

PARLIAMENT OF AUSTRALIA

22 April, 2008.

Committee Secretary  
Senate Rural and Regional Affairs and Transport Committee  
Department of the Senate  
PO Box 6100  
Parliament House  
Canberra ACT 2600

**Re: Inquiry into the Wheat Export Marketing Bill 2008 and Wheat Export Marketing (Repeal and Consequential Amendments) Bill 2008, submission:**

Dear Committee Secretary,

I write today to make a submission, primarily concentrating on the conduct of the aforementioned inquiry. Having read through the transcripts from the first two Canberra hearings and the hearing in Perth, I am deeply concerned with the glaring misunderstanding of all levels of the Australian wheat industry and market structure by those on the Committee, and would like to take this opportunity to detail some of the concerns I have with these misunderstandings

I have also attached a copy of correspondence sent to Minister Burke as an addendum to this submission, which deals directly more with the issues of retention of the single desk.

Yours sincerely,

Kay Hull MP  
**Member for Riverina**

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## Submission to the Senate Inquiry

### Wheat Export Marketing Bill 2008 and Wheat Export Marketing (Repeal and Consequential Amendments) Bill 2008

From the planting of the crop, to that grain being milled on foreign shores, the knowledge base of many of those heading the inquiry beggars belief. The inaptitude with which any form of background knowledge of the industry has been applied to the inquiry has subsequently led me to a point of incomprehensible frustration. Based on the manner in which questioning has occurred and the comments made by some of the Senators, thus manifesting their inherent disregard for the industry and senseless misapprehension for its complex machinations, I have come to the conclusion the legislation has been drafted accordingly: by people who have no idea. Fuelling my ire is the fact several Senators, who purport to represent the concerns of their electorates, have demonstrated an equally fatuous misunderstanding of our current industry and orderly marketing system.

I am of the firm opinion Government policy should be shaped around measures that will benefit the greatest number of people. Admittedly, these policies often involve tough decisions and should not be based purely on populism. From my reading of hundreds of pages of transcripts from the public hearings, however, I have been left in a state of shock. Putting aside the incredulously low level of knowledge some have applied to their questioning, I simply do not understand how the Government has drafted this legislation in the first place, which in its current form, will not benefit the greatest number of wheat growers.

Labor's policy back flip in the last week of the 2007 Federal election came from nowhere. Regardless of the Labor Senator's insistence the 2007 Ralph review findings do not reflect the true sentiments of the growers, it is the closest the industry has come to a nationwide plebiscite on the issue of an orderly marketing system. Agreed, whilst there was never an official poll taken at each of the review meetings, the press coverage at the time following each hearing indicated more than 70% of growers at each meeting wished to retain a single desk. Many were quick to criticise AWB, but the vast majority of growers voiced their support for a grower controlled and owned single desk. Right up until November 12, the Prime Minister's Chief of Staff, Mr. David Epstein indicated Labor's policy on export wheat marketing involved the formation of a new single desk entity.

"I note your comments regarding Labor's proposed single desk arrangements. We are confident that with the appropriate resources, skills and legislative authority the new entity proposed to manage the single desk, Wheat Exports Australia, will ensure the returns to growers are maximised."

Further, Mr. Epstein stated:

"Labor is committed to working with members of WEMA to examine ways in which your organisation can participate in our proposed new framework for export wheat marketing."

Earlier in 2007, Mr. Rudd stated:

“The Australian Labor Party have supported the single desk wheat marketing arrangements for over 65 years since 1939. During that period Labor has been a strong support of the current single desk marketing arrangements and it remains Labor policy that the single desk should remain in place while ever these arrangements have support from the growers and the community as well as delivering a benefit to Australian wheat growers.”

As it has played out, not only has the Government ignored WEMA and the model they had developed on behalf of all major grower representative bodies in Australia, which has had independent business modelling on their plan that was proven to be sustainable, the Government has ignorantly ploughed down the path of deregulation. Industry can not see any reason in the proposed changes, other than to kowtow to the wishes of multi-national companies. These multi-national companies such as Cargill, who have a large stake in Graincorp, would have the inquiry believe they only have the best interests of growers at heart, which in my opinion, is extremely questionable:

**Mr David Ginns (Chief Executive Officer, Grains Policy Institute; and Representative, GrainCorp Operations Ltd)**— Many who support the monopoly... do so under the guise of protecting growers’ interests... The real losers from the monopoly are growers, their families and rural communities... Much has been made of the need to ensure that the new regulatory regime maximises returns to growers. The fundamental misunderstanding with this rhetoric is a belief that the current monopoly does this. It does not... The government’s proposals are not what GrainCorp wants. GrainCorp believes that the removal of all regulation on wheat exports will deliver a more vibrant, diverse and competitive market where wheat growers will have much more market power than they have now.

