic contracts, with retail prices varying (depending on packaging) from \$1.38 locally for refined white sugar to boutique prices for sachet style product for a great deal more. It seems that only canefarmers are subject to the world commodity prices (despite the government subsidies paid to their competitors in all other nations). This, while the remainder of the production and retail gravy train can and do, name their price with gay abandon, unrestricted by even the most basic regulatory restraint or protection for consumers and/or farmers.**

**It is long past time that elected governments engaged in the duties they are elected to do, i.e., govern in the best interests of Australia and its people, not on the whim of corporations who seemingly dictate policy through election donations. The reality of fertilizer pricing and the lack of justification for it should be investigated and dealt with by the law of the land. If such a regulatory system does not exist and subsequently the rights of others to carry on a business, are threatened or abused by cartel or monopolistic behaviour, then the government of the day have an obligation to investigate and address the situation, in this instance, in the interests of food security of the nation also.**

**Governments have to address the root of problems, not allow the buck to be passed to those with the least financial capacity to fight for their natural rights and who are losing increasingly more of their incomes as a result. The Australian public are suffering higher interest rates at the present time, not because the average citizen is engaging in spending on luxury items, but because the 'high-flyers' seem unable or unwilling to effect any form of self-discipline or restraint with either spending or salary package claims. There is where the attention of the government should rest in dealing with inflation and increasing prices...with the perpetrators who appear to be raising prices to cover their own excessive salary packages rather than from any realistic reason for doing so.**

**The Australian public and governments expect Australian farmers to provide a world-class, clean, green and competitive product, but the present corrupt corporate environment is not conducive to such a result.**