

# Chapter Four

## Communication with growers

4.1 The effectiveness and appropriateness of communication with growers affected by the Iraq wheat debt is a matter of concern to the committee. Specifically, growers' representatives (the Grains Council of Australia (GCA) and to a lesser extent AWB Ltd) and the federal government were variously criticised during the inquiry for not appropriately communicating with wheat growers in two respects:

- a) raising false expectations as to the likelihood of the debt being repaid and distributed; and
- b) not adequately consulting with growers before agreeing to support the Paris Club arrangement.

### Growers' expectations

4.2 The committee notes that the issue of whether or not a significant proportion of wheat growers legitimately held certain expectations is difficult to assess in this instance. However, evidence received by the committee suggested that many growers had been led to believe that Iraq would fully repay their debt.

4.3 The Western Australian Farmers' Federation (WAFarmers) indicated to the committee that they had been informed they would be reimbursed for their uninsured portion of debt when sanctions against Iraq were lifted:

Iraq and the Wheat Board have continually told us we were going to be paid the extra 20 per cent.<sup>1</sup>

4.4 The Pastoralists' and Graziers' Association (PGA) of WA suggested that differences between GCA's private and public positions on the wheat debt issue had created unrealistic expectations amongst its constituents. In highlighting the benefits of the then AWB's insurance cover, the PGA of WA stated in a 29 June 2004 press release that:

We believe the GCA and its WA affiliate should have made these facts clear to their members instead of raising their expectations.<sup>2</sup>

4.5 In evidence to the committee, the PGA of WA suggested that the GCA and AWB Ltd 'were in a bind, in that they did not wish to attract publicity to the generous arrangements they had with the government'. However, they added that this reticence had fuelled the present discontent amongst growers:

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1 WAFarmers, *Transcript of Evidence*, Perth, 22 February 2005, p. 24

2 Leon Bradley, PGA of WA Grains Chairman, *PGA of WA media release*, "GCA/WAFF agreed to Iraqi terms in 1993 – PGA", 29 June 2004

... the absence of information provided at the time has been the major deficiency that has led to the continuing speculation about the true circumstances.<sup>3</sup>

4.6 In its submission to this inquiry, the GCA conceded that poor communication by itself and AWB had contributed to the wheat debt dispute. The submission also stated that the issue had partly stemmed from:

Potentially misleading statements made by representatives of AWB in correspondence to producers or producer groups relating to possible recovery of default payment and potential reimbursement of producers.<sup>4</sup>

4.7 AWB Ltd maintained that they had kept growers informed of the repayments they would be entitled to:

We got regular commitments from the Iraqi authorities that they acknowledged the debt and that as soon as UN sanctions were lifted they would find a mechanism to repay that debt. So, certainly, we have advised growers at various times from 1990 through to 2000, and most recently up until 2004, that should any money be repaid by the Iraqis for that debt then they would proportionately receive the 20c in the dollar that was received by the government for any repayments that were received.<sup>5</sup>

4.8 However, a report on ABC online on 1 June 2004 provides an example of potentially misleading statements from representatives of AWB Ltd. Despite having already undertaken to support Australia's participation in the Paris Club agreement, an AWB Ltd board member was quoted as saying:

This money is owed to wheat growers.

We haven't signed it away, we've had no intention to.

If forces outside the parameters of power that the AWB board has do that to the industry, then there's a position of fait accompli about this, but the board is very strong that this money belongs to growers and must be accounted to the growers in its use and destination, and that's where we are with it.<sup>6</sup>

4.9 This comment did not appropriately reflect EFIC's responsibility for negotiating repayment of the debt. The committee also notes that Iraq's apparent undertakings to repay the debt ought to have been treated with caution, as they were given by the authorities of a country operating in an uncertain economic climate. For AWB and AWB Ltd to publicly place faith in such commitments failed to provide

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3 Pastoralists' and Graziers' Association of WA, *Transcript of Evidence*, Perth, 22 February 2005, p. 17

4 Grains Council of Australia, *Submission 1*, p. 3

5 AWB Ltd, *Transcript of Evidence*, Canberra, 23 February 2005, p. 5

6 ABC rural news online, *Wheat exporters pursue money owed from Iraqi sales*, [www.abc.net.au/rural/news/stories/s1120557.htm](http://www.abc.net.au/rural/news/stories/s1120557.htm), accessed 16 December 2004

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proper context to the 'undertaking', and did not assist in accurately communicating with growers over the issue.