More competition for purchase of wheat from growers will force marketing costs down and maximise their returns more than any regulation ever will, knowing that regulation increases costs and reduces returns. The Australian wheat industry is poised to ride a new wave of growth as a result of removing the monopoly.

It is this overstated hubris from grain traders that has left growers right across Australia absolutely incensed with anger. Further, groups such as the Pastoralists and Graziers Association, who are not the true representative of the bulk of Western Australian growers, as the WAFF has made very clear, have somehow managed to gain resonance amongst national press and Liberal and Labor Senators. Mr. Philip Gardiner, committee member of the Wheat Growers Association Inc., during the Western Australia hearing stated:

“I do not know what new information came to the fore after 2007 that could have caused Mr Rudd to do that. I am not aware of any, and I am reasonably close to this. From an industry point of view, I do not know what it was economically or commercially that caused a change in policy.”

I firmly believe this to be truly reflective of the sentiments of the majority of growers Australia wide.

Mr. Rudd could not have been any clearer on Labor’s position when he stated in correspondence to growers throughout 2007 that “it remains Labor policy that the single desk should remain in place while ever these arrangements have support from the growers and the community.” In turn, Labor has systematically shut growers out of any chance to involve themselves in the

legislative process and ignored their every plea. Far from consulting the 70% of growers who support an orderly marketing system, Mr. Tony Burke appointed a representative to the Wheat Industry Export Group, who is Deputy Chairman of the very company screaming for further deregulation than that currently drafted by Labor!

Growers feel as though the whole process has been rushed without due thought to the consequences of the introduction of this legislation. Technically, yes, Labor have “consulted” them during the inquiry hearings, but have ignored growers to this date in drafting the legislation. The Government has presented it to the growers, and then asked what is wrong with it, knowing full well it will not be changed. As Mr. Bob Iffla made very clear during the Western Australian hearing:

**Mr Iffla**—The consultation has really been: ‘This is the draft legislation. Can you see any problems with it? We will only be able to tweak this a little bit maybe.’ That is the sort of language we have been told. We had nothing to do with setting it up in the first place.

Despite Senator O’Brien’s insistence the process has been consultative:

**Senator O’BRIEN**—So there is a consultation process directly with the government as well as the process of this committee.

It is absolutely ridiculous to suggest the process has canvassed the wishes of growers Australia wide, as Mr. Iffla demonstrated.

My reading of Senator O’Brien’s comments and treatment of Mr. Bob Iffla, chairman of the Wheat Growers Association, during the Perth hearing borders on disgust. It is absolutely unbelievable Senator O’Brien could harass Mr. Iffla several times on the relevance of business modelling on the new legislation. It is perfectly reasonable of the industry to ask the Government introducing this legislation as to whether they have done any modelling as to what the effects of a new marketing system will be on growers and communities. Why would a Government introduce legislation for which they have not calculated the supposed benefits? Why change legislation unless the Government was fully confident the new policy would bring benefit to the greatest number of people? I have attached the following transcript from the Perth hearing to reiterate my point.

**Senator O’BRIEN**—What is the relevance of the concern about a business plan? Do you understand the legislation is setting up an entity to market wheat?

**Mr Iffla**—We certainly do.

**Senator O’BRIEN**—What is the entity that is going to market the wheat then?

**Mr Wells**—The association has no appreciation that this organisation is being established to market wheat.

**Senator O’BRIEN**—Well, no. I am wondering about the relevance of the concern about a business plan. As I understand it, the legislation is not setting up a business to market wheat. It is setting up a regulator and proposing to accredit businesses. Can you explain to me the relevance of your concern about the lack of a business plan, as you put it, in relation to the legislation?

