

Submission to the Senate Rural and Regional Affairs and Transport Standing Committee Inquiry into the Wheat Export Marketing Bills 2008.

From Ralph H Billing April 4 2008

Introduction

I wish to say at the outset that I am completely opposed to the Wheat Export Marketing Bill 2008 as it appears in the Exposure Draft of March 5 2008. The draft bill is not a marketing bill as it says nothing about how and to whom wheat will be sold. It would be more accurate to call it an export facilitating bill. And as for saying it is a single desk as Minister Burke refers to it in his parliamentary speech at the launch on March 13 that is a joke!

I am one of the 80% + Australian wheat growers who support the continuation of a real single desk marketing system for Australia's bulk wheat exports-a system where Australian wheat is not competing with Australian wheat in the export markets of the world. This system has served Australian farmers and the country well for over 60 years and you only need to hear how the US farmers, their organisations and the US and European multinational grain companies oppose it, to know it is working to our advantage. It is the most important weapon we have against our heavily subsidised competitors.

A Labor government set up the original single desk and they supported it until midway through last years election campaign when there was a sudden reversal to support deregulation. They were obviously lobbied hard by the big end of town- the traders and multi nationals. So much for supporting "working farming families"- the policy backflip was completely against the views of the majority of Australian wheat grower families.

Now Mr Burke and Mr Rudd are claiming a mandate to introduce what amounts to total deregulation- at a time when wheat growers across the country are battling drought, rising interest rates and huge rises in fuel, fertiliser and chemical costs. To add the uncertainty of a completely new marketing environment is the last straw! And to claim a mandate to introduce it is another joke. Of the 16 electorates covering Australia's wheat growing areas only one is held by Labor following the 2007 election with the other 15 being won by non Labor candidates by an average margin of 62.4%.

Comments on the exposure draft

I have read the whole draft (54 pages) and the non technical guide to it. The draft covers the accreditation of exporters and the necessary checks and reporting obligations fairly well. The establishment of Wheat Exports Australia as the accrediting body is also covered well but its role as mentioned in my introduction is far too limited. Some specific comments are-

Definition of a company (page 11 “eligibility for accreditation”) -Does company include co-operatives and what about multinational companies like Cargill which operate in Australia but have their headquarters elsewhere?

Annual reports from each accredited exporter (page 14 “conditions of accreditation”)- The annual export reports and annual compliance reports should contain price information and be available to growers as public documents.

Shortcomings of the exposure draft

1. There is no stated role for WEA to manage exports. If accredited exporters can just market wherever they like into any markets, and with more than one company selling into the same market, it will not be possible to maximise prices for Australian wheat. Even the current export arrangements where the Minister issues permits to companies for tonnage into a specific market is better than what is likely to happen under this bill.
2. Access to rail freight services and up country storage and handling facilities must be protected in the bill in the same way as port access. We are fortunate in our area to have access to three bulk handlers (GrainCorp, ABA and AWB) but many wheatgrowers throughout Australia are limited to only one facility unless the grain is road transported long distances.
3. Because the bill is in effect total deregulation there will be no national pool with its built in risk management as competing exporters will not know how much wheat they can source for forward marketing. With no national pool there will be no buyer of last resort, and no price protection for growers who harvest later in the season. eg by the time southern NSW harvest begins the better markets have been filled by the northern NSW and Queensland growers who harvest up to two months earlier. This is unfair. No national pool will also mean the end of the “Golden rewards” pricing scheme which has been one of the best marketing initiatives of recent years.
4. With multiple sellers and no WEA powers to control the sales program or the quality testing there is a real risk Australia’s undisputed “worlds best” grain quality reputation will be lost. In the bigger picture this could mean far greater losses to growers and the Australian economy than the yet to be proven price increases at the local silo.

What is the answer?

I believe the bill in its present form should be scrapped, the status quo retained with the Minister’s veto power reinstated for the 2008 marketing year, and AWBI allowed to market the bulk of the 2008 crop as they have the 2007 crop. The Chairman of AWBI recently said publicly that all AWBI’s structures, staff etc were in place to enable this to happen.

This will give time for some serious examination of a future marketing system. With the good prospects for this year's harvest everyone will be in a better position to make the best decisions for the whole industry but most importantly the growers- especially the vast majority who are the working farming families who keep Australia's vital rural communities going.

In this context your Committee needs to seriously examine the WEMA marketing plan and I would recommend all Senators should hear a presentation of the plan by the Chairman of WEMA Graham Blight before a vote is taken on the current bill. In my study of the WEMA plan and the exposure draft of the proposed 2008 bill much of the proposed legislation for accrediting exporters and forming Wheat Exports Australia fit neatly into the WEMA plan.

Minister Burke and his advisors have never seriously examined the WEMA plan as evidenced by Mr Burke's comment in the press release following a report on it by DAFF "the Department has now provided me with advice that the proposals are 'fundamentally different' to the Governments policy of increasing competition in the wheat export market." In other words he is determined to push his policy through no matter what.

I am very concerned that if this complete change is made before all its implications and possible alternatives have been thought through, and some case studies done on possible scenarios- if, say, we get a 25 million tonne plus 2008 crop, there will be chaos in the industry and growers will be the main losers.

Thank you for the opportunity to make this submission
Yours sincerley
Ralph H Billing
