



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

## SENATE

STANDING COMMITTEE ON RURAL AND REGIONAL AFFAIRS  
AND TRANSPORT

**Reference: Wheat Export Marketing Bill 2008 and Wheat Export Marketing (Repeal and Consequential Amendments) Bill 2008 [Exposure drafts]**

WEDNESDAY, 26 MARCH 2008

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**SENATE STANDING COMMITTEE ON  
RURAL AND REGIONAL AFFAIRS AND TRANSPORT  
Wednesday, 26 March 2008**

**Members:** Senator Sterle (*Chair*), Senator Siewert (*Deputy Chair*), Senators Heffernan, Hurley, Hutchins, McGauran, Nash and O'Brien

**Participating members:** Senators Abetz, Adams, Allison, Barnett, Bernardi, Birmingham, Bishop, Boswell, Boyce, Brandis, Bob Brown, Carol Brown, Bushby, Campbell, Chapman, Colbeck, Coonan, Cormann, Crossin, Eggleston, Ellison, Fielding, Fierravanti-Wells, Fifield, Fisher, Forshaw, Hogg, Humphries, Johnston, Joyce, Kemp, Kirk, Lightfoot, Lundy, Ian Macdonald, Sandy Macdonald, McEwen, McLucas, Marshall, Mason, Milne, Minchin, Moore, Nettle, Parry, Patterson, Payne, Polley, Ray, Ronaldson, Scullion, Stephens, Troeth, Trood, Watson, Webber and Wortley

**Senators in attendance:** Senators Adams, Brandis, Fielding, Fisher, Heffernan, Hurley, Hutchins, Joyce, Ian Macdonald, McGauran, Nash, O'Brien, Siewert and Sterle.

**Terms of reference for the inquiry:**

To inquire into and report on:

Wheat Export Marketing Bill 2008 and Wheat Export Marketing (Repeal and Consequential Amendments) Bill 2008 [Exposure drafts]

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**Committee met at 9.04 am**

**CHAIR (Senator Sterle)**—I declare open this public hearing of the Senate Standing Committee on Rural and Regional Affairs and Transport. The committee is hearing evidence on the committee's inquiry into the Wheat Export Marketing Bill 2008 and a related bill. I welcome you all here today. This is a public hearing, and a *Hansard* transcript of the proceedings is being made.

Before the committee starts taking evidence, I remind all witnesses that in giving evidence to the committee they are protected by parliamentary privilege. It is unlawful for anyone to threaten or disadvantage a witness on account of evidence given to the committee, and such action may be treated by the Senate as a contempt. It is also a contempt to give false or misleading evidence to a committee.

The committee prefers all evidence to be given in public but, under the Senate's resolution, witnesses have the right to request to be heard in private session. It is important that witnesses give the committee notice if they intend to ask to give evidence in camera. If a witness objects to answering a question, the witness should state the ground upon which the objection is taken, and the committee will determine whether it will insist on an answer, having regard to the ground which is claimed. If the committee determines to insist on an answer, a witness may request that the answer be given in camera. Such a request may, of course, also be made at any other time.

Finally, on behalf of the committee, I would like to thank all of those who have made submissions and sent representatives here today for their cooperation in this inquiry.

[9.05 am]

**WOODS, Mr Peter Weston, Acting Chief Executive Officer, Export Wheat Commission**

**CHAIR**—I welcome the representative from the Export Wheat Commission. Mr Woods, I invite you to make a brief opening statement and then the committee will ask questions.

**Mr Woods**—Thank you. I do not have an opening statement.

**CHAIR**—Thank you, Mr Woods. We will go to questions.

**Senator ADAMS**—Firstly, I would like to ask you about the transitional stages with the move from the Wheat Export Commission to Wheat Exports Australia as an organisation. How you are going to manage the transitional stages?

**Mr Woods**—The wheat amendment bill and the transitional bill allow us to do all things necessary to start moving towards Wheat Exports Australia and developing a bulk accreditation scheme for exporters to be able to apply to Wheat Exports Australia once the legislation has been passed through parliament and has received royal assent. Our commissioners will then make the scheme. We will be able to start receiving applications once that has all happened.

**Senator ADAMS**—Back in history a little bit, in the time of the Wheat Export Authority, it was considered that the powers the Wheat Export Authority had to investigate problems—using AWB as an example—were not strong enough. There was a lot of criticism of the Wheat Export Authority as a ‘toothless tiger’ because you did not have the powers to be able to investigate what was happening. With the Wheat Export Commission, the powers have slightly strengthened. With the bill, do you see that the powers to investigate problems will be strong enough? What would be the process with accreditation as to how you could deal with an incident such as we have had?

**Mr Woods**—There are two issues there for me. One issue is regarding our powers. That is a matter of policy. That is something that you would have to put to the minister or DAFF. As the Export Wheat Commission, we have nothing to do with writing policy; we only implement what is there. Because of that, if our powers, as you said, appear to have been on the lighter side, then that is how we have to implement them. On the current powers, I would ask you to put that question to DAFF or the minister.

On the accreditation scheme, the bill is very clear that we are supposed to accredit bulk exporters. Our understanding of the way section 11 of that particular bill is written is that it will not be a guarantee to anyone in any way, shape or form that a company in the future will not fall over. It will be our estimation, given the material that we will be asking for. We have not yet considered all of that, because the exposure draft has only been there for two weeks. We are still working through that process, and the commissioners have not met to consider the full development of the scheme yet.

**Senator ADAMS**—This is a related issue. In your *Growers report* of 2007, on page 14, where it deals with chartering—and this was AWB—it describes the cost to growers or what came out of the growers pool for demurrage. This really is of concern to me, especially as I am from Western Australia, because it has been estimated through the sample that you took



that growers in Western Australia are owed something like \$200 million. Would you be able to explain how that process worked, the way you undertook it? And would this be a problem for Wheat Exports Australia in terms of how they are going to check on an example like that?

**Mr Woods**—There are two issues there in our *Growers report* under the area called chartering. One is demurrage and the other one is actual chartering, which is freight rates. The Export Wheat Commission undertook a review of AWB Chartering contracts. There were some 733 contracts. We took a random sample of 40. For 39 of those we were satisfied with the freight rates on them; they were accurate. We actually used those 39 to go out to industry, not providing them with any confidential information but giving them the dates of shipments in the past, the actual tonnages, the pick-up ports and the delivery ports, and we got industry rates for those chartering freight rates that AWB Chartering had provided to AWB International. Our analysis showed that, in retrospect, if AWB International had gone to the market they would have been \$14 million better off by going to the market than by having AWB Chartering do the business for them. I would not like to equate that to the whole 733 shipments because we would need to look at the whole lot. It was not a representative sample that we did; it was a random sample of 40 shipments.

On the demurrage issue in Western Australia, when we were looking at this particular contract review we formed a view that demurrage appeared more in Western Australia compared to the other states. We investigated that further and asked further questions of AWB International regarding demurrage for, I think, a three-year period for every state in Australia, broken down by state, so that we could see what was actually happening. Then we compared that to average exports leaving every state over a five-year period. By far, demurrage, percentage wise, is in excess for wheat shipments from Western Australia.

**Senator ADAMS**—With the new legislation, what powers would there be for Wheat Exports Australia to investigate a situation like this?

**Mr Woods**—The minister has powers to ask us to carry out investigations. As far as I understand the bill, we will not be writing a performance monitoring and growers report in the same vein that we are at the moment. It will be a report on how the export system is working in whole, not on what individual exporters are doing. We will not, in my understanding, be doing 20, 30, 50 AWB type reports.

**Senator ADAMS**—So could an issue like this be pushed under the carpet, or is there some way that we would be able to find out, as a government, what is going on in the industry?

**Mr Woods**—My understanding is that there are access agreements in place or there will be access agreements in place under the new bill for bulk handlers and those sorts of things. I understand that there is transparency in those sorts of issues. But as to that particular incident, I would not like to comment on how we could look at that in the future.

**Senator ADAMS**—So, with the minister's directive powers, the minister could actually set up an inquiry into an issue like this?

**Mr Woods**—The minister has those powers at the moment, and has had them since the amendments in June last year. Those powers for the minister to ask Wheat Exports Australia to undergo investigations are in the exposure draft of the bill.

**Senator McGAURAN**—Will you, Mr Woods, be in Wheat Exports Australia? Do you know if you will be appointed?

**Mr Woods**—My understanding is that the staff of the Export Wheat Commission will roll across to Wheat Exports Australia.

**Senator SIEWERT**—I just want to follow on from the question Senator Adams was asking about accreditation. My understanding of the process is that the Export Wheat Commission starts developing the accreditation process, and then that gets handed over once this bill leads to Wheat Exports Australia coming into being. Is that a correct understanding of the process?

**Mr Woods**—Yes. My understanding is that the Export Wheat Commission can do all things necessary to move towards a smooth transition to Wheat Exports Australia, which includes formulating a bulk accreditation scheme and having the correct forms in place. We are starting to do that at this stage. We cannot make the scheme—which is a legislative instrument—until after royal assent.

**Senator SIEWERT**—So that actual transition period is going to be critical to the timing of when this bill goes through. If I understood what you just said properly, you cannot actually start doing that process until this bill goes through.

**Mr Woods**—Until there is royal assent.

**Senator SIEWERT**—How do you envisage the process being different from what you are doing now?

**Mr Woods**—We have not yet started to formulate the scheme. Last week we held consultation meetings with a wide range of industry groups to try and get some understanding of what they thought the legislation meant we would be doing and to start to work towards this. We have not had an opportunity to sit down and have a debriefing after that because Easter was sitting in the middle and we did not finish those consultations till late on Thursday. We are working through that at the moment, but we will formulate a scheme based largely on reading the wheat marketing bill. Exporters will have to apply for accreditation under the scheme, and we will be developing a range of criteria to assess those exporters on.

**Senator SIEWERT**—There is a set of broad criteria that are described in the bill and that should be considered. Are those things already being considered with the process that is in place now?

**Mr Woods**—The process that we had for accreditation of container and bag exporters prior to 1 October is different to that process. The process that we currently do for bulk applications is different to that process. Under our current guidelines we do not have to look at whether a person is fit and proper.

**Senator SIEWERT**—Do the issues that you discussed with the growers when you had your consultation meetings recently go to the things that were in the exposure draft? Was the exposure draft—which has been out for a couple of weeks now—out in time for you to actually use those issues to be able to talk to growers, or will you have to go back again to carry out consultation? It is actually required in the bill.

**Mr Woods**—As part of developing this scheme we needed to consult with industry, not just growers. Over the course of the week we did meet with all the growers as far as grower groups are concerned. It is very difficult to meet with all growers as such. We had, from memory, 14 grower groups represented either by teleconference or in person on Monday last week. On Tuesday we had the bulk storage and handling providers, who also have ports and port access issues, so that we could have the ACCC there to discuss issues there. We also spoke with industry representatives, advisers and consultants, and then with Australian and multinational exporters. So we have consulted widely with industry in that process. They raised a number of issues through there. A lot of the discussion was clarifying what the transitional bill was and clarifying all the other things that are happening in the wheat industry at the moment as far as these particular public hearings go.

**Senator SIEWERT**—In the bill, as a legislative instrument for the accreditation, there is a required consultation process. You are going to have to undertake that cycle while you are formulating the criteria.

**Mr Woods**—This was the industry consultation process for the scheme. This was the start of the development of the scheme so that we could get an understanding of what industry was looking at and how they interpreted what we would be doing, so that we could go forward much better.

**Senator SIEWERT**—Did you specifically talk about the criteria that are listed in the bill that are required to be considered through the consultation process?

**Mr Woods**—Yes, we did.

**Senator SIEWERT**—What was your take on how industry felt about that process?

**Mr Woods**—Industry were trying to come to grips with that. Their understanding was that we were to be a light touch regulator and they thought that section 11 did not provide that. They thought that we had more of a role as a policeman. We said that this was an exposure draft and we would have to consider section 11 as it was, because there are specific things that we have to consider in assessing applications, and if they had issues then they had to discuss them with the policymakers at DAFF and the minister.

**Senator HURLEY**—Just going back, we are going from the stage where AWB was the single exporter of wheat. We are now in the interim phase, which you are administering—isn't that right?—where people can apply to export wheat and then the minister has the power to agree to that export permit. This bill is intended to go to a more open system whereby the Wheat Export Authority is able to put in place a process by which people are accredited and can export without individual permits. Is that how it is going to be?

**Mr Woods**—Our understanding is that, under the new system, Wheat Exports Australia will provide an accreditation and there will be no limitations on what the organisation can export or to where unless they ask for restrictions themselves.

**Senator HURLEY**—The difficulty that occurred with AWB and the single desk was that not enough information was coming through to the export authority and so there were irregularities with the export of wheat. In your view, will the new body, Wheat Exports

Australia, have enough powers and enough information under the proposed bill to prevent that situation arising again?

**Mr Woods**—That is a policy issue and I would defer that question to DAFF.

**Senator HURLEY**—Let me rephrase it. You have been operating under an interim system for some time. Is there enough information coming through from exporters and from the market to prevent a repetition of previous problems with the AWB export to the Middle East?

**Mr Woods**—That is not a question that I think I could answer at this particular stage. We have a very good relationship with exporters, but I would not like to answer that question. I think it is a matter of policy, again, as to the act, and we can only do what the act lets us do.

**Senator HURLEY**—The exporters that will be accredited if this bill is enacted will be required to provide reports to Wheat Exports Australia. What powers do you have to investigate whether those reports are accurate or whether people are complying with expectations?

**Mr Woods**—There are auditing powers that Wheat Exports Australia currently has in the bill that would let us do random audits on any accredited exporter at any stage. And as part of developing the bulk accreditation scheme we are looking at the sorts of conditions that we might apply to exporters as far as those reporting obligations go—the sorts of things we need them to report on—and they were certainly things that were discussed at the consultation meetings last week.

**Senator HURLEY**—And you have said, I think, that some of the growers were concerned that the regulation was too onerous—that it should be a lighter-handed regulation.

**Mr Woods**—There were some mixed feelings, and not just from growers but from all industry groups. On the one hand, they understood that the legislation was to be a light touch and, on the other, they looked at section 11 and said, ‘You’re becoming a policeman.’ That was their comment on and their view of the current exposure draft.

**Senator HURLEY**—So: many of the growers thought that section 11 would be giving Wheat Exports Australia too much power; in what way did they express that view—in what way did they think it would be ‘too much power’?

**Mr Woods**—My observation from the consultation meetings, the first one of which was with growers and the second a telephone hook-up in the afternoon with those who could not make it to the first, was that growers were probably of the view—and I would not like to speak for them but it would be my observation—that they thought section 11 was fine.

**Senator SIEWERT**—So industry thought it was to be a light touch but growers thought it was fine?

**Mr Woods**—There were mixed views amongst the different industry sectors. At one end: a light touch. At the other end: section 11 indicated that we should be a policeman, and of course there were a range of views on that in all groups.

**Senator HURLEY**—So section 17, ‘Cancellation of accreditation’, essentially provides Wheat Exports Australia with the ability to cancel accreditation if there is any irregularity in the way that the exporter is operating?

**Mr Woods**—To suspend or revoke accreditation—that is correct.

**Senator HURLEY**—So that section is the one that needs to be carefully monitored to ensure that there are no further problems. And there are conditions in there for the cancellation of accreditation, for example, where the company has committed or been involved in a contravention of the United Nations sanctions, so that covers a previous situation. Is there enough flexibility in there to cover other situations that might arise in future? Or would that require re-legislation if any breaches were detected?

**Mr Woods**—That is a hypothetical and it is on policy. I cannot answer that question. I will defer it to DAFF.

**Senator HURLEY**—Okay. What powers did the export authority lack, that enabled AWB in those past instances to flout those laws and UN conventions, that would now be in the current bill?

**Mr Woods**—The increased powers that the Export Wheat Commission received in June enabled the minister to ask the Export Wheat Commission to conduct investigations at any time as he directed. We also have increased powers under the current section 5DA to request information from any person or organisation that we believe would have a link to the current national pool. Those powers have greatly increased the Export Wheat Commission's powers.

**Senator HURLEY**—So it is the power to ask for information, more than anything, that is critical.

**Mr Woods**—Yes.

**Senator NASH**—Mr Woods, could I take you to the access undertaking; that is, the requirement that somebody applying for a licence, if they are the holder of a port facility, has to agree to give other accredited companies access. What is the criteria around that access?

**Mr Woods**—There are two issues with access. One is prior to 1 October 2009 and the other is post October 2009. Post October 2009, the bulk handlers, port operators, who are also exporters will have to have ACCC undertakings in place. That is a process that the ACCC works through and Wheat Export Australia will have no role in, except that if there is no access agreement in place with the ACCC on 1 October 2009 and an exporter applies, and they own ports, then we would have to consider, under the legislation, not being able to grant them accreditation—prior to 1 October 2009. Once royal assent has happened, the operators of ports applying for export would need to have terms and conditions, and they would have to have prices for port operations on their websites, for us to be able to grant them accreditation under this scheme. The scheme is very specific. In the definition of 'ports' there are a number of items listed that make up a port site, and each of those would have to be addressed under the terms and conditions.