4.10 From the GCA perspective, the President of the GCA made the following comments in a press release dated 26 July 2004:

GCA is confident that any funds recovered from Iraq will be passed back to industry first, in line with the resolution passed at our 15<sup>th</sup> July board meeting. The first recipient of any monies recovered will be AWB.<sup>7</sup>

4.11 The GCA declined the committee's invitation to appear at a public hearing.

4.12 Department of Foreign Affairs and Trade (DFAT) officers did not, however, agree that a widespread misunderstanding amongst growers was evident:

... I do not think it is uniform. I think a large part of the industry well understood precisely what the situation was following the Paris Club decision and the government's decision in relation to that. While certainly there are some growers, I am sure, who did not and perhaps still do not have the full picture, nonetheless it is probably more accurate to say there is a large part of the industry that did fully understand on the basis of the discussions and consultations that the minister had with them about what the decision was and what the implications were.<sup>8</sup>

4.13 The committee believes that the reluctance of the peak growers' organisation, the GCA, to publicly clarify the situation before the committee does not assist in bringing openness and transparency to this issue.

4.14 The committee recognises that the Iraq wheat debt has presented growers' organisations with the challenging task of communicating a complex issue to its members. However, relevant factual information should be readily available to wheat growers in the event of a default on payments. This was not the case with AWB's Pool Realisation Statements from the relevant period, where neither narrative comment on the insurance payments, nor a distinction in the financial statements between payments from ordinary sales and those from insurance payouts, was provided. Further, in addressing the concerns of their members over such issues, growers' organisations should be careful not to distort the reality of the situation in the interests of providing simple explanations.

### **Consultation with growers**

4.15 The second issue concerning poor communication is the limited consultation with growers over the forgiveness of Iraqi debt. There are two interrelated elements to

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7 Keith Perrett, GCA President, *GCA news release*, "Wheat producers misinformed over Iraq payment defaults", 26 July 2004

8 Department of Foreign Affairs and Trade, *Transcript of Evidence*, Canberra, 23 February 2005, p. 19

this: the first is the government's consultation with growers' representatives, the second is the consultation between those organisations and affected growers.

4.16 The committee precedes this discussion with the acknowledgement that, as the owner of the Iraq debt (through EFIC), any government consultation with growers over this issue is a recognition of their interest in the debt, rather than an obligation under the terms of the insurance held by AWB.

4.17 The joint submission outlined the consultation between the federal government, growers and their representative organisations before and after the decision to forgive the majority of Iraq's debt. This occurred on the following occasions:

- On 5 May 2004 the Minister for Trade and Minister for Agriculture, Fisheries and Forestry met with AWB Ltd and GCA representatives and 'relayed the Government's view that forgiveness of most of the outstanding debt would likely be required'.
- On 24 May the Minister for Trade and Minister for Agriculture, Fisheries and Forestry met with the President of WAFarmers' grains section to convey the government's position.
- On 31 May the Minister for Trade met with GCA and its affiliates to further discuss the debt forgiveness plan.
- On 2 June 2004, the Minister for Trade announced in a press release Australia's intention to forgive the majority of Iraq's debt through the Paris Club group of creditor nations.
- The Minister for Trade held two public meetings in Western Australian wheat growing regions, in Merredin and Lake Grace, on 30 June 2004.

4.18 WAFarmers informed the committee that on 14 May 2004 they received notice of a GCA teleconference for 16 May. According to WAFarmers, at this meeting:

... the GCA president advised that he had been in confidential discussions with the government for some time and had reached a position where on Monday 17 May, the government was intending to sign off on a debt forgiveness plan.<sup>9</sup>

4.19 On that day (17 May 2004), the GCA President wrote to the Prime Minister indicating the GCA and its affiliates' acceptance of the inevitability of debt relief to Iraq, while noting the decision 'could cause significant angst'.<sup>10</sup>

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9 WAFarmers, *Submission 3*, p. 7