**Mr Gardiner**—Yes. Firstly, Senator O’Brien, there is no objective in this legislation about what the end game is for the industry. What we are talking about here is the wheat industry. We accept there is no entity, so there is no objective in the legislation—which is unusual. Secondly, none of us have seen any analysis by the government of what benefits the changes which are envisaged in this legislation are going to bring to the industry. We all heard about the Cole inquiry into AWB Ltd. We all know that the—

**Senator O'BRIEN**—But before you come to that—and you will have ample opportunity to address those things—a specific point was made in your opening that your organisation was concerned that there was no business plan. I want to be clear what the relevance of that point is to the aim of the legislation, which is clearly to set up a regulator and to allow businesses to be accredited to export.

**Mr Gardiner**—You are correct: the term 'business plan' that Mr Iffla used is normally used for a business or a corporation. We do not mean that in this sense here. What we mean is, in the macro sense, a business plan for the industry, because this is a structural change that will affect the business of wheat export for the industry. Do you understand what I mean now? Does that help?

In fact, a similar question was asked of Mr. Woods, acting CEO of the Export Wheat Commission, in budget estimates on 18 February, 2008, by Senator Ron Boswell:

**Senator BOSWELL**—There is every prospect if this rain continues that we are going to get a reasonably good crop this year. There is a lot of moisture in the ground at the moment. We are now going on a brave new adventure of deregulation. Have you done any work or any research studies or modelling on the effects of all this wheat hitting the market at one time?

**Mr Woods**—No, we have not.

**Senator BOSWELL**—If we are going to deregulate the wheat industry, and the government has made that decision, it is going to be all hands on deck to get that wheat out at the earliest possible time, because what will happen is the wheat in Queensland will come on and they will get a good price for that and, as it works its way down into Victoria, the prices may go anywhere. There is a great concern out there that, if the wheat comes off quickly and it all goes to the ports at one time, there will be confusion. I would have thought that the department would have advised the minister of the problems that could happen.

I am quite literally at a loss as to the aggressive nature of Senator O'Brien's questioning of a perfectly reasonable question. I am equally lost as to why the Government intends to initiate legislation that has not had any modelling tested on the very system they are proposing. The Government is literally putting the lives of tens of thousands of farming families and entire rural communities in the hands of multinational grain traders, and on whose advice? Further to this, on what information that it will be in grower's best interests?

It is my belief, and the belief of many in the industry, the new legislation will slowly corporatise farming. Applying free market principles the bigger players will have more power in the market. The potential flow on effect this may have on the environment and smaller communities will be devastating, and I find it bewildering Senator O'Brien and the Labor Government who have conducted and ordered reviews and enquiries in mass proportions since entering office, have no objective business modelling or social impact analysis to substantiate the changes.

I would like the committee therefore to address this issue, and to look at why they have framed the legislation in its current format. If no modelling has been done on where, how and when this will benefit wheat growers, why on earth is the Government progressing down the irreversible path of deregulation?

Central to the entire flawed nature of this inquiry has been the slavish adherence of some Committee members to the mentality that because they believe the AWB has done the wrong thing, the single desk is wrong. This transitive reasoning into the value of an orderly export marketing system is clouding not only the rhetoric of those involved in the inquiry, but the ability of the committee to recognise the benefits an

orderly marketing system has provided. Mr. Philip Gollasch of Milbrulong, NSW, summed it up well in saying:

“Let me say from the outset that we are not here to defend AWB for their actions in Iraq but we do intend to oppose, in the strongest possible manner, the abolition of the export monopoly and the single desk marketing system and the consequential demise of the national pool.”

Further to this, I think it is absolutely astounding the one man who should have a sound and tested background knowledge, the chair of the committee Senator Sterle, charged with overseeing the very inquiry that has the potential to irretrievably decimate the livelihoods of our wheat growers, did not understand the importance of the difference between AWBI and AWB Ltd.

**Senator CORMANN**—I have a letter here from AWB which says:

AWB believes the draft legislation provides the grains industry with clarity about the wheat export marketing arrangements to be put in place for the next harvest starting in late 2008.