**Senator NASH**—In your view, what would be reasonable access?

**Mr Woods**—I do not have a view on reasonable access at the moment. It is not something that we have had time to consider.

**Senator NASH**—Obviously this is going to be a large part of it—the access to these facilities for other exporters. So at this stage there is no view at all what a reasonable amount of access would be?

**Mr Woods**—That would be something that the commissioners would have to discuss. As yet, the commissioners have not had a meeting to discuss the accreditation and the formation of the scheme and those issues.

**Senator NASH**—Just to clarify, the scheme is yet to be formulated—the accreditation scheme under this bill. Pretty much all the bill will do is to set this accreditation scheme in train. I think you said before that, from then on, there would be no limitations in terms of the exporters. So we do not have a scheme determined as yet to do this very important accreditation role, and neither do we have at this stage any understanding of what reasonable access to those port facilities for other exporters is. Is that correct?

**Mr Woods**—That is correct. At this stage, the Export Wheat Commission could not do anything to move towards developing an accreditation scheme. We cannot do anything until the exposure draft is released. It has been out for just over two weeks now. We have already conducted consultation meetings around that, and access to ports was definitely raised. As I said earlier, those consultation meetings did not finish until last week and we have not had time to convene a meeting of the Export Wheat Commission to discuss those meetings and how we formulate a scheme around those issues.

**Senator NASH**—What would happen if a current grain exporter that had port facilities was bought out by another company? How would that change be managed within the current legislation?

**Mr Woods**—My understanding at this stage, if that were the case, is that there is no opportunity to transfer accreditation under the scheme. That particular port operator, if they wanted to export, would need to apply for accreditation.

**Senator NASH**—Can I take you to section 15, division 4, about the report about notifiable matters:

The wheat export accreditation scheme must provide that it is a condition of accreditation that, if:

(a) an event occurs or a circumstance comes into existence—

I am sure you are familiar with it. What would an example of an event or circumstance be that would require the WEA to cancel an accreditation?

**Mr Woods**—That is not something that we have had time to consider. That would be the role of the commissioners; it is not the role of the secretariat of the commission and we have not had time to even consider and discuss that position at the moment.

**Senator NASH**—So we do not as yet know what an exporter could do wrong, if you like—

**Mr Woods**—I think it is very clear what they could do wrong.

**Senator NASH**—whereby their accreditation may be cancelled.

**Mr Woods**—I think under the current bill that there are fit and proper areas under proposed sections 11 and 17, and I would have thought that the bill clearly indicates that they would be issues that would be considered for cancellation or suspension.

**Senator NASH**—Can I clarify this with you so we are absolutely clear: the only regulation within this bill is around the accreditation scheme. That is the only regulatory thing that is included in this bill?

**Mr Woods**—My understanding, and I am not au fait with all sections of government, is that the bill gives the powers to the new Wheat Exports Australia and allows the formulation of the bulk accreditation scheme.

**Senator NASH**—And that is it? That is all—there is no further regulation that we have missed. That is your understanding?

**Mr Woods**—My understanding at this stage.

**Senator IAN MACDONALD**—Along that line, section 11(1) states:

(c) WEA is satisfied that the company is a fit and proper company, having regard to the following ...

...      ...      ...

(xv) whether the company, or an executive officer of the company, has committed or been involved in a contravention of a United Nations sanctions provision ...

You would have regard to that, but with the way the bill is read that does not automatically mean that they will not be accredited—is that right? It is one of the things you would take into account, but that in itself does not seem to mandatorily wipe them out.

**Mr Woods**—It would be the role of the members of the Wheat Exports Australia board to take all of those points into consideration before granting accreditation.

**Senator IAN MACDONALD**—So a CEO could qualify under many of those paragraphs but still be accredited if, in the overall scheme of things, that was the way the members thought that application should go.

**Mr Woods**—The members of the Export Wheat Commission would not be considering those. My understanding is it would be new members of Wheat Exports Australia, and I could not speak for how they would assess those criteria.

**Senator IAN MACDONALD**—Your successor is Wheat Exports Australia—is that right? You are sort of the interim Wheat Exports Australia, by a different name.

**Mr Woods**—Yes. We will have a new board.

**Senator McGAURAN**—Another clarifying question. It is the oldest one in the book. I use it myself.

**Senator FIELDING**—The Export Wheat Commission's members will not be transferred to Wheat Exports Australia. What happens there? Can you go through what happens to the existing members?

**Mr Woods**—My understanding is that the wheat marketing bill clearly indicates that there will be up to six members of a board for Wheat Exports Australia, one being the chairman. They are appointed by the minister. My understanding is that, under new policies put in place by Labor, that would be a selection process. Members would be selected and their names put up to the minister. That is my understanding, but I think that would be better answered by DAFF; they have a better knowledge of that than I do. There would be nothing stopping

current members of the Export Wheat Commission applying for those positions, I would not have thought.

**Senator FIELDING**—I will come back to the other questions later, if I can.

**Senator McGAURAN**—I suppose the focus is on the accreditation system, but Senator Fielding has raised a good point about the appointments. They are not specific; they are general, and they are all in the minister's hands. It could be anyone with experience or not in that particular industry. You have a big task ahead of you. Given that you will head it up—you hope—what sort of expertise do you see is needed to meet the requirements of the legislation and the accreditation? What sort of expertise on the board would you require?

**Mr Woods**—That is not a question for me and I will not go there. I will not answer that question; it is for the minister. They are ministerial appointments.

**Senator McGAURAN**—Would you agree that you will need someone from the growers group, someone from the grain industry, someone with a legal background and perhaps someone with a Public Service background? That is four appointments. Would you agree that each one of those qualifications meets a criterion necessary for you to carry out your work?

**Mr Woods**—I believe there is a list of specific skills—

**Senator McGAURAN**—I have seen the list.

**Mr Woods**—It is not up to me to decide who will be on the board.

**Senator McGAURAN**—What I greatly fear is that it will be as broad as the minister wants to make it. The problem is: who goes onto this most important body to oversee the early days of the biggest restructure in the rural industry since the dairy industry restructure?

**CHAIR**—Senator McGauran, may I assist you by pointing you to page 36 of the exposure draft. It is all written out there.

**Senator McGAURAN**—But that is my problem.

**CHAIR**—The witness has said that he cannot answer that, and he cannot.

**Senator McGAURAN**—All right. Then I make the point for the sake of the *Hansard* that the appointment criteria are far too broad for such an onerous accreditation task. This could be the very weakness of the bill. Mr Woods, we know what your function in this exposure draft is, but who do you believe you primarily represent?

**Mr Woods**—As a public servant, I represent the government as far as that particular bill is concerned.

**Senator McGAURAN**—The primary mission of the Export Wheat Commission and the old WEA was to represent the growers. Is that not the new body's function?

**Mr Woods**—Since the WEA was changed into the Export Wheat Commission, we have changed the acts we operate under. We were a CAC Act agency; we are now an FMA agency. I think that there is not a person in the WEA who does not believe that they are working for the growers in making assessments in that way. Everything that we do is bound in the legislation. It controls everything we do.



**Senator McGAURAN**—To clarify your role, should it be written into the legislation as a mission statement that this body primarily represents the growers?

**Mr Woods**—Again, that is a policy decision and it is not somewhere I can go.

**Senator IAN MACDONALD**—When did you change from the CAC Act to FMA?

**Mr Woods**—On 1 October 2007.

**Senator McGAURAN**—If I may ask a question: just on that one point, how is WEA being funded?

**Mr Woods**—To date, the WEA and the Export Wheat Commission have received a total of \$9 million funding from the government. My understanding was there was \$6 million funding as seed funding for the old WEA, the Wheat Export Authority, back in 1999. Due to the drought over the last two years we have received another \$3 million in grants. Under our current arrangements we have two other forms of fees: we have the wheat export charge, which is 22c on every tonne exported—

**Senator McGAURAN**—That charge is on the growers, isn't it?

**Mr Woods**—It would be traced back through growers, through pools.

**Senator McGAURAN**—So they are funding it?

**Mr Woods**—Yes.

**Senator McGAURAN**—On the accreditation system, we all understand the principle behind it, and the principle behind it comes out of the Cole royal commission, but is it too heavy-handed? Have they gone too far? In my view, they have—way too far. We can still meet the principle, the necessity for accreditation, but it sure looks heavy-handed to me. You have an onerous task in front of you. Most of the jobs here are replicating ASIC, APRA and all those other financial watchdogs. Are you going to do their work all over again, such as companies' business records, their risk management et cetera, or are you going to rely more on information that they may well supply you?

**Mr Woods**—That was certainly a question raised at the consultation meetings. To date, the secretariat and I have not had a chance to have a discussion with the current commissioners of the Export Wheat Commission to discuss these things and start to formulate the scheme to see where it should be sitting with regard to that area. I think your question is correct, because it was a concern of some people, but it is a balancing act that the commissioners will have to come to grips with it in the near future so that we can write the scheme.

**Senator McGAURAN**—What would you define as an executive officer? Would that include a director and a chairman?

**Mr Woods**—My understanding is that it does.

**Senator McGAURAN**—And the CEO?

**Mr Woods**—Yes.

**Senator McGAURAN**—Anything else?

**Mr Woods**—It could go down to line managers—anyone who represents a management position in the organisation.

**Senator McGAURAN**—There is a big job for you just there. Regarding risk management, you have to look at each company's risk management. Do you have experience in that? I saw a great company in the newspaper yesterday—a fantastic company—Wesfarmers, getting a bit of a squeeze on it. You would never have thought that their risk management policy was in doubt, but one company's risk management policy is not another's, and so on. What is your personal experience? How are you going to define that?

**Mr Woods**—My personal experience in that might be largely irrelevant. They are areas again for the commissioners, and there are areas within that where it would be clearly better for the WEA to outsource to professionals to assess those and advise the commissioners.

**Senator McGAURAN**—'Company' is the word in the bill. What if they come forward to you to seek accreditation under sole trader, partnership, collective or co-op? Why does it have to be a company?

**Mr Woods**—That was a concern raised at our consultation meetings. My understanding of that at the moment is that a corporation under the Corporations Law is an organisation that could apply for accreditation. It may be something that other organisations have a different point of view on, but, until we consider it with the commissioners, I would say that if a sole trader applied and we assessed that individual as not being a corporation under the Corporations Act, we could not grant them accreditation.

**Senator IAN MACDONALD**—It would be a constitutional issue, wouldn't it? How does the federal government have authority, other than—

**Mr Woods**—We would have to have regard for, I think, section 51 of the Constitution as well.

**Senator McGAURAN**—How long do you remain accredited? Is there a review down the track?

**Mr Woods**—That is not clear to us in the act at the moment. It is something that, again, you would have to ask DAFF for clarification on.

**Senator McGAURAN**—There are a lot of those clarification questions which I guess you cannot answer, other than this one question. AWB has been a cause of concern for everyone and the past directors and officers may well have been the cause of all this. When they front up, do you think that they will meet this criterion?

**CHAIR**—That question might not be for Mr Woods, Senator McGauran, in all fairness.

**Senator McGAURAN**—Well it is written into the bill.

**Mr Woods**—We could not assess anyone until we received an application. We have an initial draft of an application form but until someone filled in an application form it would be up to the commissioners to make that decision.

**CHAIR**—Senators Joyce and Fielding have some questions. Is there any other burning question in front of you that has to be asked?

**Senator McGAURAN**—There is a section in the act relating to just that, which I believe clears AWB. It talks about records in the past five years.

**Mr Woods**—It is a five-year term in there and that would need to be considered for every applicant.

**Senator JOYCE**—I will start with section 11(1)(e) where you talk about access. That access is only to port facilities, isn't it?

**Mr Woods**—That is correct.

**Senator JOYCE**—So what happens if I control not the port facilities but all the handling facilities at the growers end? Are there any access provisions there?

**Mr Woods**—That is not a question that I can answer. That is something for DAFF and the minister.

**Senator JOYCE**—DAFF is going to be busy, because obviously that is really where a lot of the growers are going to be concerned. If I am a company and I manage to take control of another regional depot—for example, if I take control of Tamworth right through to Emerald—will I have breached anything in section 11 for eligibility of accreditation? Could I be accredited and have a complete regional monopoly over an area?

**Mr Woods**—If you own storage and handling.

**Senator JOYCE**—So I could?

**Mr Woods**—Yes.

**Senator JOYCE**—What protection mechanisms are in the bill if that is the case? If I have excessive market power in that region and people turn up with prime hard wheat can I just start paying them feed wheat prices? Is that in breach of accreditation?

**Mr Woods**—There are port access and accreditation issues. As for anything else in that respect, if it is not in the bill it would be policy and I cannot discuss it.

**Senator JOYCE**—From my reading of the bill I can do that. I am not in breach of anything. I can control all the depots in a regional area and pay you what I like and there is nothing that you can do about it.

**Mr Woods**—I cannot answer that question.

**Senator JOYCE**—You cannot answer it because there is no answer in the legislation. That is why. Didn't we give some referral to the ACCC? Can you give us any examples of the costing involved in pursuing cases under the ACCC and where there have been successes in access provisions before, even if we go to the port handling facilities?

**Mr Woods**—No, I cannot.

**Senator JOYCE**—Did you present a submission?

**Mr Woods**—No.

**Senator JOYCE**—Is there any reason why you do not have a submission?

**Mr Woods**—The members of the Export Wheat Commission have not yet met to discuss whether they will be making a submission to the Senate inquiry.

**Senator JOYCE**—Is it envisaged that you would make a submission in the future?

**Mr Woods**—That is up to the commissioners to determine that, not me.

**Senator JOYCE**—Is there anything in here as regards to classification of grain or anything as regards to the eligibility of accreditation that will deal with future classifications of grains to get transparency and to make sure that people are not getting manipulated or exploited?

**Mr Woods**—I cannot answer that. That is policy. It is not something that I have read in the act.

**Senator JOYCE**—It is not in the legislation. That is why you cannot answer it. In the accreditation process is there anything to stop the accredited companies all being from overseas?

**Mr Woods**—There is nothing to stop anyone applying.

**Senator JOYCE**—So it would be quite possible to have a market dominated by Louis Dreyfus, Cargill and ConAgra?

**Mr Woods**—I would think that CBH, GrainCorp and ABB will all be applying as well.

**Senator JOYCE**—Why would you think they would have the ability to outcompete companies that are immensely bigger than them?

**Mr Woods**—I am not saying they have an ability to outcompete. I think that there will be a large number of companies applying for accreditation under the scheme.

**Senator JOYCE**—You talked about demurrage before. Regardless of this legislation, are there any regulations that could deal with those issues separately?

**Mr Woods**—With which issues?

**Senator JOYCE**—With regard to demurrage, which Senator Adams brought up, which you were talking about earlier on.

**Mr Woods**—It is not something that I understand the wheat marketing bill would require the Wheat Export Authority to consider.

**Senator JOYCE**—You talked about consultation with the growers, your engagement with wheat growers. Can you give me a summary of how many people you met and how you ascertained their views.

**Mr Woods**—With regard to growers, we invited the state grower representative organisations to come to our consultation meetings. There were representatives from the four organisations in Western Australia and from South Australia, New South Wales, Queensland and Victoria. We also met representatives from GCA, GGA and the Eastern Wheat Growers association.

**Senator JOYCE**—So how many people met with you, in summary?

**Mr Woods**—There was face-to-face consultation, but some people could not make it, so we hooked those particular people up by phone. Representing those groups there were between two and four people from each group.

**Senator JOYCE**—So there were four groups from Western Australia?

**Mr Woods**—Yes.

**Senator JOYCE**—And four from South Australia?

**Mr Woods**—There were four representative grower groups in Western Australia and one in South Australia, one in Victoria, one in New South Wales and one in Queensland. We also met with GCA, GGA and Eastern Wheat Growers.

**Senator JOYCE**—So that is 11 groups. You say you averaged between two and four from each group, which is three. So you met a maximum of 33 people?

**Mr Woods**—Grower representatives.

**Senator JOYCE**—So you met 33 people, and that determines that you know the majority of the views of the growers?

**Mr Woods**—Those organisations are representative of the growers.

**Senator JOYCE**—How do you determine that?

**Mr Woods**—I do not have to determine that. We have grower representative bodies in each state and we have met with them.

**Senator JOYCE**—Could I suggest that you have public meetings in some of the major regional towns to determine the views of the growers.

**Mr Woods**—That is something the commission would have to consider.

**Senator JOYCE**—I think it would be a good thing for the commission to consider, because—and we will probably hear evidence about this later on today—a lot of people feel the growers groups do not represent them. I am happy to hand over to someone else now.