10 Grains Council of Australia, *Submission 1*, p. 4

4.20 WAFarmers submitted that they had very little opportunity to deliberate over the matter:

The delegates representing the state grower bodies affiliated with the GCA were advised of this matter with very little notice or opportunity to discuss what was presented very much as a *fait accompli*.<sup>11</sup>

4.21 Media releases by the Minister for Trade and the GCA on 2 June 2004 announced an agreement between the government and the Australian grains industry to support forgiveness of the majority of Iraq's debt. GCA's statement included:

Following extensive consultation, the Government and Industry (Grains Council of Australia and its affiliates AgForce Grains, NSW Farmers, VFF Grains, SAFF Grains and WAFF and AWB Ltd) considers the interests of wheat growers are best served by accepting the inevitability of debt forgiveness and concentrating on the future of the Iraqi wheat market.<sup>12</sup>

4.22 The committee notes that on 2 June 2004 WAFarmers also released a press statement that included the following:

WAFarmers has given in principle support for a new deal which may see the eventual recovery of a proportion of the Iraqi wheat debt given back to individual growers but primarily focuses on a trade enhancement program to hold and build market share in Iraq.<sup>13</sup>

4.23 Although this position differs from the stance WAFarmers subsequently took, including their decision to resign from the GCA, the committee is aware of the short time frame growers' organisations had to consult with their members on the issue.

4.24 WGA submitted to the committee that:

During the April/May 2004 period there was a definite lack of industry consultation. This was demonstrated by the reaction of grass roots growers, particularly from Western Australia, when it became known in late May that certain decisions were said to have been arrived at after consultations with growers.<sup>14</sup>

4.25 They argued that 'there were issues addressed behind closed doors',<sup>15</sup> reflecting a lack of grassroots consultation. According to WGA, this was evident in the public meetings conducted by the Minister:

The public meetings were used by the Minister and the GCA as a forum in which to defend decisions apparently made between the GCA and the

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11 WAFarmers, *Submission 3*, p. 7

12 Grains Council of Australia media release, *Grains Council welcomes Iraq initiative*, 2 June 2004

13 WAFarmers media release, *Future of Iraqi market seen as a priority*, June 2 2004

14 Wheat Growers' Association, *Submission 2*, p. 4

15 Wheat Growers' Association, *Submission 2*, p. 4

Government in mid to late May 2004. It is the WGA's view that those decisions lacked proper process and failed to address the interests of the growers ...<sup>16</sup>

4.26 In its submission the GCA stated that:

The policies of the GCA are developed from policy positions of its members and become the policies of the Grains Council as a result of discussion and consultation between the members.

GCA policies represent an agreement by its members to a 'national policy position', reached through consensus or via majority decisions.

The Grains Council has NO policy positions arrived at independently of the policy development process described above.<sup>17</sup>

4.27 The committee notes that all member organisations supported GCA's policy on the Iraqi debt. Only WAFarmers have subsequently opposed the policy, still leaving a majority of the GCA's member organisations that support it. Furthermore, all GCA members agreed upon the ex-gratia payment and EFIC's insurance payout that affected growers had accepted these disbursements as full and final.

4.28 The committee acknowledges that the time available for consultation between the federal government and growers' organisations over the Paris Club agreement was limited. On the evidence available to the committee, there appears to have been little opportunity available for growers' organisations to properly canvass the views of their members on the proposal. The consequence is that growers may not have had sufficient opportunity to communicate their views before their representative organisations were required to support or reject the policy of securing limited repayments through the Paris Club.

4.29 However, as the legal owner of the Iraq wheat debt, EFIC, through the government, was entitled<sup>18</sup> to negotiate repayments from Iraq in the manner it deemed necessary. Government consultation with the wheat industry was a matter of recognising their financial interest in the debt, not an obligation attached to it. The committee is also cognisant that the timing and nature of the Paris Club negotiations may not have allowed for more extensive consultation.

4.30 Further, the GCA may have been able to better consult with growers through its member organisations. The committee again reiterates that the GCA's presence at a public hearing would have been useful to ascertain the exact nature of discussions it had with its affiliate organisations during this period.

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16 Wheat Growers' Association, *Submission 2*, p. 4

17 Grains Council of Australia, *Submission 1*, p. 1

18 This became the case after the legal assignment of the debt in 2004.