**Mr Wells**—Is that AWB Ltd?

**Senator CORMANN**—It is AWB Ltd.

**Mr Wells**—I would be interested to know the views of the board of AWB International on that point.

**CHAIR (Senator Sterle)**—Same farm, different paddock.

**Mr Wells**—Those organisations have two different charters.

**CHAIR (Senator Sterle)**—Same farm, different paddock, I think. I will now wrap up with Senator Siewert.

Shortly after, during the same hearing in Western Australia, the readings of the transcript of Senator Cormann left me with the view the Senator was not able to differentiate between ‘A’ and ‘B’ class shareholders of AWB:

**Senator CORMANN**—Is it fair to say that most of your members are AWB A-class shareholders still today?

**Mr Iffla**—Yes.

**Senator CORMANN**—Would you agree that the interests of AWB A-class shareholders are not always consistent with the best interests of growers?

**Mr Iffla**—I would say most of the time, yes, for sure.

**Senator CORMANN**—So most of the time they are not consistent?

**Mr Iffla**—Sorry, can you ask that question again?

**Senator CORMANN**—Would you agree—

**Mr Wells**—They are one and the same.

**Senator CORMANN**—You think they are one and the same?

**Mr Wells**—Yes.

**Senator CORMANN**—We have had some evidence today—

**Mr Wells**—Can I clarify that. You have to be an active wheat grower to be an A-class shareholder.

**Senator CORMANN**—I understand that. But you can have a separate interest as a shareholder wanting to receive a maximum shareholder return.

**Mr Wells**—I think you are confusing A-class shareholder with B-class shareholder structure.

**Senator CORMANN**—Okay, fair enough.

**Mr. Wells**— ... So I think you need to be very conscious of who speaks about what, and what drives them, and where their interests truly come from.

This type of misunderstanding is undermining the whole inquiry process. How is it possible to not know the relationship between A-Class shareholders and AWBI, and that to be an A-class shareholder you have to be a grower?! It is disappointing to think a Senator in questioning Mr. Wells would not comprehend the connection and the

interests an A-class shareholder, who is therefore by way of reasoning also a grower, would have to maximise returns to those shareholders, and in the process confusing wholly the findings of the Cole commission.

I do appreciate the fact there are those both in the parliament and in the public arena who are disgruntled about the past actions of AWB and the manner in which wheat was sold to Iraq. AWBLtd did not act in the best interests of its suppliers, nor in the best interests of Australia. We must be very clear to highlight the distinction, however, between AWB and a new grower controlled and owned entity, which could still be the model legislated and was presented by the Wheat Export Marketing Alliance to Minister Burke.

From my reading of the hearings thus far, it would seem the findings of the Cole commission are clouding the entire issue. Mr Peter Wells made this point known during the Western Australian hearing:

**Mr Wells**—I do not believe that today's meeting has really needed to go over old ground—what the Cole commission did. We are here trying to do a presentation about the draft exposure legislation we have been asked to comment on. We have been asked to comment about the direction that the government wishes to take the industry. I do not see a lot of benefit from my perspective in going back—

Whether the (new) designated company was or was not aligned with AWB, it was a company being put in place to make sure that the spirit and intention of the legislation, reflected in the current act, could be implemented.”

In reading the transcripts of the hearings, I am of the view the overwhelming majority of growers giving evidence at the hearings have indicated their desire for a single desk, backed up with strong evidence from WGA, NSWG, VFF and WAFF, truly representing growers. There have been significant attempts, however, by members of the committee to sidetrack and undermine the witnesses with unrelated issues. As an example, Mr. Broad, giving evidence on 26 March in Canberra, in his opening statement was speaking about smaller producers' ability to compete with larger producers, and whether larger parcels of grain might be given a premium in the market place. This is a very real and warranted concern. Mr. Broad was then interrupted by Senator Heffernan, who also cut across Senator Nash, and began aggressively commenting about the Geneva desk – a completely unrelated issue! Senator Heffernan then continued his line of questioning the following day, justifying his outbursts forthwith:

**Senator HEFFERNAN**—That was only a bit of a tickle-up yesterday.

Senator Joyce quite rightly interjected, stating:

**Senator JOYCE**—This is a red herring.

Indeed, Senator Heffernan raised Geneva on no less than on seven occasions! It is this type of predetermined opinion that has permeated the whole inquiry and clouded the very issues growers have attempted to raise. I am profoundly distressed this preordained determination has been applied by members of the committee, and the impact this seems to have had not only in the framing of the draft legislation, but also on the disposition of the whole inquiry. AWB's past actions must be taken out of the

equation, and evidence on the merits of a completely new grower controlled and owned company, as mooted by WEMA, must be taken into consideration on its own grounds.