**Senator FIELDING**—Mr Woods, I want to pick up on a couple of points you made about representing the government but also the best interests of the growers. I think you have relayed that, in your role, you have a good understanding of what the growers' needs are. Would that be right?

**Mr Woods**—I would hope so. I started life managing rural properties and growing wheat.

**Senator FIELDING**—Which growers, which farmers, would be better off under this proposed system and which ones would be worse off? Do you have a good feel for that at all?

**Mr Woods**—No. I implement the policy.

**Senator FIELDING**—Do you know who would know the answer to that question?

**Mr Woods**—No, I do not. I am sure there are plenty of people who would say they do know, though.

**Senator FIELDING**—Does the Export Wheat Commission have a view on which growers would be better off and which growers will be worse off under the proposed changes?

**Mr Woods**—We are tasked with implementing legislation and developing a bulk accreditation scheme. That is not something our commissioners have discussed.

**Senator FIELDING**—That may be in the best interests of the government and represent the government, but I am not so sure that it is in the best interests of the growers not to know who is better off and who is worse off.

**Mr Woods**—We implement the policy. If that is a policy issue, that question should be directed to the minister or DAFF.

**Senator FIELDING**—You do not have a view at all?

**Mr Woods**—No, I do not have a personal view.

**Senator McGAURAN**—On that very matter, I believe it is in the legislation that you are to report to the growers.

**Mr Woods**—On the operation of the scheme.

**Senator McGAURAN**—How do you envisage reporting to them?

**Mr Woods**—On the operation of the scheme, we need to report to growers.

**Senator McGAURAN**—You are not just going to send them an annual report, are you?

**Mr Woods**—No. The annual report is something separate. That will be an organisational annual report. As for reporting to growers, my understanding on reading the bill is that growers will get a report by December 2009 on the operation of the scheme.

**Senator McGAURAN**—To throw back to you, does that not lead you to think that that is whom you represent? You are not reporting to any of the grain merchants or groups like that.

**Mr Woods**—I would say that if you look at the last three or four growers reports that the Export Wheat Commission and the Wheat Export Authority have produced there is a very clear indication of who we believe we represent and what we do.

**Senator FIELDING**—But, if you represent them, I would have thought you would have a good feel for which growers would be better off or worse off under the new body.

**Mr Woods**—It is not something I need to consider under the legislation. I am here to implement the final Wheat Marketing Act and to do a scheme. My personal views do not come into it in any way, shape or form. I am sorry, but the way this system works you cannot even ask me my personal views.

**Senator FIELDING**—I just would have thought that the growers who are contributing funds would have liked you to represent them and their views as well.

**Mr Woods**—I think if you read that 2007 *Growers report* you will find that we are.

**Senator NASH**—I have a question following on from Senator Fielding's question. If you believe that you represent growers—and I take it that you do believe that—and all that this current bill does, as you have discussed, is set up an accreditation scheme for grain exporters, the only thing you are doing for growers, then, is trying to make sure that there are not any dodgy exporters. What else, apart from ensuring that there are not dodgy exporters, are you doing for growers, if you are representing growers?

**Mr Woods**—We are doing what the act says, and that is it.

**Senator NASH**—And that is it.

**CHAIR**—Mr Woods, thank you very much for your time.

[10.04 am]

**GINNS, Mr David, Chief Executive Officer, Grains Policy Institute; and Representative, GrainCorp Operations Ltd**

**CHAIR**—Welcome. I invite you to make a brief opening statement, then the committee will ask questions.

**Mr Ginns**—I just want to make it clear initially that it has been the public position of GrainCorp for quite some time that the company has advocated full deregulation of the Australian wheat export sector. We believe that removal of regulation from the domestic wheat market in 1989 has allowed the market to grow by more than 50 per cent, and the current monopoly imposes a cost burden on the industry of between \$9 and \$15 per tonne in direct costs due to the inefficient nature of the monopoly. Lost opportunity costs, forgone gains due to loss of investment, subsequent inefficiencies and missed opportunities compound the negative impact of the monopoly.

The real losers from the monopoly are growers, their families and rural communities. Regulation increases commercial transaction costs, and there is no more costly regulation than a monopoly. The cost of regulation is ultimately borne by growers as those costs are passed back to them. Many who support the monopoly or—as AWB are proposing—heavy-handed regulation of storage and handling and export facility infrastructure do so under the guise of protecting growers' interests. What those people are actually doing is locking growers and the rest of the industry into a high-cost, low-efficiency regime where growers are the ultimate losers, not winners.

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 monopoly imposes high costs on growers—costs that would tumble if competition were increased. The price of a tonne of wheat is known and is transparent. We know what futures contracts for wheat are in Chicago, in Kansas, in Minneapolis and on the Australian Stock Exchange on a daily basis. The value of a tonne of wheat is set by those exchanges and by local supply and demand dynamics. This value cannot be altered by regulation; it is set by the market.

Growers do much to increase their productivity by adopting technology and farming practices. Growers work hard to combat rising input costs and increase their efficiency. The other big area of cost is marketing and transport. This is an area where regulation plays a big role in minimising, not maximising, growers' returns. If we were really interested in maximising growers' returns, we would be reducing regulation, allowing greater competition in the market and facilitating this competition to drive down marketing and supply chain costs. Recent proposals by AWB to regulate ports and other storage and handling infrastructure are inappropriate and ill advised.

AWB is a discredited company and has abused its monopoly powers. The Cole commission proves my point. That company is in no position to assume that other companies—and here I refer specifically to infrastructure owners—would act in a monopolistic and anticompetitive manner, which has been the way AWB has acted for many years. AWB has created the myth

of regional monopolies replacing its national wheat export monopoly. This myth has been promulgated by previously AWB funded grower groups who display a tenuous grasp of the commercial realities of the Australian grains industry. I have no doubt that you will be hearing from some of these people during the course of your inquiry.

Bulk-handling companies like GrainCorp have been accused of potentially acting as aberrant monopolists without any evidence or a fair trial. Claims that GrainCorp, CBH and ABB will act like monopolists—that is, abuse market power as AWB has done constantly for many years—are groundless and ignore the commercial realities facing heavy-infrastructure-owning companies. Along the east coast of Australia there is a capacity to store 40 million tonnes of grain, and only half of that is owned by GrainCorp. Owners of up-country silos are subject to considerable competition from temporary storage, such as silo banks and on-farm silos, and competitors in the form of local grain traders and merchants and AWB GrainFlow. Grain export ports are running well below capacity. In the case of GrainCorp those ports are running at about 30 per cent capacity, while every year GrainCorp has to carry the total cost of that infrastructure.

Grain storage and handling infrastructure is a tonnage throughput business—every tonne that bypasses a GrainCorp silo or port is revenue lost to the company. GrainCorp, CBH and ABB are in the business of encouraging the use of their infrastructure—excluding companies just does not make commercial sense. These companies have never excluded exporters from the ports and they are not going to do so in future. GrainCorp, for example, facilitate the loading of barley, pulses, sorghum and oilseeds by a range of exporters every year, and they will do so under a new regulatory environment for wheat from this point forward.

Calls by AWB for regulating storage and handling infrastructure, having ports declared as essential infrastructure and imposing pricing controls and other regulatory measures are short-sighted and potentially damaging to the industry in the long term. The deregulated domestic market for wheat in Australia has grown and prospered over the last two decades. Opponents of the removal of compulsory acquisition predicted all kinds of dire consequences 20 years ago, none of which occurred. You will hear over the course of your inquiry many prophets of doom and many prognostications of disaster. None of these will come true either. Pro-monopolists will predict the collapse in the rural property market and farm values, the disintegration of farm families and communities, a tidal wave of rural poverty, the formation of rural ghettos and a new class of peasant farmers and domination by international grain traders. All of these and other negative predictions were wrong in 1989 and they will prove to be wrong in 2009.

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. However, GrainCorp is publicly and enthusiastically supporting the removal of the AWB monopoly because it is a significant step towards commercial normalisation of the Australian wheat industry so that it will be just like any other export sector in Australia. Eighty per cent or more of wheat grown in Australia is now sold by growers to companies other than AWB in today's deregulated market. Removal of the monopoly will place more market power in the hands of growers, and this is happening today. 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. Giving in to the demands of AWB and others to increase regulation of the storage and handling sector and across the industry as a whole will be mortgaging the bright future the Australian wheat industry has. Thank you.

**CHAIR**—Thank you.

**Senator McGAURAN**—Your tirade against AWB—

**Mr Ginns**—Pretty much inspired, of course, by the Cole commission, the Volcker inquiry and the findings of the Export Wheat Commission.

**Senator McGAURAN**—Perhaps—and there was a longstanding history even before then with GrainCorp and AWB. But doesn't it kind of prove their point?

**Mr Ginns**—Which point is that?

**Senator McGAURAN**—They have concerns about port access. You have just launched a tirade against them whereby it would be pretty hard for them to do business with you.

**Mr Ginns**—Certainly not.

**Senator McGAURAN**—I think you have just proven their point.

**Mr Ginns**—I disagree entirely. The business of GrainCorp is to put tonnage through its infrastructure. The terms and conditions under which GrainCorp's infrastructure is used are known publicly. GrainCorp will deal with anyone who wishes to use its infrastructure. It is compelled to do so under the Trade Practices Act.

**Senator McGAURAN**—I will get to that. But business is more than that. Business requires a lot of goodwill and a lot of cooperation, and there is none there. If I were in business with you and you launched that tirade against me, I would want a bit more assurance than your goodwill. Anyway, that is covered in the legislation.

**Mr Ginns**—If I might just make this point: both the Chairman and the Managing Director of GrainCorp have made it very clear on the public record that they will be more than happy to deal with AWB or any other company operating—

**Senator McGAURAN**—But that is not enough. You have come in here—but we will not get bogged down on the point.

**Senator O'BRIEN**—Chair, a point of order: if the witness is answering a question he should be allowed to complete his answer before a senator jumps in and tries to prevent him from answering.

**CHAIR**—That is a very good point, Senator O'Brien. Please continue your answer, Mr Ginns—

**Senator McGAURAN**—I apologise.

**Senator O'BRIEN**—And quite rightly.

**CHAIR**—and, Senator McGauran, please allow the witness to answer your question and then by all means follow up.

**Mr Ginns**—Thank you, Mr Chairman. I will say again that both the Chairman and the Managing Director of GrainCorp have made the company's position very clear—that they will deal with any company operating in the Australian grains industry that wishes to use its infrastructure.

**Senator McGAURAN**—Nevertheless, the legislation does allow for ACCC agreements on that matter—fully open to that, cooperative to that—

**Mr Ginns**—Very much so, and GrainCorp has a history of dealing with the Essential Services Commission in Victoria on regulation of the ports of Geelong and Portland. After successive reviews of the heavy regulation of those two ports, the ESC in Victoria has moved to an access arrangement that came into force on, I think, 31 January this year, and we see that as a model for the type of arrangement that we would have with the ACCC.

**Senator McGAURAN**—Would you accept that this is just that port up-country? Would you accept the ACCC monitoring agreements?

**Mr Ginns**—There is no need for that, but the ACCC already effectively does monitor the behaviour of owners of infrastructure as their behaviour relates to the Trade Practices Act and things like discriminatory pricing and exclusionary management of infrastructure.

**Senator McGAURAN**—What percentage of the market does GrainCorp have in New South Wales?

**Mr Ginns**—I do not have the figures with me to be able to break that down by commodity type or on a yearly basis. I could supply those figures to you if you like. Obviously it will vary from year to year. I can tell you with a great degree of certainty that, of the 40 million tonnes of storage capacity down the east coast, GrainCorp only has half. The rest of that is in the hands of farmers on-farm, with AWB and with other traders. So there is clearly no monopoly issue when it comes to storage and handling, because there are other options for growers, including some of the new technology that has emerged over the last couple of years in the form of silo bags that we have imported from—

**Senator McGAURAN**—But you have included the growers there?

**Mr Ginns**—Yes, very much so.

**Senator McGAURAN**—Excluding the growers, what percentage of the market do you think you would have?

**Mr Ginns**—Once again, I would have to—

**Senator McGAURAN**—On a guess?

**Mr Ginns**—I do not want to guess; I could supply you with those.

**Senator McGAURAN**—Please supply me with them. I am alluding to the fact that, if we are not careful, we are going to get, in different states, state monopolies. And GrainCorp could be one—could become dominant in their own area, and it would just revert back to regional monopolies.

**Mr Ginns**—But, when you talk about 'dominant in their own area', they are a provider of a storage and handling service. Neither ABB, GrainCorp or CBH will become dominant traders in a particular area, for two reasons: firstly, they will never be able, on every day, to

offer the best price for all grain that is available and, secondly, the individual companies do not have the financial capacity to corner the market for all grain in any particular area, and growers are not going to find themselves wedged into that sort of market situation.

**Senator McGAURAN**—How do you envisage this working? Will you be tying up farm gates with contracts like the dairy industry does—Murray Goulburn for example—or is it going to be a season-by-season approach?

**Mr Ginns**—The grains industry, particularly the wheat industry, is a very dynamic market. It has been deregulated since the removal of compulsory acquisition in 1989. It has been operating highly successfully for the last 20 years, and what we will find should the government's reform agenda be executed is that that the domestic grains industry will be enhanced from a competitive perspective; it will not be disenanced. The bottom line for most growers is that they will find conditions will not change a great deal. There will still be pools offered. There will still be cash prizes offered. Some people will be able to manage their risks through the Australian Stock Exchange wheat futures or through hedging contracts. We are not going to see a huge amount of dynamic difference in the grains market.

**Senator McGAURAN**—Just remind me of GrainCorp's ownership structure.

**Mr Ginns**—GrainCorp is a publicly listed company on the Australian Stock Exchange.

**Senator McGAURAN**—Who is the major shareholder?

**Mr Ginns**—It has a range of shareholders. This is not my area of expertise, but I believe that the Grain Growers Association is still the largest single shareholder. But do not ask me to quote exact examples.

**Senator McGAURAN**—Does Cargill have a share?

**Mr Ginns**—I cannot comment on whether Cargill own any shares in GrainCorp, but I can say that Allied Mills is a joint venture between GrainCorp and Cargill, and Cargill is the world's largest flour miller.

**Senator McGAURAN**—Indeed. They have their foot in the door. I have one last quick question about industry representation. There is a big flaw here. We are going to change the whole structure of the industry and revolutionise it, and there is no industry body representative to come before government. I compare it to the dairy industry, which was the last big restructure. It formed a united industry body for a whole lot of reasons—to deliver services and goods, make representations, plan, market and research. Do you approve of an initially government financed industry body?

**Mr Ginns**—I think you might be asking for a personal opinion there. I would not be able to give you a GrainCorp opinion on that.

**Senator McGAURAN**—What is your personal opinion?

**Mr Ginns**—My personal opinion is that the government should not get involved in the sort of activities that you are talking about. I have every confidence that, in the fullness of time—it may take one, two or three years—post the removal of the monopoly, the normalisation of the wheat sector of the grains industry will occur fairly quickly and you will see coming out of that some normalisation of representation structures.

**Senator McGAURAN**—I think it is to the disadvantage of the growers first up that they do not have an industry body that is representative of the whole industry.

**Senator JOYCE**—You talk about competition and how it is going to work. Will this be the same sort of competition that farmers and the horticultural sector get when they are dealing with Coles and Woolworths, or is it different competition?

**Mr Ginns**—No, because there are certainly more than two major players in the Australian grains industry. Should the monopoly be removed, you will see at least half-a-dozen or 10 significant companies competing quite robustly for the purchase of wheat from growers.

**Senator JOYCE**—A bit like the fuel industry and the sort of competition we get there?

**Mr Ginns**—Is that a personal observation you are making?

**Senator JOYCE**—No. I am just curious if it is better and maybe more like the fuel industry, because that is an internationally transparent market. Is that the sort of competition we are going to get?

**Mr Ginns**—I would not like to be drawn into that observation. All I can talk to you about is my experience and understanding of 20-odd years in the grains industry.

**Senator JOYCE**—So it is not going to be free competition like the ones the horticultural industry have to deal with when they are dealing with Coles and Woolworths, and it is not going to be like the transparent and internationally benchmarked market of fuel. It is going to be a different type of transparent—

**Mr Ginns**—Australian grain producers are able to sell their wheat to whomever they choose on the deregulated domestic market. The problem that we have at the moment with the export monopoly is that robust competition cannot ever fully take place in the domestic wheat market because a company like GrainCorp cannot go out to growers and say: 'We are going to buy your wheat from you for the best price on the day. We are going to place some of that in the domestic market and we are going to place some of that in the export market.'

**Senator JOYCE**—I listened to your prognostications about the superior benefits of deregulation and what is going to happen. I have a couple of questions. In 1990, with the deregulation of the domestic grain market, can you tell me what happened to the price of grain?