Another representation of the obvious lack of understanding of the industry was demonstrated on the issue of on-farm storage:

**Senator IAN MACDONALD**—Just to educate me, what is the round figure cost of constructing a silo?

**Mr Ginns**—Which type of silo, Senator?

**Senator IAN MACDONALD**—All types of silos.

The point has been raised, particularly by representatives of grain traders, and adhered to continuously by Senator Adams that farmers could choose to simply store grain on farm, thus allowing them more flexibility in their grain marketing. Mr. Philip Gollasch explained the realities of this situation succinctly, however, to refute the inadequacies of this:

“The earlier group mentioned on-farm grain storage a lot. That is something that can only be achieved by large-scale or corporate-driven farming. If I put up grain storages to store all my harvest, I am not going to get paid for any of it until somebody buys it from me. And what you have to understand is that once I put all that wheat, whatever grade it might be—some of it will be very good prime hard wheat and some of it will be general purpose stockfeed wheat—into one silo on my property, it all becomes feed wheat. That means it is basically only suitable for the intensive stockfeed industry, because I cannot segregate it back out again. It is in the bin, the bunker or whatever I build.”

Senator Macdonald went on to suggest farmers might simply get together and build their own silos.

**Senator IAN MACDONALD**—Okay. My question was: if you have got silos that you have locked down—for whatever reasons your company wants to lock them down, right or wrong— what is the prospect of a group of farmers in a locality building their own silo?

Members of the committee seem to have no understanding of the grading of wheat, the costs to run a silo, the logistics of moving grain away from receival centres, the infrastructure set up costs, and grain hygiene? Senator Adams suggests:

**Senator Adams** - so now most people are road training and storing a lot more on farm—they have it all there with field bins or with storage bags.

I can quite conclusively say “most people” do not have “all” their grain stored on farm in storage bags and field bins! Mr. Alick Osborne of Australian Grain Exporters Association, in relation to on-farm storage asserts:

“If people do not like that bid in the market, they can choose to wait until circumstances better fit their operation.”

Unfortunately, farmers do not have that luxury, which Mr. Osborne earlier recognised. They have bills to pay, and the tremendous outlay required to sow a crop, including diesel, chemical, and fertiliser, demands grain must be sold, often expeditiously. The idea farmers could store all their grain on farm is simply not



practicable. They have no ability to grade the grain to a commercial standard including protein tests and screenings. Senator Heffernan suggests we build 100 ton silos and “go into town to get it tested.” I would ask the question, who has that money, infrastructure, labour capabilities and time? It is a fact once grain is put into silos, you cannot segregate it back to maximise profit. On farm storage in forms of bunkers face issues of contamination, which in turn could effect our international reputation of premium quality wheat. Whilst there is a case for growers to store a percentage of their grain on-farm, it is not practical to believe they could store the greater part of their crop.

I would also like to refer to comments made by Senator Adams regarding the deregulation of bags and containers. Senator Adams’ argument is inherently flawed because of the minimal supply during last harvest. Current premiums in any market do not reflect a normal year, where oversupply is countered by the ability of a single marketer to carry wheat over to the next year. Mr. Iffla outlined the benefits of this ability of AWB to carry wheat and the impact multiple sellers will have on a market where they will attempt to sell wheat quickly:

**Mr Iffla**—You have Australian wheat competing with Australian wheat. I will put it to you the other way around. When you are buying things, you obviously want a lot of different places to go to shop around and get it cheaper. That is what you do. If you had only Coles in Australia and no one else, you would have to pay a lot more. We would rather have a single desk where we, as growers, make some money. If you have a look at how much wheat growers make across this nation, you will find that the return on capital is very small. It will not increase by having multiple sellers.

**Senator ADAMS**—Why will it not?

**Mr Iffla**—Because that would compete it down. When there is only a limited amount of grain to be sold in a market, where there is oversupply, how are you going to sell the grain? If you are a marketer and I am a marketer, are we going to push the price up or am I going to undercut you a bit?