**Mr Ginns**—I cannot tell you what exactly happened to the price of grain, but I can tell you with a great deal of confidence that what occurred in the domestic market would have been reflected in the international grain market.

**Senator JOYCE**—It went from about \$180 a tonne down to \$60 a tonne.

**Mr Ginns**—And I think at that particular time international grain prices went down in a similar way. If my memory serves me correctly, that was at the time when both the EU and the US were basically bidding the price of wheat down internationally with export incentives.

**Senator JOYCE**—It was probably some of those major grain traders over there that you might be involved with.

**Mr Ginns**—I might make two observations, Mr Chair, on that particular point. Firstly, I recall very strongly a letter that was tendered in evidence at the Cole commission. The

chairman of AWB wrote to the Iraqi minister and referred to AWB selling wheat to the Iraqi grains board at prices significantly lower than those of the US. Secondly, one of the reasons why the US wheat industry dislikes the AWB monopoly so much is that AWB undertake aggressive discounting and drive prices down.

**Senator JOYCE**—That is one view, and that is yours, and obviously it would be your view because you represent one of the competitors of AWB—

**Mr Ginns**—It is based on fact.

**Senator JOYCE**—Let's go to another issue. You believe in competition, so can you give me your views on what should happen to excess silos that are currently closed in areas such as New South Wales and Queensland? Do you believe that they should be given back to growers and that they should be able to be opened up to go into competition against you?

**Mr Ginns**—That is a matter for a decision by the board of GrainCorp.

**Senator JOYCE**—But they believe in competition, don't they? Surely they would believe in opening up those silos so they could get a bit of competition at a regional level.

**Mr Ginns**—Those assets are owned by the shareholders of GrainCorp—

**Senator JOYCE**—Oh, shareholders! You are not telling me—

**CHAIR**—Senator Joyce, if Mr Ginns can just answer the question, you can continue after he has finished.

**Mr Ginns**—and the Corporations Act puts a fairly heavy impost on directors of publicly-listed companies to act in their benefit.

**Senator JOYCE**—So you are saying that the Corporations Act is saying that you should get the best return for your shareholders, and if that means keeping those excess silos closed so you can restrict competition, then you have to do that.

**Mr Ginns**—You are assuming, Senator Joyce—and I do not agree with your assumption—that—

**Senator JOYCE**—You think they should be opened?

**CHAIR**—Senator Joyce, Mr Ginns has been asked a question by your good self. Allow him to answer it and then follow on with further questions, please.

**Mr Ginns**—What you assuming, Senator Joyce, is that the closing of a particular set of infrastructure, a silo, closes off any storage and handling options that a grower has, and that is simply not correct.

**Senator JOYCE**—So you would have no problems opening them up.

**Mr Ginns**—That is a question that you would have to put to the board of GrainCorp.

**Senator JOYCE**—That is a very convenient answer.

**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.

**CHAIR**—If I could call senators back to order: that is a fair question, Senator Macdonald, but it is probably a lot harder for Mr Ginns to give you a definite answer. We will follow that up for you.

**Senator IAN MACDONALD**—Yes. Sorry.

**Senator JOYCE**—I think it is very important we get this on the record. Are you in any position to get personal financial gain by reason of deregulation?

**Mr Ginns**—Are you talking about me personally?

**Senator JOYCE**—Yes, I am talking about you.

**Mr Ginns**—Absolutely not. I am not a shareholder in any publicly listed company that has any relationship to the Australian grains industry. In fact, my only shares are in Telstra.

**Senator JOYCE**—Were you one of the people Mr Peter Woods consulted with when he said that the Export Wheat Commission consulted widely?

**Mr Ginns**—No, I was not.

**Senator JOYCE**—Have you been in any discussions about the centralisation of receiver systems?

**Mr Ginns**—Would you expand on that?

**Senator JOYCE**—Receiver systems through New South Wales and Queensland. Have you or your organisations been in discussions about the closure and the centralisation of the receipt of grains?

**Mr Ginns**—I am not aware of anything to do with that. There have certainly been no discussions that I have had with anyone on that particular point.

**Senator JOYCE**—You said that AWB is a discredited company. I find that interesting. What is the premise on which you say something like that? Do you believe that there is a continuation of a connection? Is there any point in time that a company does not become discredited, or is it discredited for life? If GrainCorp do something now, is that part of their legacy for evermore?

**Mr Ginns**—That is a hypothetical question, Senator. I really cannot answer that—

**Senator JOYCE**—Well, you gave a pretty emotive answer before.

**Mr Ginns**—but I will qualify my statement earlier by referring, as I did, to the findings of the Volcker inquiry and the Cole commission. I think the findings of the Cole commission were fairly clear.

**Senator JOYCE**—But you have given an emotive statement that there is now a connection with that company for evermore, so can we take it for granted that if any organisation you represent does anything wrong then that remains with that organisation for the rest of time? If I can find anything that GrainCorp have done, can I pin it to them forever?

**Mr Ginns**—I think that is an unreasonable proposition, Senator Joyce. The Cole commission's findings were only released at the end of 2006. That was a bare 15 months ago. It is the opinion of many people in the industry that AWB have got a long way to go before the rest of the industry has full confidence in them.

**Senator JOYCE**—You talked about the effectiveness of people to trade. Do you have any examples last year of forward grain contracts and the success or otherwise of those?

**Mr Ginns**—Specifically, no; but I am certainly aware that there were quite a number of barley growers, particular in South Australia, who locked in prices that ended up being significantly lower than the actual price in the cash market. But I would put it to you that that is not a relevant point to this discussion.

**Senator JOYCE**—Are your shareholders going to provide transparency to make sure that we get the best return to the grain growers? How would your board feel about that idea?

**Mr Ginns**—The best way of ensuring that returns to everyone in the industry are maximised is having robust competition, where competition drives the cost of marketing down—

**Senator JOYCE**—But you have just said that you are keeping silos shut to do that.

**Mr Ginns**—No, I did not say that I was keeping silos shut. I think you are paraphrasing me there. In fact, if I remember correctly, Senator Joyce, I referred any questions about infrastructure to the board of GrainCorp.

**Senator JOYCE**—Yes, I remember that very well, too. Do you know of anything in the proposed legislation that talks about making sure that the growers in a certain area do not basically, for want of a better word, get ripped off by someone saying, ‘You’ve got nowhere else to go so this is the price we are going to charge you, and bad luck’?

**Mr Ginns**—Is there any such provision in the current legislation?

**Senator JOYCE**—Obviously there is great transparency in the pooling provision. There is—

**Mr Ginns**—I would not agree with that.

**Senator JOYCE**—the issue in the memos and articles that talks about your primary clause being to get the best return to the grower. That is certainly not—

**Mr Ginns**—How do you define ‘best return to grower’?

**Senator JOYCE**—Well, the best return to the grower is not the best return to the shareholder.

**Mr Ginns**—I think if we examine—

**Senator JOYCE**—You’ve got something better?

**Mr Ginns**—I do.

**Senator HUTCHINS**—Mr Chairman, I think we have all seen this go on for long enough. Why don’t you let the gentleman answer the question, Senator Joyce?

**CHAIR**—That is a good point of order. Senator Joyce, there are many questions that people want to ask, and it has got to the stage where Mr Ginns is asking you questions and you are answering them, so I am totally confused. Can we bring this back to the issue. Senator Joyce, your colleague has a question she wants to ask.

**Senator JOYCE**—I was just helping them out. Senator Hutchins is doing that as well.

**CHAIR**—It was a good point of order.

**Mr Ginns**—I think essentially, Senator Joyce, we have got a philosophical discussion happening here about whether deregulated markets are better than heavily regulated markets. I would refer you to the success of the deregulated section of the rest of the grains industry and the deregulated two decades in the wheat market in Australia.

**Senator JOYCE**—Okay. I will close on this with two questions. Can you refer me to the advantages of the deregulated dairy market? Also, do you believe there is any correlation between the price of wheat and the price of those other grains that are deregulated?

**Mr Ginns**—I cannot make any comments on the dairy industry. As for your second question, there is a complex interrelationship based on supply and demand and interuse between wheat, barley and sorghum in the feed grains industry, and there is a direct link between the price-setting mechanisms domestically for wheat for the milling sector and the international market.

**Senator NASH**—GrainCorp operate nine port facilities, eight of which handle wheat—is that right?

**Mr Ginns**—I believe that that is the case. I think is nine. There would be two in Victoria and two in New South Wales, and there might be three or four in Queensland. I can confirm that, Mr Chairman.

**CHAIR**—Okay, you will take it on notice.

**Mr Ginns**—It will be on the GrainCorp website.

**Senator NASH**—Are there any other operators of port facilities in New South Wales that handle wheat?

**Mr Ginns**—Grain-exporting facilities? No, the two ports in New South Wales are Port Waratah and Port Kembla, and both of those ports operate, as I said earlier, significantly under capacity at the moment.

**Senator NASH**—And in Queensland? Are there any other than GrainCorp in Queensland?

**Mr Ginns**—No, there are not.

**Senator NASH**—And Victoria?

**Mr Ginns**—Yes, there are. The Port Melbourne facility is half owned by AWB.

**Senator NASH**—And that is the only one apart from GrainCorp?

**Mr Ginns**—Correct, yes. The other two are Geelong and Portland. Both of those are regulated by the Essential Services Commission of Victoria.

**Senator NASH**—Just around this access undertaking again: given that you have basically got, apart from that half a one in Victoria, a monopoly on the export facilities, certainly on the eastern seaboard, what would GrainCorp see as reasonable access to their facilities?

**Mr Ginns**—You can define ‘reasonable access’ either in terms of the access agreement that GrainCorp has entered into with the Essential Services Commission of Victoria or on the basis of the storage and handling terms of agreement that are available on the GrainCorp website,



where there is an undertaking to make those facilities available to people who wish to use them as long as they pay the appropriate fees and charges.

**Senator NASH**—Do you have a view on what a reasonable percentage, tonnage-wise, would be, going through those facilities?

**Mr Ginns**—I do not quite understand the question.

**Senator NASH**—What I am getting at is that we do not seem to have any detail yet around access. I am trying to determine if there are any limitations potentially.

**Mr Ginns**—No. The only limitation on the ports is the physical capacity of the ports to be able to receive grain, store grain and outload grain into ships when they berth. Each port and each harbour is different. The infrastructure is different, and there are different processes of accumulating grain depending on the size of the ships that can be unloaded, the unloading rates and the storage capacity to accumulate cargoes at ports.

**Senator NASH**—I understand the difficulties and the different nature of it. Within that, though, given that we are going to have a deregulated market under this and there would, I imagine, be a number of exporters wanting to export, if that happened—very simplistically—at the same time that GrainCorp wanted to use their facilities, how would you determine who has priority?

**Mr Ginns**—Currently GrainCorp manages that particular issue with AWB for wheat and with a range of service users for barley, for sorghum and for oilseeds. So essentially the logistics management task and the complex prioritisation and cargo accumulation protocols—and they are very complex—would remain the same.

**Senator NASH**—But would it remain the same? At the moment—and I understand the difficulties of all of that—you have one exporter of wheat. You might potentially be dealing with dozens of exporters of wheat.

**Mr Ginns**—Correct. That is exactly right.

**Senator NASH**—So isn't that going to complicate the procedural arrangements?

**Mr Ginns**—No, because GrainCorp, ABB and CBH are currently doing that for other grain types for a range of exporters. It is simply an extension of normal business.

**Senator NASH**—I understand that, but surely if you have another 10, 20, 30 or 40 players in the market you are going to get a bigger queue wanting to get stuff out through ports.

**Mr Ginns**—No, because you are still going to be managing the same cubic volume of wheat. It is not as if the export task is going to quadruple. The export task will volumetrically be the same. It is just that you will have an increase in the number of customers using your services. But the total task of shifting physical grain will be the same.

**Senator NASH**—I understand that. My point was going back to prioritising. How do you prioritise out of all of those wheat exports?

**Mr Ginns**—I can answer your question directly by saying that there are protocols for the booking of ships and berth space and for the accumulation of cargoes for all of the three infrastructure owners. Those protocols are publicly available in that there are lead times for booking ships and accumulating cargo. It is a very complex business. That works currently for

all other grains, and the same processes will work for wheat. There will be no shifting around of prioritisation simply because you have limitations on the volume and the speed at which grain can be accumulated at a port, stored and then outloaded. You cannot change horses midstream, because it is just impossible.

**Senator NASH**—Within the explanatory notes to the bill it is stated:

The intent of this item is to guarantee port terminal access to all accredited exporters while at the same time not restricting the ability of port terminal operators to function in a commercial environment.

Could you advise the committee what types of things you would see as potentially restricting the ability of the operator to function in a commercial environment?

**Mr Ginns**—One is imposing a regulation where a regulation does not exist. GrainCorp has 10 years of experience of working with the Essential Services Commission in Victoria during which the Victorian government was heavily involved in setting prices. There were two reviews—I think they were in 2002 and in 2006—and it was the judgement of the economic review committee in Victoria that the risk to the public from continuing to have that onerous regulatory price-setting regime was greater than that from the removal of the price-setting regime. A decision was made to go to an access agreement from 31 January this year for those two ports: Geelong and Portland. Essentially, from GrainCorp's perspective as the owner and manager of ports, the company just wants good seasons, good harvests and more tonnage to go through the infrastructure, because that is where GrainCorp makes its money.

**Senator HUTCHINS**—Mr Ginns, in your submission you talked about underutilisation. I think that only 30 per cent is being utilised. Then you referred, when talking to Senator Nash, to Port Waratah and Port Kembla. Is there any particular reason that these ports are being underutilised other than, say, drought or other reasons? Is the grain going somewhere else?

**Mr Ginns**—Down the east coast, over the last 20 years, there has been a massive increase in the domestic market. Essentially, the infrastructure that GrainCorp has was set up for a much larger export task. There is significant overcapacity there, and that is a problem for the company. We do not want to be turning business away because that means that our underutilisation problems are actually compounded.

**Proceedings suspended from 10.43 am to 11.02 am**

**Senator IAN MACDONALD**—Going back to my question of ignorance, what does it cost in very round terms to construct a silo in country Australia? Is it \$1 million?

**Mr Ginns**—Senator Adams might be able to help me here. You have some experience with this, I understand.

**Senator IAN MACDONALD**—Is it \$1 million, \$100,000, \$10,000 or \$1,000?

**Mr Ginns**—What you really need to do is look at a per tonne figure, because silos are built on a volumetric capacity basis. I am looking desperately to Senator Adams for some help.

**Senator NASH**—Is Senator Macdonald talking about an on-farm silo or a facility at receival silo?

**Senator IAN MACDONALD**—A receival silo.

**Mr Ginns**—I was under the impression of a receival.

**CHAIR**—In earlier questions we were talking about receival sites; correct?

**Mr Ginns**—Okay. Can I take that question on notice?

**Senator IAN MACDONALD**—No. Is it \$100,000, give or take?

**Mr Ginns**—You would have to look at a figure per tonne.

**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?

**Mr Ginns**—It is very strong, if they wish to. Every week, particularly in the *Farm Weekly*, I see stories—there were three or four in this week's *Farm Weekly*—of farmers in Western Australia, in South Australia and in other states investing heavily in their own on-farm storage, where that allows them to more quickly and efficiently harvest and then get graded storage.

**Senator IAN MACDONALD**—There is no trick question here. I am just trying to understand it. I prefaced it by saying it was a question of ignorance. You agreed with Senator Joyce that you have silos in a locality that you are not using.

**Mr Ginns**—Yes. That is right, in principle.

**Senator IAN MACDONALD**—Can you identify one for me and give me the cost of building one next door?

**Mr Ginns**—I cannot identify one for you, Senator Macdonald, but I can say to you that the primary reason for the decommissioning or the mothballing of sites will be lack of throughput.

**Senator IAN MACDONALD**—That would seem to me to be the commercial answer. Senator Joyce may be able to help nominate a silo that should be open and then tell me the cost of building one next door. Perhaps Senator Joyce can take that on notice! I did not realise that that simple question would be so difficult to answer. This hearing is all about legislation. You said at the start that you wanted the removal of all regulation and that you are not really happy with the bill but it is a lot better than it used to be. Has GrainCorp had an opportunity to carefully peruse the bill?

**Mr Ginns**—Yes.

**Senator IAN MACDONALD**—Understanding the desired goal of the government in introducing this bill, are there elements of the bill that could be improved, in your view? Have GrainCorp had time to do the work to give us as a committee some idea of how this bill could be improved to get to the goal the government wants to get to?

**Mr Ginns**—We certainly have done a lot of the work examining the bill and discussing the possible outcomes. As I have said to you before, it has been GrainCorp's stated position for many years that the removal of regulation is the preferred option for the company. The company sees that the bill proposed by the government is a good step towards the normalisation of the wheat export sector. As the bill is structured at the moment, it is acceptable. Some possible additions to the bill may well be a clear statement of objectives and a date of sunset for the legislation.

**Senator IAN MACDONALD**—Senator McGauran raised the matter of qualifications of members of the new body, Wheat Exports Australia. As I read it, a member needs to be a prominent person who has expertise in the following way:

- (a) substantial experience or knowledge; and
- (b) significant standing;

in at least one of the following fields ...

**Mr Ginns**—Yes.

**Senator IAN MACDONALD**—And then it goes through them. It could be anybody. It could even be me, and my knowledge of wheat marketing is not terribly good, as you would understand from my questioning.

**Mr Ginns**—However, Senator, you may have legal or financial or risk management expertise that is directly transferable to that commodity sector.

**Senator IAN MACDONALD**—Sure. I do not want to be provocative, but you could have five members of the transport union as the board.

**CHAIR**—And what would be wrong with that?

**Senator IAN MACDONALD**—Absolutely nothing, Senator Sterle. I was thinking of nominating you, actually.

**CHAIR**—You were thinking of me?

**Senator IAN MACDONALD**—Yes, indeed. That is what I was getting to. I was trying to give the minister a bit of a hint. For the *Hansard*, that is irony! Sometimes it does not read that way. Getting back to my point, I do not want to go through every clause, but there might be technical areas like that that you have a view on. If you did, would it be possible for you, over the term of this inquiry, to write to the committee and say, 'We understand where the government wants to go but we think it would be better if, for example, members of the WEA had to have some connection with or understanding of the grains industry.'

**Mr Ginns**—We certainly will be submitting a written submission. One of the things we would expect from the government is that the process of appointing people to the board of the

new WEA would be transparent and public. For example, advertisements would be put in the national press and expressions of interest would be called for.

**Senator IAN MACDONALD**—Time is short, so let us not go through that. I was using that as an example to say that, if you do have views like that, could you let the committee know?

**Mr Ginns**—I will.

**Senator IAN MACDONALD**—The committee reports on the legislation as well as on the policy behind it, but we would be interested in any reasonable amendments you think could be considered by the committee that might assist the government in getting to wherever the government wants to go.

**Mr Ginns**—Yes.

**Senator IAN MACDONALD**—I have one final question on access. In answer to Senator Nash, I think you said the only thing with access was as long as you got an appropriate return on your investment. Could the ACCC sit down with a pen and calculator and work out what your investment is, what your return is and then work out whether someone—and I am not suggesting you would do this, but someone less scrupulous than GrainCorp—might be saying, ‘That’s our commercial return on our investment but we’ll up the ante so that it will be impractical or unfinancial for any competitor to go through our facility’?

**Mr Ginns**—I am not fully au fait with the internal processes of the ACCC, but logically I would assume that the economists within the ACCC would undertake that sort of analysis—and I mentioned the Trade Practices Act before. The ACCC has general overview of the conduct of business under the Trade Practices Act. GrainCorp, CBH and ABB, as the owners of significant infrastructure and ports, are subject to the full force of the Trade Practices Act; whereas AWB, as the monopolist, has had an exemption from the Trade Practices Act. The ACCC is free at any time, either of its own volition or at the behest of a disgruntled service user, to undertake an investigation into GrainCorp’s activities or the activities of any other infrastructure service provider—and I believe they have done so in the past.

**Senator JOYCE**—Do you believe the Trade Practices Act is sufficient to deal with all the problems that can happen through regional monopolies and things like that?

**Mr Ginns**—Very much so.

**Senator JOYCE**—Can you refer me to the part of the act that would deal with that?

**Mr Ginns**—I can refer you to the direct parts. If you look at the policy paper that appears on the Grains Policy Institute website, which is [www.grainpolicy.com](http://www.grainpolicy.com), it is Policy Paper No. 3, and the relevant sections of the TPA—

**CHAIR**—I am getting shot now, Senator Joyce, because Senator Adams has been waiting very patiently and Senator Brandis has asked that he be given two minutes—and I will be timing him.

**Senator BRANDIS**—I want to go back to the questions that Senator Macdonald was asking you about silos. What is the trend of investment in infrastructure in this industry? In

particular, has there lately been the development of new infrastructure in the industry in anticipation of perhaps reform of the single desk?

**Mr Ginns**—The trend in building infrastructure is away from the large, monumental concrete silos, a lot of which are owned by GrainCorp and other major bulk handlers, to more metal based silos laid out in a more efficient manner. The up-front infrastructure cost is lower and the cost of managing sites like that is lower.

**Senator BRANDIS**—What about the aggregate cost, though, of new developments in infrastructure? Do you know the trend there?

**Mr Ginns**—If you were to look at the AWB GrainFlow sites, most of which have been built in the last decade, you will get a very good impression of the different style of bulk handling infrastructure—the older style infrastructure, which was concrete, and the newer structures.

**Senator BRANDIS**—Cutting to the chase: I am not interested in knowing how, from an engineering point of view, the types of silos have changed but whether in fact we can discern a trend in expenditure on infrastructure, particularly in anticipation perhaps of reform of the single desk and what that trend is.

**Mr Ginns**—There are two areas: a lot on farm—and Senator Adams will be able to attest to what is happening in South Australia—

**Senator BRANDIS**—Perhaps I should have just asked Senator Adams!

**Mr Ginns**—I hope I am providing an accurate answer, Senator Adams. The other option, of course, is the use of temporary storage, like bunkers or silos bags which are coming into heavy use. They originated in Argentina, and they grew from basically nothing to storing 20 million tonnes over a period of about four years, I understand.

**Senator JOYCE**—Is that on farm or at seaport?

**Mr Ginns**—On farm.

**Senator NASH**—That is reasonably short term, though.

**Senator ADAMS**—As far as the silos and the receival points go, in Western Australia—and it is good that we have an opportunity, given that we produce an awful lot more export grain than the eastern states—we have our secondary receival points. Road transport, going way back, used to be small trucks going to the local bin. Local bins are not coping, 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. Since the deregulation of containers that has absolutely increased. WA used to export empty containers. I can assure you: every container that can take a grain of wheat is certainly going out. That has made a huge difference. I would think that since 7 August, when the deregulation of containers came in, Western Australia's whole grain marketing program has changed immensely.

**Mr Ginns**—Yes, much to the advancement and enhancement of the profitability of growers.

**Senator ADAMS**—That is right, it is, because now we have an option; we did not have an option before. That leads me to my question. Mr Woods was here before you, and I know you

were sitting in the audience. He was not able, because of policy, to answer a question, so I am going to ask you: who will be better off under the new regulations and why?

**Mr Ginns**—Everyone will be better off under the new regulations because with a more robust and more competitive market, and with our options—particularly for growers in the export heavy states of Western Australia and South Australia—they will have more market power. There is a very good example that I was made aware of a week and a half ago by a grower in Western Australia. On the back of the proposed changes to the legislation by the government, this grower and a number of others in his area have been contacted directly by a major Japanese trading house to import grain directly at prices currently about \$60 higher than the going pool rate in Western Australia.

**Senator ADAMS**—And that group of farmers would have become a company to trade under, I guess. Are they trading individually or as a company, cooperatively?

**Mr Ginns**—What they would do, under the scenario we are talking about at the moment, is sell on farm to the trading house, and that trading house would become the exporter.

**Senator ADAMS**—That was just something I wanted to clarify. We have a lot of myths floating around. One of them is the buyer of last resort. As far as I am concerned, from my perusal of past legislation, there is only a receiver of last resort.

**Mr Ginns**—Correct.

**Senator ADAMS**—Could you comment on that for me, please.

**Mr Ginns**—Under the current Wheat Marketing Act, there is a provision that requires the nominated company B, which is AWB International, to receive any wheat of receivable quality that is offered to it. There are no provisions under the act as to how that wheat is priced or paid for. You will find in practice that the so-called buyer of last resort or receiver of last resort manifests itself as a heavily discounted pool—sometimes \$50 or more below the market price—and there is no requirement on the current monopolist to give fair and full value for that tonne of wheat. Under a competitive market, that significant discount would not apply.

**Senator JOYCE**—You are putting your word on that? That you would not put a discount there now? That is what you are saying on behalf of GrainCorp?

**Mr Ginns**—We have deregulated markets for other grains where there is no receiver of last resort, and the competitive market works, as it does in other commodities throughout the Australian economy.

**Senator JOYCE**—And you are saying that discount would no longer apply—that is the evidence you are giving us.

**Mr Ginns**—I will clarify that again for you. The significant discount that is applied by the current monopolist would not necessarily apply.

**Senator NASH**—Would not necessarily apply!

**Senator BRANDIS**—Madam Acting Chair, Senator Joyce and Senator Nash had their opportunity.

**ACTING CHAIR (Senator Siewert)**—I think they did, too.

**Senator ADAMS**—As I travel around I attend a lot of the wheat consultative meetings and the removal of the national pool is another issue that keeps coming up. The removal of the national pool leaves farmers in a position where banks will not grant loans for the establishment of new crops. Could you comment on that please?

**Mr Ginns**—I have discussed that issue with the Australia Bankers Association and they say that that is not the case. Each farmer has a dialogue and a relationship with his bank, credit provider or financier and crop establishment finance is loaned to farmers on the basis of the strength of their own individual enterprise.

**Senator ADAMS**—Another issue is that grain growers will not be rewarded for producing above average quality wheat. I find this rather difficult to comprehend.

**Mr Ginns**—Once again, that is a myth. There has been a public statement and an undertaking in a joint press release on, I think, 11 March this year from CBH, GrainCorp and ABB that they would be offering price signals and pools to growers this year.

**Senator ADAMS**—Another comment that kept coming up—and which I could not understand—was that growers will have fewer selling options after the monopoly is removed. Coming from Western Australia, that is a bit of a concern.

**Mr Ginns**—Once again, in a competitive market where organisations like GrainCorp, CBH, Louis Dreyfus or AWB are able to buy wheat from growers and sell it to feed and flour millers and starch producers in Australia and overseas you will see a more robust, competitive market wishing to buy wheat from growers and you will see a transfer of market power from the monopolist to the grower.

**Senator FIELDING**—Is it true that the Grains Policy Institute is funded by GrainCorp?

**Mr Ginns**—Yes. The Grains Policy Institute—and this is made very plain and clear on our website—is a subsidiary of GrainCorp and we are actually funded by GrainCorp and CBH. We work with ABB Grain, members of the Australian Grain Exporters Association and grower groups in Western Australia, South Australia and across the eastern seaboard.

**Senator FIELDING**—Isn't one of the main beneficiaries of the deregulation policy—or what is being proposed—going to be GrainCorp?

**Mr Ginns**—I would maintain that the government's legislation is not deregulation. The export of bulk wheat will still be illegal under the Customs Act. What we are doing is seeing the removal of the monopoly; we are not seeing the removal of regulation.

**Senator FIELDING**—Let me rephrase the question. Isn't it true that GrainCorp will directly benefit from these changes?

**Mr Ginns**—All companies operating in the Australian wheat market will benefit, as will all growers.

**Senator FIELDING**—So yes, GrainCorp will directly benefit.

**Mr Ginns**—That is correct.

**Senator FIELDING**—And the Grains Policy Institute, which sounds pretty independent, is funded by GrainCorp.



**Mr Ginns**—I would say that I think you are trying to allege that there is some subterfuge happening here. The funding and the structure of the organisation that I work for is made very clear on the web. We have sought, at no stage, to hide our links.

**Senator FIELDING**—Let me get back to that in a second. Is it not true that the grain traders being allowed in under the government's changes will try to maximise profits by driving down prices they pay to growers?

**Mr Ginns**—That is not correct. We have a very transparent price-setting mechanism in the grains market. The value of a tonne of wheat of a particular grade in Australia is directly linked to the values on international commodity exchanges and is influenced by supply and demand factors. In Australia there is full transparency of the value of a tonne of wheat. So no, that assertion is not correct.

**Senator FIELDING**—I want to give a bit of background to the reason why I asked that question about the Grains Policy Institute. I was given a letter from the Grains Policy Institute offering an opinion on the single-desk policy that gave no indication that the institute was paid for by GrainCorp. A lot of people would think that the Grains Policy Institute was independent. In making comments about what they think is in the best interests of Australians, they may not be as independent as people would believe.

**Mr Ginns**—Senator Fielding, the internet address, the URL, of the GPI is on its letters, and I would imagine that anyone receiving a letter such as those that we have sent to you would verify the organisation from which that correspondence came. As I said to you before, the details about the funding and structure of the GPI are on the web.

**Senator FIELDING**—And the link that I am making is that I do not think they realise that GrainCorp directly will benefit from these changes. Also, you mentioned the Australian Bankers Association and that their views seemed to be right on the money. They have a view that the bank penalty fees are not outrageous. I think they are, and I think most Australians do. I rest my case on that point.

**Mr Ginns**—In relation to that comment, the specific questions that were asked of the Australian Bankers Association were: 'Are your members raising the prospective change in legislation with you?' 'Do they see that as an issue when they are going to extend crop establishment finance to growers?' The answer to those questions was no. The issue about bank fees is not related to this matter at all.

**Senator FIELDING**—Pardon the pun, but I will take their views with a grain of salt, given their views on bank penalty fees.

**ACTING CHAIR**—Are there any other questions? Senator O'Brien.

**Senator O'BRIEN**—Could you give us your organisation's view as to how pools will operate under the proposed legislation?

**Mr Ginns**—Pools will operate under the proposed legislation in the same fashion as they do at the moment.

**Senator O'BRIEN**—At the moment, effectively you cannot have an international export pool. There is a pool arrangement for nominating company B to run, but given that there would be a multiplicity of pools, I am seeking some information on what your organisation

thinks would happen in terms of size of pools, the way pools would open and close, payments to growers, pre-termination of pools—those sorts of issues.

**Mr Ginns**—In discussions with the people who manage this issue in GrainCorp, the basic message they give to me is that the way in which they have managed their pool businesses in the past will be the way in which they will manage their pool businesses for this year. The only major change—and it is a major change—is that once GrainCorp has purchased wheat from growers and fulfilled the requirements for the domestic market, GrainCorp will be no longer compelled by the legislation to sell that wheat to AWB (International). GrainCorp will be able to sell wheat to international customers. What we will see is that GrainCorp will be able, for its pool participants, to better maximise returns than it has in the past, because that forced transfer of tonnage into the AWB pool will not take place.

**Senator O'BRIEN**—Does GrainCorp cap its pools at the moment?

**Mr Ginns**—All purchasers of wheat are restricted by the available finance that they have. It is an interesting year this year, in that effectively the price of grain has doubled. That means that organisations such as AWB, GrainCorp et cetera, as a sum total of finance, are seeking a much larger sum of money from the banks. I think the long-term average price for ASW in Australia is about \$230. Currently the same tonne of wheat is worth about \$450. So you need more money to purchase that wheat from growers. But, on the flipside of that, that tonne of wheat is worth \$450-plus when it is sold to a miller or a starch producer.

**Senator O'BRIEN**—So will pools be run on the basis of known markets or will pools be opened on the basis of potential to sell on the world market?

**Mr Ginns**—The management of pools is a very dynamic business, and obviously a large component is managing risk—finance risk, currency fluctuations, interest rates and all that sort of carry-on as well as fluctuations on the international exchanges. I can only reiterate my advice from the companies that I have spoken to, and they say that the basic principles of managing pools will not change except that, at the end of the day, they will not be forced to sell wheat to AWB; they will be able sell wheat overseas.

**Senator NASH**—Who are those companies that you spoke to to get that advice? Who were you speaking to?

**Mr Ginns**—I know that AWB will be offering pools this year. I saw something in the press this morning where they were talking about running three regionalised pools.

**Senator NASH**—But you just said you had spoken to people and had received their advice about how the pools would be run—

**Mr Ginns**—That is correct. AWB, GrainCorp obviously, CBH and ABB are the four main players and pool providers. I think the Emerald Group is also a pool provider.

**CHAIR**—Senator Siewert.

**Senator SIEWERT**—I would like to ask about the industry good services; we have not touched on them yet. How do you foresee they would operate under the new act?

**Mr Ginns**—Under the current act, there is no provision for what is known colloquially in the industry as industry good services, principally because 90 per cent of those activities are

commercial. I think the industry expert group identified two areas that are non-commercial: varietal classification and receival standards setting. The National Agricultural Commodities Marketing Association, NACMA, has taken on board the task of setting receival standards, and all of the grain traders of any note across Australia are members of NACMA and they participate cooperatively in that process. Varietal classification is a task that has been picked up by the Grains Research and Development Corporation. The rest of the activities that AWB identified as industry good are essentially, as I said before, commercial, and they really relate to the servicing function between the owner of the wheat, which is the exporter, and their customer overseas.

**Senator SIEWERT**—So you do not think there are going to be any gaps—I should not say under the act—under the new processes?