I cannot see that multiple pools will be competitive. A pool will only be competing with cash bids until they have satisfied a particular market, not accumulating the grain and then selling it to different markets over a longer period of time in years of oversupply. Mr. Philip Gollasch summates his take on this situation well:

“AWB’s role was completely different. They had to buy my grain if I wanted to sell it. AWB’s role was to accumulate the grain and find a market for it. The other traders’ role is to find a market and then go out and buy the grain to fill that market, and that is how those traders will work.”

The variability of the Australian wheat industry is paramount to this whole debate. Senator Adams likens the benefits of a deregulated wheat market to the deregulated lamb industry, which is trying to compare apples with oranges. The fundamental difference between the two is that our lamb industry is regulated by demand, and our wheat industry is regulated by supply. Whilst it may be more expensive to turn over lambs in seasons where feed in the form of grain or hay is more expensive, it is a fact the market can guarantee the supply of lambs. During times of greater demand such as Christmas and New Year buyers will be competitive.

Wheat on the other hand is an extremely variable commodity, for which Australia cannot guarantee supply. One year there may be 25 million tonnes in the market

place, and the next season there may be 6 million tonnes. This creates a situation where in years of undersupply, the grower stands to have power in the marketplace, if they can supply to that market. Conversely, in years of oversupply, the grower loses that power.

Senator Hurley questioned Mr. Alick Osborne on the fact barley prices dropped following deregulation. Mr. Osborne's reasoning was simply that Australian barley prices reflected the world market. It is my firm belief, however, a national pool can weather these storms by carrying grain over from year to year. There is no incentive to simply sell to satisfy shareholders in the short term. The Pool would be sold over 18 months and returns could be held until a later date. Further to this, Mr. Alan Malcolm from Victoria made the following remarks:

**Mr Malcolm**—Just as a point of interest, when the barley market was deregulated we had an instance in Western Australia where three companies—CBH, Brooks and Elders—were each given, from memory, permits to sell 100,000 tonnes on the international market. They claimed that the existing ABB system was not servicing certain markets. They went out to the markets, but they went to markets that had already been serviced by ABB and offered the grain at US\$15 a tonne lower than what we had already achieved. This was the first example we had of permits, and probably the last they gave before the Iraq permits, and it made us realise just so much more how important it was to have a single seller as against these competitors who would drive the price down simply to get a foot in the market. Senator, we are trying to point out to you that competition in the international market, unless you have got a very special market or some very special grain, invariably drives the price down.

One of the great benefits of the current orderly marketing system was for the AWB to carry that oversupply, and short term losses would be offset in the longer term by supplying a market where the Northern Hemisphere might be in short supply. As Senator Joyce puts it, “the philosophy of removing the bargaining power of the weak in favour of the strong, I thought, would be an anathema to the philosophy of the Labor Party; at least it was when they were talking about AWA's at the last election.”

One of the key issues raised has been the future grading of Australian wheat. The Golden Rewards scheme introduced by the AWB, encourages growers to produce, incrementally, better wheat. Before the season begins, growers can confidently justify the application of larger volumes of fertiliser or chemical, knowing there is an incremental reward at the end of the season. All grain markets in Australia rely on AWB's grading system. Theoretically, multiple grain traders would have multiple grading systems, stripping growers of the confidence to apply set rates of fertiliser and chemical. A particular exporter might find a niche market one year at a substantial premium for high quality, prime hard 14% protein wheat, but it may only be by chance growers have wheat to satisfy that market if the year before there was a strong market for 11-12% softer type wheat.

Mr. Lance Drum of Temora, NSW, when questioned by Senator Macdonald gave this response:

**Senator IAN MACDONALD**—Mr Drum Jr, you mentioned export marketing in Australia does well out of its four per cent of the world market. Is it correct that Australian wheat is sold at a premium because it is better?

**Mr L Drum**—It is sold at a premium. As I tried to explain in my short statement, we have a collective marketing agreement, and our wheat is all pooled. That means that we bring our grain to the silos or to the grain delivery site—to every receival site in Australia, whether it be AWB or GrainCorp or whoever is the receiver of the grain at the time—and they grade it. Originally all

GrainCorp's job was to receive, store and handle grain. We talk about them—or AWB—in that context.

That happens right across Australia. We have a grading system known as Golden Rewards. Basically, you are paid in increments depending on protein and moisture, so you are rewarded for the quality of your grain. Because we were able to have that in one collective agreement right across Australia, when a buyer from any particular country came forward wanting to purchase a certain line of grain, through the AWB we were able to fulfil those contracts at the quantity and quality that they desired. We had the ability to pull that grain from right across Australia as one set-up. That is why it was envied by countries, such as America, who do not have that organised system.