**Mr Ginns**—No.

**Senator SIEWERT**—You do not think there are going to be any gaps there that need to be filled?

**Mr Ginns**—No, none at all.

**Senator SIEWERT**—Do you support the discussion paper that the industry expert group has put out?

**Mr Ginns**—I believe that the IEG did a good job. They have identified the issue of transparency of grain stocks and exports. The Australian Bureau of Statistics currently does a survey of grain stocks. We anticipate that that survey can be refined. Customs currently collects data on exports of wheat. That data is not currently available because AWB as the monopolist claims that that is commercial-in-confidence. We would have an expectation that the restrictions on that data would be lifted so there would be more transparency.

**Senator SIEWERT**—How do you foresee that that restriction would be lifted?

**Mr Ginns**—My understanding of the process is that individual exporters would enter into a dialogue with Customs to have to prove that that data was commercial-in-confidence. The organisations that I work with certainly do not envisage doing that.

**Senator SIEWERT**—Okay. Thanks.

**CHAIR**—As there are no further questions, Mr Ginns, thank you very much for your time. You certainly did wake us all up at the front here with your opening statement!

**Mr Ginns**—Thank you, Senators. It has been good.

[11.37 am]

**CURRY, Mr Brian, Private capacity**

**MacPHERSON, Mr Ronald, Private capacity**

**CHAIR**—I welcome representatives of the Junee growers group. Do you have any comments to make on the capacity in which you appear?

**Mr Curry**—I am a farmer from Junee. I am just speaking personally and asking a few personal questions.

**Mr MacPherson**—I am a farmer from Junee, a member of the AWB consultative group committee. I am 83 years of age. I will take you right back, if you wish, to the start of the show and lead you through, and then you will be able to see exactly how this happened and that happened and what did not happen.

**CHAIR**—I now invite you to make an opening statement.

**Mr Curry**—I would like to thank you for making the time to hear our concerns. We run a small farm at Illabo of approximately 2½ thousand hectares. I am in partnership with my brother. We grow wheat, oats and barley. We grow the wheat on 800 hectares. I believe we are fairly forward-thinking and aggressive farmers, adopting new ideas, techniques and practice. That has enabled us to survive over the last seven years of drought and difficult times. The Labor Party, 60 years ago, introduced the Wheat Industry Stabilization Act. The Wheat Industry Stabilization Act solves most of the problems that concern me today, and they are: how to maximise growers' return, to have a receiver of last resort, to promote Australian wheat on the world market, to maintain high quality control and hygiene standards for our grain, hedging and finance, guarantee of payment, transport and handling of a large crop, and no extreme price fluctuations.

With the new wheat-marketing arrangements that have been proposed I would like to know who is going to run the national pool and the estimated financial return on the future crop, who is going to pay for the carryover cost of a large crop, who is going to pay for the hedging and finance, who is going to be the receiver of last resort, who is going to guarantee payment to growers, who is going to promote Australian wheat, what is going to happen to freight rates and handling charges, and what is going to happen to our export terminal, especially when all eastern ports are controlled by GrainCorp and Cargill. Those are my concerns. I feel that the growers are going to be left with a bundle, a huge mess, where we have high spikes in grain prices and low prices.

The advantage of the national pool was that it put a realistic floor under our wheat prices, so we knew roughly what our wheat was worth before harvest and afterwards. I will give you an example of a free marketing system. Two years ago we sold barley to ABB for \$180 a tonne. Two weeks into harvest the price fell by \$50 or \$60 a tonne. We refused to take that price and we put the barley in a silo. The only thing that got us out of jail was the drought. The large traders will do exactly the same at harvest time when we have a large crop. That is my major concern without a national pool.

We tried a little bit of hedging in the last 18 months. We got some good advice from GrainCorp—and \$50,000 later we had a hole in our pocket. I do not think it was all their fault. It was just the circumstances in the wheat market at the moment. But these are the types of things farmers are going to be facing in the future. We have enough trouble growing the crop without having to market it. We look to experts to market our crop. That is why I am a believer in an export marketer that has growers at heart.

**CHAIR**—Thank you. Mr MacPherson, do you wish to make an opening statement?

**Mr MacPherson**—Yes. Firstly, I declare that I am an A-class shareholder and a B-class shareholder. The present wheat structure was set up at the start of the Second World War as an interim board. It became a statutory authority in 1948, courtesy of the late minister for agriculture, Mr Reg Pollard. It had all the statutory requirements. There were five component parts. I cannot remember all of them, but the last one we were left with was the single desk. If it is changed, world buyers will lower the price and it will then become a reverse single desk. When they go to sell wheat to international purchasers such as Japan and China, they will be competing against each other, and the grower of the wheat in Australia will pay the penalty through lower prices. Anyone can sell wheat today at \$400 or \$500 a tonne. But let us go back to a wet harvest of, say, 30 million tonnes that is shot and sprung. I do not know whether you understand what that means.

**CHAIR**—I have no idea, Mr MacPherson.

**Mr MacPherson**—The wet and humid conditions put a little shoot on the wheat, and you have to wait until that dries before you can strip it. It then becomes downgraded. Under the system we have at present, in 1992 I had 1,000 tonnes of shot and sprung wheat when I rented a property at Matong in New South Wales, and the Wheat Board took the lot. The first payment was \$70, which I was absolutely amazed at, and the second payment, about two months later, was another \$20. So that is \$90 a tonne. That is what you call the buyer of last resort. Under the structure that is presently envisaged for us, that buyer of last resort is gone. If the grower of the wheat cannot find a purchaser, then he is the loser unless he can use it himself. I will leave the rest of it.

**Senator HURLEY**—Basically, what you are talking about is a kind of a floor price—I think you mentioned the phrase ‘floor price’—for wheat. Does that reflect in any way the costs of production? How is the floor price determined?

**Mr Curry**—That is a very good question. The floor price should be determined by the national pool, which on the international market is determined by the demand for our wheat overseas.

**Senator HURLEY**—What you are saying is that AWB, as a single desk monopoly, gets a better price than you would expect any other exporters to get.

**Mr Curry**—I would say that, yes.

**Senator HURLEY**—Why do you think that that is so?

**Mr Curry**—Because they have long-term contracts with their suppliers. They have a higher standard of wheat to compete against other parts of the world.

**Senator HURLEY**—Apart from the floor price, my interpretation of what you are saying is that it saves you administrative and other costs in hedging and that you do not have to concern yourself with this issue.

**Mr Curry**—That is correct, yes.

**Senator HURLEY**—Any other pool would save you those admin costs as well, wouldn't it?

**Mr Curry**—Yes, that may be true. But I think that under the private enterprise system, as with GrainCorp, most of the profit would be siphoned off for the shareholders, not for the growers.

**Senator HURLEY**—You are a shareholder of AWB, so you do not mind that their profit goes to AWB because you are a shareholder—is that what you are saying?

**Mr Curry**—I would prefer to get another \$50 a tonne for my wheat rather than 20c per share.

**Senator HURLEY**—Doesn't that mean, then, that increased competition would give you more of that possibility of getting a better price for your wheat if you have got two or three people competing to buy your wheat?

**Mr Curry**—No, because what could happen—we will say GrainCorp for argument's sake—is that they might have a small contract overseas, and when that contract is filled the price of wheat will virtually go like that.

**Senator HURLEY**—You are a relatively small grower. Do you see that as a divide between growers—that the big growers will benefit and smaller growers will not? Is that how you see things?

**Mr Curry**—I do see it that way, yes, because we have not got the economies of scale.

**Senator HURLEY**—So you do not think the proposed new export market arrangements would in any way protect you in the same way that the single desk does. That is basically what you are saying.

**Mr Curry**—I do not think so, no.

**Senator ADAMS**—Mr Curry, in an average year how much wheat do you produce?

**Mr Curry**—Our best yield is of an average of five tonnes to the hectare, and it goes down to half a tonne to the hectare.

**Senator ADAMS**—How much of that wheat goes into the deregulated market?

**Mr Curry**—Are you talking about the domestic market?

**Senator ADAMS**—Yes.

**Mr Curry**—For the last two years, all of it. The last time we put it in AWB was three years ago, when we had a decent harvest.

**Senator ADAMS**—I am from Western Australia. It is a very different set-up for us, because we do not have a deregulated market—apart from our containers, which you probably

heard me comment about before. We do not have the advantage of a deregulated market. So you have not used AWB for three years?

**Mr Curry**—That is correct—because we have not had the wheat.

**Senator ADAMS**—When you did have, as a participant in AWB's national pool did you consider yourself to be an unsecured creditor? When you deliver your wheat to AWB, what guarantee have you got that you are going to get paid and of how much you are going to get paid?

**Mr Curry**—I am not sure. I suppose I am an unsecured creditor.

**Senator ADAMS**—So therefore you are—

**Mr Curry**—That is right. AWB could go broke, yes, but the chance of that is pretty slim, because they have got no choice.

**Senator ADAMS**—With the structure of AWBI at the moment, have you been following what they are doing as far as the change in their policy and the way they have set themselves up are concerned?

**Mr Curry**—Yes. They are trying to remove the grower control of AWB.

**Senator ADAMS**—Other than that, what are they doing about their whole structure?

**Mr Curry**—I am not quite sure what you mean.

**Senator ADAMS**—AWB has changed since the single desk. They lose the single desk, of course, when things change on 30 June. They have not been sitting still just waiting for things to happen. They have changed their whole structure considerably. Are you aware of what they have done?

**Mr Curry**—They are trying to get rid of the grower control or the class A shares so that they become just a normal company.

**Senator ADAMS**—AWB have set themselves up to compete with any other marketer that may be in the deregulated market if these changes go through, so they are no longer the AWB that you knew before and that you used three years ago.

**Mr Curry**—That is true.

**Senator JOYCE**—We have already had one witness today from the Export Wheat Commission who, in approximately somewhere between the 20 and 30 people that we envisage he spoke to, represented the growers of Australia. Do you believe that the peak bodies that are present at the moment represent the growers of Australia?

**Mr Curry**—No, I do not.

**Senator JOYCE**—Why do you hold that belief?

**Mr Curry**—I hold it because they do not seem to be listening to the small growers like us. They seem to be just listening to the larger growers who are able to stand on their own two feet.

**Senator JOYCE**—So you think that inherently in the marketplace the nature of Australia is that there are small growers and larger growers. And their bargaining ability is completely different, isn't it?

**Mr Curry**—That is very true, yes. That is correct.

**Senator JOYCE**—Do you believe that a person who, after this goes through, turns up to the silo with 100,000 tonnes is going to be intrinsically treated differently to someone who turns up with 2,000 tonnes?

**Mr Curry**—He will probably have more expertise in hedging and financing and forward marketing.

**Senator JOYCE**—What will be the effect of the return to the smaller grower after this goes through?

**CHAIR**—I am sorry to interrupt. Mr MacPherson, if you wish to add comment too, please jump in.

**Mr MacPherson**—On that question?

**CHAIR**—Yes.

**Mr MacPherson**—Actually speaking, under the system it was equal. The small grower was treated equally to the large grower, and I have never met any grower who has been done an injustice under the system.

**Senator JOYCE**—Do you think there is a potential now that certain people will get certain deals and other people will get others?

**Mr MacPherson**—Yes, 100 per cent. What you are trying to set up with your multiple purchasers will create chaos in the wheat industry and amongst the machinery sellers in the country towns in Australia. In general, you will bring down the profitability—if you understand what I mean—of the shires and the regions of Australia.

**Senator JOYCE**—Mr Curry and Mr MacPherson, can you tell me where your nearest receival silo is and who owns it.

**Mr Curry**—GrainCorp.

**Senator JOYCE**—And whereabouts is that?

**Mr Curry**—We have one at Temora, Junee, Illabo.

**Senator JOYCE**—What about you, Mr MacPherson?

**Mr MacPherson**—Same place.

**Senator JOYCE**—Who owns it? GrainCorp?

**Mr MacPherson**—Yes.

**Senator JOYCE**—Can you tell me where there is a receival point around you that is not owned by GrainCorp?

**Mr Curry**—There is an AWB one at Stockinbingal.

**Senator JOYCE**—How far away is that?



**Mr Curry**—About 50 kilometres.

**Senator JOYCE**—How about you, Mr MacPherson?

**Mr MacPherson**—About the same. It would not be very much different. Then there is another one this side of Narrandera, run by AWB.

**Senator JOYCE**—We know this happens in the retail system. Those two receival points basically understand that they have a monopoly. Is there anyone else apart from those two operators, AWB and GrainCorp?

**Mr Curry**—There are a few private fellows.

**Senator JOYCE**—Small scale.

**Mr MacPherson**—There is the odd private one, yes.

**Senator JOYCE**—Are you aware of anything in this legislation that is going to make sure that those people act properly in the way they receive grain? Suppose they shut down or exclude you. You just have to take the price they offer, don't you?

**Mr MacPherson**—That is quite correct. It is the same with the ports. Under this system, the only way that you are going to control the ports is to nationalise them. If you go down the road of this system, no-one can have control of a port and say, 'Charlie, you can't bring your wheat here because we've got it.' It has to be nationalised so that the flow is straight through.

**Senator McGAURAN**—Didn't the Labor Party try to do that in 1948?

**Senator JOYCE**—I am trying to get to the crux of the concern. The concern is that you are always having to deal with the argument of 'this promotes competition'. But, inherently, it is just the nature of a deregulated market. Because there are so few receival places they are actually going to reduce competition.

**Mr Curry**—That is correct. We have been forced into putting in a lot of on-farm storage so that we store the grain on farm. We market it later.

**Senator JOYCE**—The reason people are moving towards on-farm storage is that it is a protection mechanism against the future rather than being part of the future.

**Mr Curry**—That is correct.

**Senator JOYCE**—Who is responsible for the classification of wheat currently?

**Mr MacPherson**—AWB.

**Senator JOYCE**—Who is going to be responsible for it in the future?

**Mr MacPherson**—As I interpret it, no-one, unless someone takes it up.

**Senator JOYCE**—So if you turned up with what would currently be called prime hard wheat, what stops someone from saying in the future, 'I just think that is feed wheat, as far as this receival position is concerned, and if you don't like it you can go to the other receival place but we own that as well'?

**Mr MacPherson**—We would have no control over it.

**Senator JOYCE**—So, really, they have got you in a complete position of duress where you have to accept their terms and conditions because of the so-called free market, the deregulated market.

**Mr MacPherson**—Yes.

**Senator JOYCE**—It is free for them to do what they like to you and you just have to accept it.

**Mr MacPherson**—Yes.

**Senator JOYCE**—Do you believe that it would have been possible for there to have been a more inclusive engagement with regional wheat growers? Instead of the Export Wheat Commission talking to the peak industry bodies, they could have gone around and had public meetings in towns such as Narrandera, Dubbo, Wagga, Tamworth and Emerald.

**Mr Curry**—They were very well supported in Narrandera and Wagga.

**Senator JOYCE**—What was the sentiment of those meetings? When you went to those meetings, what were the views of the people? Were they for the single desk or against it?

**Mr Curry**—They were all for it.

**Senator JOYCE**—How did we end up, then, with the view that was presented to Mr Peter Woods? His organisation believes that everybody wants to deregulate.

**Mr Curry**—I do not know.

**Senator JOYCE**—Do you have any silos close to you that have been closed down lately? Are there any silos in your area that are in mothballs?

**Mr Curry**—I think you could say Old Junee is.

**Mr MacPherson**—But that is really as a result of the drought. In a time of full and plenty, all those silos were overflowing.

**Senator JOYCE**—That leads me to my last point. Is there a correlation between the wheat silo closing down and an area going out of growing wheat? It certainly happens in northern New South Wales and Queensland that the wheat silo closes down and therefore it becomes unaffordable to grow wheat because your transport costs start getting in front of you. That has happened in Dulacca, Barraba, Manilla and other areas. Once you close down the silos then you have to add those transport costs on to your wheat. Those who control receipt control the market.

**Mr Curry**—That is true. I will give an example. We grow a little bit of soft wheat. If we are smart enough and sell forward, as long as we have the quantity of wheat, we are fine. But what happens is that the harvest starts up north and by the time we start harvest all those contracts are full, so the price is only going one way: down. It is like the last pen of cattle, when they have the trucks full.

**Senator JOYCE**—The price is dead low.

**Mr Curry**—That is dead right.

**Senator JOYCE**—You just knock them over for whatever that price is.

**Mr Curry**—So what we have done in the past is put the wheat in the silo and wait until the wintertime, and then the price goes back up.

**Senator JOYCE**—They say that the Trade Practices Act is going to protect you from being exploited. Can you give me what you think would be the basic understanding of most farmers of the Trade Practices Act?

**Mr Curry**—Thumbs down.

**Senator JOYCE**—Do you think that most small farmers would have the capacity to prosecute a case under the Trade Practices Act, to take it before court, to take on Cargill?

**Mr MacPherson**—No, there is no way.

**Mr Curry**—No, we have not got the money—nor the will.

**Senator JOYCE**—So what do you think they will do instead? Just accept?

**Mr Curry**—We just accept what we have got.

**Senator JOYCE**—Has anyone forwarded you a copy of the Trade Practices Act or said, ‘These are the sections of the Trade Practices Act you’ll be able to utilise to protect your position so there’s not a regional monopolisation of the marketplace that exploits you’?

**Mr MacPherson**—No.

**Mr Curry**—No.

**Senator NASH**—On the issue of storage, I think around 30 per cent is currently held over. I think it is a pretty sensible assumption that under this system, with the receiver of last resort disappearing, there will be growers who will have wheat that they would have preferred to have got rid of—to put it very simply. I notice you were talking, Mr Curry, about your on-farm storage—and some farmers do that. There are an awful lot of farmers who do not have capacity for on-farm storage at this stage and who rely on actually getting rid of their wheat at harvest. Do you think the people you know in your area—and I am assuming this is the case, but I am interested in hearing your thoughts—would have difficulty financially in doing that? Mr Ginns was commenting before that there are options in terms of storage with silos and the new bags. Do you think in terms of the drought that we have had over the last few years that it would be a financial difficulty for farmers in your area? Do you think that, even if they wanted to get into more on-farm storage, they just would not have the capacity at the moment?

**Mr Curry**—That is quite true, yes. Farm storage is not cheap. To put farm storage up you are looking at around \$120 a tonne.

**Senator NASH**—Would you say there would be a number of—this I do not know the answer to—growers in your area who do utilise the current arrangements because they can off-load their wheat at harvest time?

**Mr Curry**—Yes.

**Senator SIEWERT**—We have been talking about access to receival points. The bill, as you know, is supposed to guarantee access to port facilities. I understand that you do not like the new proposals from the government. But, if they proceed, would you say that one of the

things that should be changed is to guarantee access to receival points so that we get around the issues that we have just been talking about?

**Mr Curry**—Yes.

**Senator SIEWERT**—Would that make the bill marginally better in your opinion?

**Mr Curry**—Marginally.

**Senator SIEWERT**—The next question is: if you do not like this process, what would you rather see?

**Mr Curry**—I think we had a very good system to start with. I think we are going backwards.

**Senator SIEWERT**—At which point did we have a very good system?

**Mr Curry**—It all began in 1948 with the Wheat Marketing Act.

**Senator SIEWERT**—So when you say ‘a very good system’, you are not talking about the debacle we have just been through with AWB?

**Mr Curry**—I think where we are heading is where my grandfather was when he used to take a bag of wheat down to Illabo and it was worth a pound one day and 10 shillings the next.

**Senator SIEWERT**—So when you say ‘we are going backwards’, the point where you would like to stay is the wheat stabilisation act?

**Mr Curry**—Yes.

**Senator FIELDING**—Just picking up on some of the comments made earlier today and your thoughts: there seems to be a picture painted through the Grains Policy Institute—or GrainCorp; they are one and the same—that basically all this doom and gloom is just not real. You may have another view, that this is going to be doom and gloom. What is your assessment? Obviously, as we are considering decisions going forward, how do you see this panning out over the next few years if this is just pretty well adopted, even with some amendments? It is important that we hear from growers. We have heard from companies. I am going to be a bit long-winded here, with a little bit of leniency. It is a bit like the discussion—and this is drawing a long bow—on Work Choices and not Work Choices, employers and workers. I am just worried about the growers and the farmers, and making sure that you put your case forward. How do you see it panning out? Where do you see it going if this is just adopted—even with some changes around the edges? You are a grower, and at the smaller end—you are not one of the larger, mega ones—how do you see it?

**Mr Curry**—There will be large corporate farms. I—and probably others—would not encourage our children to come back home, because of the uncertainty and the volatility. And that will affect our communities. The bigger farms get and the fewer people we have in the country, the fewer services we will have; we probably will not even have a mail run or a bus run. So there will be fewer and fewer people out in the country. I do not see the future as being very bright for small family farms.

**Senator FIELDING**—How many growers—and I am not asking about the volume of wheat but about the growers—do you think will be worse off? Do you have an estimate of

numbers? I am happy if you do not know, because you may only know your world from there and I can cover it elsewhere with other people. But we have heard this morning that 'every grower is better off'. It sounds like the debate about Work Choices and those changes: 'everybody is better off'!

**Mr Curry**—Yes, it is a bit like the price of fertiliser at the moment, isn't it? It has basically doubled in six months. And why? Because we have a large cartel running it. That is exactly what will happen with our grain traders.

**Mr MacPherson**—It is the same as with the oil. You have OPEC operating as the world's single desk, in fuel.

**Mr Curry**—And that is my concern. It is all right now, when we have a demand for our wheat; it is when we have a year of plenty—

**Senator FIELDING**—I will paraphrase a bit: your concern would be that this will change the face of wheat for smaller farmers across Australia, and you say you will see the smaller ones, over a period of time—you could debate how fast it might happen—disappearing, and you see us ending up with some megafarmers. That is a decision that the Australian Senate is looking at making. And once done it cannot be easily undone; that is the way it will go for the next 30 or 40 years. We have seen it with groceries in Australia, with petrol retailing and with other areas of farming. You are suggesting that the smaller farmers would be either squeezed out of the market—

**Mr Curry**—Yes. We will basically be reduced to—

**Mr MacPherson**—Peasants.

**Mr Curry**—Peasants, yes.

**Senator ADAMS**—Mr Curry, I just asked you a question about the domestic market and you told me that for the last three years you had not used AWB at all; you had sold on the domestic market.

**Mr Curry**—That is true.

**Senator ADAMS**—So I am rather confused by the answer you gave Senator Fielding. Why are you going to be worse off because there are exporters in the market when you have got a deregulated domestic market to sell to?

**Mr Curry**—That is true, but the reason why the domestic market has been very good in the last three years is that we have had no grain—no grain. We have had droughts.

**Senator ADAMS**—I am fully aware of that. What happens at a normal time? What do you do? This is why I asked you the question.

**Mr Curry**—When we have a year of plenty, the domestic market is full. We have got to export the surplus and, by the time that all comes through, the price will be depressed.

**Senator ADAMS**—It may not be. If you have got a lot of people in the market wanting to buy your grain, what is the difference? We have a number of buyers coming to buy our lambs—if we go back to sheep. We might have five, six, seven buyers coming to look at those lambs. We will sell to the best buyer there. So what is the difference?

**Mr Curry**—That is true.

**Mr MacPherson**—Could I just answer that question for you. Western Australia is absolutely flogged with the purchase of your lambs—your skins are \$2.

**Senator ADAMS**—I am just using that as—

**Mr MacPherson**—But this is what I mean. You—

**Senator ADAMS**—No, it was to—

**CHAIR**—I will just call the committee to order. It is important we do stay on track, and I am sure that the lamb argument will continue outside this arena.

**Senator ADAMS**—It was there as an example of having—

**CHAIR**—Sure. Sorry to cut you off, Mr MacPherson.

**Mr MacPherson**—No, it is okay.

**CHAIR**—I take your point, Senator Adams.

**Senator ADAMS**—I just have one thing I would like to—

**CHAIR**—Senator Fielding does have the call. If it is on the same topic, Senator Adams, please ask it, but I would rather flip to Senator Fielding. Bearing in mind that time is running away from us, Senator Fielding and Senator Adams will have the last questions.

**Senator ADAMS**—We will let Senator Fielding go ahead and I will come back later.

**Senator FIELDING**—Thank you. I think I will finish up here, because obviously it is an issue. As we stand on the edge, I think, of a decision, the question Australia needs answered is: do we or don't we want family owned farms growing wheat? That is really the decision that will either be made or happen by default, by just letting it happen. That is a question that I do not think is understood well enough by most Australians for them to be able to feed back to the government of the day whether this is a wise decision. All we know is that, in five or 10 years time, you will see it going down. I think that people feel very uncomfortable about where we have gone with the retailing of groceries, the retailing of petrol, and the farmers—

**CHAIR**—I am sure that will be looked at in another inquiry, Senator Fielding, but in terms of the wheat?

**Senator FIELDING**—I appreciate you coming forward and putting your views to us. I think it is important that you have done that today

**CHAIR**—Thank you, Senator Fielding. Senator Adams, last question.

**Senator ADAMS**—Just on the wheat variety classification issue that came up, I would like to draw your attention to a very good discussion paper, which you can actually get from the net and comment on—it has not closed yet—by the Wheat Industry Expert Group. These people were pulled together by the government to work out where all the services that AWB provided would go. So wheat classification will go to the GRDC. They will manage the wheat varietal classification and they will have a panel whose members will be drawn from applicants from the general public with expertise in that area. So rest assured that that will certainly be covered, and all the other services. But this discussion paper—I can give you my copy if you want—

**Mr Curry**—No, that is fine.

**Senator ADAMS**—is worth taking and reading.

**Mr Curry**—Yes. Thank you, Senator.

**CHAIR**—Mr Curry and Mr MacPherson, thank you very much for your time and your patience. I now call to the table the Temora grower group, please.

[12.14 pm]

**DRUM, Mr Anthony Joseph, Private capacity**

**DRUM, Mr Lance, Private capacity**

**CHAIR**—I welcome representatives from the Temora grower group. Do you have any comments to make on the capacity in which you appear?

**Mr A Drum**—I am appearing as a grower from a family run farm between Wagga and Temora.

**Mr L Drum**—I am a small grower from between Wagga and Temora as well.

**CHAIR**—I invite you to make a brief opening statement before we go to questions from the senators.

**Mr A Drum**—Thank you, Chair. I run a family farm with my wife and son. It is approximately 4,000 acres of mostly cropping—mostly wheat and a bit of canola and barley. I have farmed all my life. I am very worried about where we are going now because I think the system itself has served us well. We are going into uncharted waters. Some of the senators asked questions with regard to whether deregulation perhaps has not affected us as much as a lot of people think because we have had six or seven years of drought. That is my main concern at present.

**Mr L Drum**—I am a separate entity to my father. He crops in with my brother, but I have my own set-up. Basically, I have put together a few points that I would like to run through so you can see how I think this is going to impact not just me as a grower but the majority of growers, especially those who are not as affluent and do not have a lot of finance behind them to be able to fund things. It really will become a speculators market.

The first point I see as a problem with this new policy is that, without a single desk and a national exporting pool, we will lose our buyer of last resort facility. Without a buyer of last resort facility and a national pool, we will lose an estimated pool return which would be the floor price for marketing our grain. That floor price governs not only the domestic market but also the international market. There are going to be a multitude of problems that come from losing that floor price.

Some of these points will intermix because it is a complex situation, so I will go through the points and if something seems to intermix I will be happy to touch on it. A key point will be that there is no legislation in the new policy to maximise returns to growers. I know that people have said that there is not any under the existing policy, but I am happy to point out where it is under the existing policy. There has been a lot of misinformation on that. It is very hard to give an insight from recent years on the comparisons between the export and domestic markets because we have seen seven years of extreme dry and therefore seven years of undersupply of grain. What we still recognise as a normal production year is between 26 million and 30 million tonnes. That is the approximate figure. On average, these returns, in the majority of cases, have been higher than the cash price at harvest time. The final return for putting your wheat through the export pool has been higher.



Basically—like other gentlemen have touched on—it did go back to the Wheat Industry Stabilization Act back in 1948. Other than a few changes here and there, that is pretty much what we have had right up until the debacle that happened with the Cole inquiry and so forth. What we had was a great asset to Australian wheat growers. It was introduced by the Australian Labor Party. I think that, until just recently, it has been pretty much supported by all sides of government. It is just a shame that, with a few small misdemeanours, we are going to throw out the baby with the bathwater. It will be to the detriment of all young and old Australian wheat growers and their families. It will absolutely ruin Australian communities and families, especially those who are least able to have cash flow behind them.

The agreement we had through the single desk was a collective marketing agreement; it was not a monopoly. I think that point needs to be made quite clearly. We have a deregulated domestic market, so there was no monopoly as far as Australian people were concerned. Anyone was free to buy Australian wheat. The only thing was that people had to be prepared to pay the going price, which was a reflection of the estimated pool return, which was a benefit to all Australian wheat growers. Because we had an estimated pool return, we as growers knew that, unless a domestic grain buyer was going to give us above the estimated pool return price for our wheat, we would be mad to sell to a domestic buyer. Basically, it was one way of trying to keep the grain merchants honest. It would not keep them honest but it was trying to keep them honest. This collective marketing agreement that we have had for the last 60 years has been the only way that we, as Australian wheat growers, have been able to have some form of protection to deal in a corrupted international market.

There is another point on this. What is going to happen with multiple permits being issued—which is what is being suggested—is that we will have two Australian competitors, two Australian exporters of our grain, competing in the same market. It does not matter what you want to call them, whether it is ABB, Cargill, GrainCorp or whoever goes in there. There is nothing now stopping six competitors going in there and competing to win that market. There is nothing stopping all six from going into one market—let us say, for instance, the Middle East, where a lot of our grain goes, or India. Everyone knows who will come back out winning that market. The company that will come back out winning that market, the company that will win that deal, will be the company that has come in with the lowest price. At whose cost will that be? It will be at the cost of us, the Australian growers.

Under the single desk arrangement, where we had only one seller, and that was us, the AWB—we are the AWB, the Australian wheat growers—we were able to have one seller on export. That did not mean it was a monopoly, because a monopoly is where we have only one seller on the export market. There was only one Australian seller. We still had to compete with America, the EEC, Russia, Argentina and all the others. So there was no monopoly there. If anyone should be able to understand where I am coming from it is those of the Australian Labor Party, who understand that if you do not have a collective agreement on things like wages or selling your grain—and you do not even have to have their principles; it can be on the conservative side too—and if you are going to start playing each other off, we will be the losers, especially when under the old system we had maximum profits returned back to the grower, and that was through legislation. I am happy to point out where it was in the constitution of the AWB which was legislated by the Australian government.

Another huge problem that is going to arise concerns things like infrastructure. For people like me, the majority of wheat growers, there is only one option—other than the option of warehousing our grain if we do not have a market at the time of harvest—and it is not the preferred option. For starters, there is no way you are going to get an 80 per cent upfront payment for your grain, which we have at the moment. There is no way that a lot of small operators like me, those who have gone out on their own, have been farming with a family and have been trying to get established, can afford the infrastructure to store their own grain and market it. There are a number of reasons for that.

Another point is this. Intertwined with that is the fact that it takes the best part of 12 to 18 months to market a whole harvest. Your buyers are not going to be all there at harvest time saying, 'Hey, mate, don't forget about me because I want to buy your grain.' A lot of buyers in the Middle East and India are going to put their hand up for grain only when their own stocks are coming down. That could be six months or even 18 months after we have had the initial harvest.

The majority of growers do support the status quo. I have talked to the detractors about that and they have said, 'Well, where are your figures?' But every survey that I have ever seen has shown 70 to 85 per cent of Australian wheat growers supporting a single desk. The detractors will say, 'We don't believe that.' Well, if they do not believe that I suggest they go and do their own surveys. Detractors are always going to argue that point but you only have to go to meetings around the place and ask growers as a whole what they want and you will soon see that that is the case.

Under the existing single desk system, Australia produces only four per cent of world wheat grain. That is as a proportion of what is produced in the world; it is only four per cent. This is based on an average year—and we have had droughts. Because of our marketing system that is envied by those around the world—and this is why the Americans want so badly to get rid of what we have got, and the only other ones wanting that are grain merchants and a couple of so-called deregulators—for that four per cent of the wheat in the world, we win four per cent of the world wheat market. That is because under a single desk system we are able to put allotments of grain together, so we have one collective body of grain right across from the eastern seaboard to the western seaboard. With different bin modules we are able to produce in a normal year whatever the market is demanding. Of course in a drought year there are exceptions. This has made those parcels of Australian wheat very powerful on the world stage. There is no way that you will get a whole different mob of grain merchants, who are only in it for their own profits, to organise together and say, 'Hold on, fellas, let's all go and get together and get our shipment together to make this work.' That will not happen. So our ability to fulfil the demand of markets will be greatly diminished, and that will be a loss to all Australians because when we lose markets our balance of trade is affected and also affected are taxation and revenue back to the Australian government and people.

Arising from what is being proposed will be greater problems over fluctuations in prices—and I have already touched on those. It will also create a lack of confidence in bank lending. There will be uncertainty as to planting. If you do not really have any security from a single desk and you are left to the whims of grain merchants, who are there only to maximise their profits with no return back to growers, you are going to think a lot longer and harder before

you even put another crop in. Because of what has been happening I have already gone into greater diversification. That has put more pressure on my family as I have gone into sheep on a small agricultural set-up. All that is going to be compounded.