Removing an orderly marketing system has the potential to remove a grading system that is the envy of the global market. It is a fact, Australia produces 4% of the world's volume of grain, but equates for 15% of the world export market. Our grading system is one of the many reasons we are a powerful player on the world market, and I would ask the committee to consider the benefits of a standardised grading system.

The effect the National Pool has had on the price of domestic wheat is also an important issue that has been raised during the inquiry. The Pool creates a floor in the domestic market, because domestic buyers would have to beat the current pool price by at least \$1 if they are serious about acquiring wheat. A farmer would deliver his wheat to the silo, and if seeking a cash payment has the potential to consult the daily price list and choose the strongest buyer. If the EPR is substantially greater than this, wheat would be put into the pool.

The problem with the domestic market is that it is satisfied very quickly. In a year of oversupply with a big harvest moving from Queensland down to Victoria, the domestic market could be satisfied before the harvest gets halfway through New South Wales.

Mr. Malcolm, a grower from Victoria who also has extensive industry marketing experience through a former position of a director of ABB grain, pointedly raised the following:

**Senator NASH**—Thank you, Chair. Gentlemen, one of the issues that has been raised today is the issue of buyer of last resort. Coupled with that is the issue that was raised earlier about the north-to-south flow—the flow of grain buying that begins in the north and then heads south—in a deregulated market. The comment was made that by the time it gets down towards southern New South Wales and even further south, there may well be no buyers left. From your perspective as Victorians, would you like to comment on how important that 'buyer of last resort' capacity is, given that geographical flow?  
**Mr Malcolm**—I can comment on the geographical set of Victoria—on the domestic market, for a start. The harvest in Victoria starts in the north, near Mildura, and progresses by a week to about a fortnight into the Southern Mallee, the Wimmera and the Western District. It is quite common for a group of buyers—Elders, Brooks and so on—to buy up in the middle if there is a good harvest and good quality grain there. By the time the harvest gets to about Horsham, at Christmas time, very often some of them have pulled out of the market.

Usually, by the time they get to Lake Bolac, in mid-January, which is the last area of Victoria to be harvested, it is quite common for there to be only one buyer left in the market. In the case of barley, ABB was the only buyer left in the market. A lot of the traders such as Elders and Brooks have limited financial abilities because they are on back-to-back sales or have strict quotas that they have to buy. This is certainly a factor, Senator Joyce; you are quite right. This is domestic wheat in Victoria, but if you magnify that to the national scene, where in the past you had a single desk operation that controlled the grain over a longer period of time, the big problem with this deregulated system is that everybody wants to get their grain into the system and out of the country as quickly as they can so that they are not

paying storage charges and all the rest of it when it gets shipped. Neil Simpson mentioned this in his talk about the logistical problems. This is a very real problem that you have brought up.

Mr. Alick Osborne, Australian Grain Exporters Association, stated that the Estimated Pool Return was often low, and in turn, domestic prices were artificially lower than need be. Mr. Osborne maintains deregulation will offer clearer market signals. Deregulation may very well offer clear market signals at the beginning of harvest in early November in Northern N.S.W when there is strong demand, however, what happens once the domestic market is satisfied? The price will be artificially lower because there is no mechanism to keep it high. Couple this with the likelihood traders will take the highest protein wheat, where they stand to make the most profits, to export, and then buy an oversupply of undervalued domestic wheat and profit artificially from it, with no increased returns to growers.

In conclusion, I would like to reiterate my anger and frustration at the obvious rudimentary understanding of the industry the Senators have applied to this inquiry, and to voice my concern over the manner in which the Government has framed this draft legislation. The growers have been betrayed by the lack of due diligence by the Government, and by the fact this Government continues to ignore the grower's desire to maintain an orderly marketing system. I am quite honestly distressed on behalf of the growers in my electorate of Riverina, the Australian wheat industry could find itself in 3 months time having to contend with greedy multi-national companies with one interest at hand – profit for shareholders, at the expense of the growers I represent. History will judge this entire legislative process as farcical at best, and it will be a great blight on the very social fabric that has built this great nation.

To see the obvious intentions and views of the majority of Australian wheat growers ignored and, in fact, deliberately manipulated by the Government, is an absolute travesty of justice. To relegate the grower into the weakest of positions and to remove all their bargaining power in favour of rich, multi-national monopolies simply highlights how truly false the Labor Government policies are.



PARLIAMENT OF AUSTRALIA

20 March, 2008.

The Hon. Tony Burke MP  
Minister for Agriculture, Fisheries and Forestry  
PO BOX 6022  
Parliament House  
CANBERRA ACT 2600

Dear Minister,

Following your response to the Member for Wakefield's question today, I wished to write to you personally to once again voice my support for a grower controlled and grower owned 'single desk' wheat marketing arrangement.

I acknowledge and appreciate your offer for an individual briefing on the draft legislation. I have acquainted myself thoroughly with the drafting, but would like to take this opportunity, once again, to firmly put forward the voice of 95% of wheat growers in my electorate and up to 80% of growers nationwide that the deregulation of the wheat industry is not in the best interests of our farmers.

I have written quite emotively to you several times this year, imploring you to listen to the majority of our growers and their wishes to maintain a grower controlled and grower owned regulated marketing system. I write to you today, politics aside, personal opinions aside, and rogue voices in the media aside, to charge you with the responsibility of delivering to those who will be affected by this legislation, of moving back to Labor's policy of 2007 of a regulated marketing system for Australian wheat.

The Ralph Review of 2007, which remains the closest we can get to a plebiscite on this issue, conclusively found the majority of growers wished to formulate a new single desk arrangement. Preposterous statements have been flung about by lobbyists, multi-national companies, and politicians alike that simply do not represent the best interests of growers.

*Kay Hull MP*

**THE NATIONALS**

CHIEF WHIP  
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The decision process to this date has been influenced by a small but very powerful minority who do not have the best interests of the growers at hand. This small group of multinational grain traders, whose level of vocality represents the money they stand to make, will never act in the best interest of growers – they will only act in the best interest of their shareholders.

It is simply remarkable and undeniably infuriating to receive articles in the mail from groups such as the *Institute of Public Affairs*, lobbying stakeholders. In a document titled The Politics of Wheat, (March, 2008) the *Institute* made an outrageous statement that “an indication of the true views of farmers can be gleaned from the very poor response by wheat growers to a request for money from WEMA to start a new farmer controlled organisation to hold the single desk licence.” To be quite frank, if it is not insulting enough to farmers to contend with the harsh realities of seven years of drought, to have a statement such as this bandied about the marketplace is downright disrespectful.

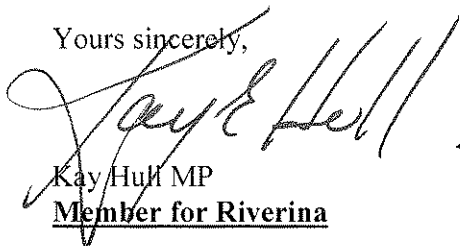
Our farmers, 4 of whom are committing suicide a week, have been dragged through high hell simply trying to feed their families, let alone contend with new legislation that has the potential to ruin their livelihood once and for all. After seven years of drought and a change of government, coupled with broken promises from Labor, they have had enough. I sincerely doubt the Government is really listening to the wishes of the average wheat grower, and it is the stern belief of my electorate that the deregulation of the wheat industry will spell the end of Australian wheat farming as we currently know it.

In previous correspondence I have brought to your attention the issues surrounding deregulation, including quality assurance, logistical movement of grain to ports, buyer of last resort, and legislation that ensures returns are maximised for growers. In light of this, whilst the draft legislation stipulates how it will “protect” growers on issues such as access to ports, and properly ascertaining the appropriate economic credentials of a trade applicant, it does not legislate maximised returns or ensure our wheat will be bought in years where our variable climate produces varied grades.

Minister, I once again, personally beseech you to simply listen to those who will be irreversibly affected by this decision to deregulate. WEMA has a model in place with strong economic credentials that can still be enacted. It will not be seen as a policy back flip on the Government’s behalf, it will simply be seen as sensible decision making.

In my strongest determination, if the Government wishes to speak of mandates, there is no stronger mandate than to keep our wheat industry regulated.

Yours sincerely,



Kay Hull MP  
**Member for Riverina**

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