To be honest with you, smaller time operators like me who are hoping to expand to make it more of a going concern and who have been doing it tough for the last 10 years—because I am also an electrical contractor to make the difference; there has been no drought subsidy or anything else for me; I have never received a cent, because I get out and work—are going to be in a position where, if this single desk is lost, I cannot see the motivation for a young farmer to go and buy more country.

**CHAIR**—Sorry, Mr Drum. Do you have a lot more?

**Mr L Drum**—No, I have nearly got there. I am sorry. I just want to get through all these points.

**CHAIR**—Please do. It is just that 12.30 to 1.30 is the break, because there are the support staff and all that, so I do not know if you want to continue after the break.

**Mr L Drum**—I will try and round up in the next minute or two if you like.

**CHAIR**—Yes, by all means.

**Senator NASH**—There are questions, aren't there, though?

**CHAIR**—Yes, there will be. Most certainly.

**Mr L Drum**—You have got me there, haven't you, Chair! Anyway, there are several more things. Under the new system there will be no obligation for Australian wheat to be bought at all. When people start discussing a pool—for instance, GrainCorp says there will be a pool—they will run a pool, but only while they have that buyer. So if they win a deal from India or the Middle East—I will probably go on a bit—they will set a pool of 10,000 tonnes or 100,000 tonnes till they fill that contract. As soon as that contract is closed, that pool will be shut. So do not be conned into thinking that their pools are going to bear any sort of comparison with the AWB pool that we all commonly know under the single desk.

A good example of that is that AWB did not finalise the 2005-06 pool till late last year because there was a massive shortage of grain. AWB, because their responsibility is to maximise profits going back to farmers, could see that they were going to maximise profits more by closing it later and extending the selling period. In turn, GrainCorp followed on and did not close their pool until after AWB had closed theirs. GrainCorp and all these other competitors have been kept honest because they know that if they were not kept accountable they would be left out there and badly exposed. But when we lose AWB's single desk and the pool, there is not going to be any floor in the market to keep these people accountable. They will be able to write their own rules, basically, because there is nothing in the legislation to keep them honest.

The other main point that I want to make is that, under this new system, the new way that grain prices will be set is by the growers who are the most desperate and vulnerable—that is, those who have got the banks screaming down their throat for money. They will have to take whatever the price is on the day. They are not going to be able to afford to warehouse it. They are not going to be able to afford to go and put silos up, because they have got to make

payments. That will be the way the new price is set. It is just like in the wage set-up. Those who are most desperate are not going to say to the employer: 'No, go away; if you can afford it, give us a better deal.' That is going to be the new price set-up for grain in Australia. Those who are most financially unable to do these things will be the ones setting the new prices.

So I see great disaster here. I think that for people to realise what is ahead of us they have only got to look back to what it was like before we had the Wheat Stabilisation Act. I think that, as a matter of responsibility, I would strongly recommend that politicians, who are meant to be there for us and to look after all of us as Australians, not take forward this policy that is being proposed by the Labor Party and that they look at what they originally introduced, which has been supported on both sides of politics.

**CHAIR**—Thank you, Mr Drum. It is 12.34, and we are mindful of the support staff as well. Thank you, Hansard. Would you mind coming back at 1.30, Mr Drum?

**Mr L Drum**—Yes, I would be happy to.

**CHAIR**—Questions will be asked by the senators. Senator McGauran will have the call from 1.30 sharp. Thank you very much.

**Proceedings suspended from 12.34 pm to 1.31 pm**

**Senator McGAURAN**—The area of Temora is EC declared. Are you a recipient of EC?

**Mr A Drum**—No, not really. Well, some members of the family are, yes. I am not. One of my sons and I are in a family trust and he gets a subsidy.

**Senator McGAURAN**—But many of your neighbours would be getting EC.

**Mr A Drum**—Yes, they are.

**Senator McGAURAN**—How many years have they been on EC?

**Mr A Drum**—I know one fairly close neighbour has had it for probably four years. I think that is pretty accurate.

**Senator McGAURAN**—So it is pretty tough. If you are facing rupture in the market or a big change in the market like we are having and you are on EC, it is understandable that the growers are going to be nervous of the future. They have enough problems with the weather. Would that be true?

**Mr A Drum**—Yes, that is true. To answer that question: combined with that are the repercussions of high fertiliser prices, high fuel prices and general running costs having been higher in the last two years. With interest rates rising a little et cetera, it is all adding a lot of fuel.

**Senator McGAURAN**—I am just probing. I want a backdrop—what the state of the market is at the moment at the farm gate. We should never forget that or lose sight of it up here, and the government should never lose sight of it with the sections, items and divisions within their legislation. These farmers have been on EC for three years. You say, of course, that petrol prices have gone through the roof, and there are labour shortages. The cost of planting per tonne is, I believe, about \$250—tell me if I am wrong. What is it around Temora?

**Mr L Drum**—No, it would not be \$250 a tonne. It all depends on your yield. There are so many variations.

**Mr A Drum**—We are not exactly sure.

**Senator McGAURAN**—But how would the increase in the price of fuel just in the last 12 months have affected the operations?

**Mr A Drum**—It has been massive. Because of the low return on the crops, a lot of crops were cut for hay. We could not sell the hay because the season broke in the springtime—that is, it rained—and spoilt the hay. So the hay was left, and that was still a big outlay.

**Senator McGAURAN**—So what about the replanting this season? Can they find the finance for it?

**Mr A Drum**—It is a bit of a mixed bag. Some are having a big struggle and for others it is probably their last card. If they do not get a good year this year then I do not know what is down the track. There are some properties on the market.

**Senator McGAURAN**—Lance, you mentioned the banks—and, of course, everyone's antennae went up. How are the banks looking at this major change in the market? We have family farms on EC, they have to raise finance to replant and they are about to face, as they would see it, volatility in the market. Do the banks see it that way?

**Mr L Drum**—I think they do. But the banks' bottom line is that while ever there is enough liability tied up in the farm they do not see you as a liability. If they sell you up and they are not going to regain their funds, they will keep hanging on to you. They have pretty much said that. If they sell up all these farms at once, it is going to affect them because, with the great boom in real estate, they have given a lot of farmers a lot more money than they otherwise would have done because of their equity. And now, when the crunch is on, the banks are still hoping that for anyone they sell up they will get the money back because of the forecasted prices. They know there are not the people around to pay that sort of money for the farms so they are trying to hold on and let the farmers carry on until things turn around so that the farms will become more saleable.

**Senator McGAURAN**—Under the old system, the single desk, they could refinance with a surety.

**Mr L Drum**—Yes, there was a bigger surety in the old system.

**Senator McGAURAN**—With the new system there is no sense that the banks are going to pick and choose whom they will refinance for planting?

**Mr L Drum**—Yes.

**Senator McGAURAN**—Which is good news.

**Mr A Drum**—A lot of farmers tried to sell futures and they got caught and had to sell their property.

**Mr L Drum**—People in our neighbourhood.

**Mr A Drum**—They have been forced to go with deregulation.

**Senator McGAURAN**—That brings me to the rural counsellors. How many do you have in your area?

**Mr L Drum**—Do you mean where they break it up into exceptional circumstances?

**Senator McGAURAN**—No, the rural financial counsellors.

**Mr L Drum**—I think there is one that covers nearly one-third of the state. There are not many of them out there.

**Senator McGAURAN**—Do there need to be more? If you are going to have this new system, I personally think there ought to be more. There is not even a commitment—

**Mr L Drum**—I think we are best off trying to fight not to have the new system come in. We could have 10 rural counsellors in our area but, at the end of the day, they are not going to be able to help us if we cannot sell our wheat or if we cannot sell it at a fair and reasonable price.

**Senator McGAURAN**—They have been a great benefit at other times of financial stress.

**Mr L Drum**—I am not saying they are not a benefit and that we should not have them. What I am saying is that, at the end of the day, there are still a lot of farmers out there who are not getting exceptional circumstances and cannot get it. This is getting away from the whole debate on marketing but, at the end of the day, it only creates other problems when one neighbour can get it and the next fella cannot.

**Senator McGAURAN**—Do you mean financial counselling?

**Mr L Drum**—Exceptional circumstances. If you apply for that you go through your rural financial counsellor. He is the one who assesses you. It is between him and the accountant.

**Senator McGAURAN**—But it is not just for EC. You go to them for a lot of other reasons, one of which is that they are very supportive in explaining things. They play an educative role.

**Mr L Drum**—I cannot really discuss that too much, to be honest, because I have never had a lot of dealings with financial counsellors. I am sure that there are a lot of other farmers that you could ask that question of and they would be a lot more helpful.

**Senator McGAURAN**—Tony, can you help?

**Mr A Drum**—A lot of people are fairly confidential in their dealings and it is a bit hard to get exact information. I know that some people say they have applied and they cannot get—

**Senator McGAURAN**—I am not talking about applications for EC. The rural financial counsellors are there as a general support and help in a time of financial stress. They are very supportive. They could have an educative role.

**Mr L Drum**—But they are limited, because at the end of the day it does not matter how good a financial counsellor you have; if you are not getting rain, he is not going to make it rain. If you are not getting a decent return for your wheat because we lose our single desk, it does not matter how much sympathy he gives you. He is just going to draw up the tables in front of you and say, ‘You’re not a viable option anymore; sell up,’ or ‘You are a viable option and this is the best scenario I can give you.’ But that is not to say that the scenario he gives you is going to be right. He cannot predict the rain.

**Senator McGAURAN**—So in your mind there is no educative role for farmers in this new system that is being implemented.

**Mr L Drum**—There can be a role in that. I think the more education every farmer can get on what they are up against the better. But at the end of the day they are not going to solve the problems for you. You are still going to have to pick the market and try to market your grain in the best way you see possible. That is it in a nutshell, really. The more education farmers can get, the better, for sure, but at the end of the day it is still going to be a real punt for farmers, especially on the hedging, as we mentioned before. Quite a few of the people who got their fingers burnt last year from hedging their grain are the very ones who have also given me the argument that under a deregulated market they are going to be better off because they are the smarter sellers of their grain. They are the very ones who have had to sell up or have got a hell of a pain in the stomach because they have done \$1 million in futures, forward marketing grain that they were not able to produce. Whoever they marketed their grain with, they still had to buy out their contracts and it was a big cost.

**Senator McGAURAN**—A year or two ago the Trade Practices Act was amended, as Senator Joyce would know only too well, to make collective bargaining a lot easier and smoother. Surely that would be more helpful to the farming sector. I think the Grains Council might be better people to ask about this. But that is in the Trade Practices Act—for farmers to get together and be a collective.

**Mr L Drum**—But the best collective bargaining arrangement we have is getting taken away from us as we talk.

**Senator McGAURAN**—Do you think it is a possibility that, through your farm organisations, that could become a tool? Could you all get together?

**Mr A Drum**—We were involved in a co-op and it went pretty well for about 10 years. It grew very well. Eventually it went down the gurgler. Then another one not far away went down after it.

**Senator McGAURAN**—Tony, you mentioned you grow canola, barley and wheat. You rotate those crops and you make the choice about which one you want to put in and sell according to the market, don't you? So you are playing the market.

**Mr A Drum**—Partly, yes.

**Senator McGAURAN**—From the farm gate.

**Mr A Drum**—Yes. You always have to do that.

**Senator McGAURAN**—You make choices about what you grow and what you sell according to how you read the market.

**Mr L Drum**—That is right.

**Mr A Drum**—That is right. Senator Joyce brought it up. In 1991 or thereabouts, the grain was under around \$100 a tonne. A lot of people did not grow wheat that year. I think it was the Western Australian government that guaranteed a floor price. I will stand corrected on that, but I think it was something to that effect. There is a lot of grain grown in Western Australia. Senator Adams might know that. They made a lot of money. Because the wheat growers in New South Wales could not see a paying return, they did not grow it, and I was one of them.

**Senator McGAURAN**—That is right. You are making market choices at the farm gate. Can we clear up the silo issue. Senator Ian Macdonald was trying to work it out. We now know that farm storage is going to be very important in the new structure. He was trying to find out the cost of a silo, which is like asking how long is a piece of string. Isn't there a much cheaper way of doing it than the old silo stand? Isn't it called a glove or a rubber?

**Mr L Drum**—A silo bag.

**Senator McGAURAN**—That is it. Isn't that a very inexpensive way?

**Mr A Drum**—Yes. It is very limited. Most mixed farming properties in our area run stock, so there is an element of risk if they get damaged.

**Senator McGAURAN**—But you would not put them in a stock paddock, would you?

**Mr A Drum**—No, but gates get left open and fences get knocked down. Vermin chew holes in them. That causes the problem. It is limited.

**Senator McGAURAN**—It is an option, but there are a lot of risks involved.

**Mr A Drum**—It is short term. I would also add that quality assurance would be a problem if you were loading a boat down in Port Kembla with some of the grain picked up out of some of these silos. I think you could run into a minefield.



**Senator McGAURAN**—The previous speaker mentioned Cargill. They have a relationship—I did not quite establish it—with GrainCorp, don't they? Do you know what that is?

**Mr L Drum**—I am not exactly sure, but there is a joint venture between Cargill and GrainCorp on a certain site.

**Senator McGAURAN**—I know you want the old system and you cannot truck with anything else. But would it bring a greater security to you and greater assurance to the farmers if, under the new system—I know when we sold Telstra no foreign company could own so much of Telstra—the government were convinced to introduce a similar requirement of limited foreign ownership of any of these companies?

**Mr L Drum**—In other words, a company like Cargill, an American company, does not have the right to get an export permit of Australian growers' wheat?

**Senator McGAURAN**—Yes.

**Mr L Drum**—That is an option, but at the end of the day, whether it is a foreign company or an Australian company that is screwing us down to the last dollar per tonne for our grain to maximise their own profits, it is not going to be a big help to us. With the legislation that is in front of us, the main thing we need to do is get as many changes as we can insofar as an onus is put back onto these people that issue the permits that maximises profits back to growers. I do not know how we are going to achieve that with the current policy. There is only one true way of doing that, and that is contestability. All these deregulators and grain merchants are the very ones who say, 'We want more contestability.' Through AWB and a single desk, we had contestability. We had A-class shareholders and we had the democracy for growers who wanted to contest anything to go and vote for the right directors to be put on that board. That is how it has developed over the years that we do get estimated pool returns with 80 per cent farm payments two weeks after delivery, or whatever it is. That has been because we have had a contestable market.

**Senator ADAMS**—Mr Drum Jr, are you aware of AWB's change to the infrastructure and the way that they are setting up at the present?

**Mr L Drum**—I am aware of the proposals that have been put forward. They have come from people like Brendan Stewart, the chairman of AWB. But they have not got the power to enact those changes unless they are able to get 75 per cent grower support to change the constitution. They have tried to do that but they have not achieved that at this stage.

**Senator ADAMS**—No, they are actually setting up. They are not going to run a 2008-09 pool.

**Mr L Drum**—Yes, because they are not going to be allowed to under the existing system, but there still is a possibility that that could be done if we are able to get, firstly, the committee members here and then both sides of government to recognise that there is a debacle and that all the impacts have not been considered. There would be nothing to stop the minister, who is controlling until 30 June the permits, reissuing the single-desk export permit back to the AWB, which is the original holder and has all the contacts, and extending it for another year until a lot of these problems have been resolved.

**Senator ADAMS**—They are setting themselves up in a completely different way, to be able to compete for the export markets.

**Mr L Drum**—They are intending to do that, but that is because they have been forced into that position because of what the new policy entails. I do not blame them for taking that option. At the end of the day once there are no A-class shareholders, because the constitution has been defeated, all that Brendan Stewart and the rest of the directors are going to be responsible for is maximising their returns back to their shareholders.

**Senator ADAMS**—That is correct.

**Mr L Drum**—But A-class shareholders will not be considered in any way. They will be just the same as every other grain trader in the export market.

**CHAIR**—Mr Drum, I think you have made that very clear, but Senator Adams still has a host of questions that she wants to put to you.

**Mr L Drum**—I am trying to explain why they are reformatting their infrastructure; it is quite clear.

**CHAIR**—We must keep things rolling.

**Senator ADAMS**—Mr Drum, you made the statement that the AWB were maximising returns to growers. Can you tell me what evidence you have that they are actually doing that?

**Mr L Drum**—I do not have particular figures, but I can speak in general about the returns that I have got when I have chosen between cashing my wheat in at harvest time, for a cash price, and putting it back through the pool and taking 80 per cent payment up front—and there about six to eight different ways by which you can put it through the pool. But at the end, when I have taken that option, by the time that I have got my final payment back from the pool I have always been up to \$80 a tonne better off.

**Senator ADAMS**—What about the domestic market?

**Mr L Drum**—The domestic market has only really been used by growers in recent years because of the simple fact that there has not been enough grain produced to properly fill it. The only reason why certain growers on the eastern seaboard have not used the export market in recent years is that we have had drought years. In what we call a normal year pretty well all of the growers in my area rely on a large percentage of their grain going through the single desk to be exported. Even companies, such as GrainCorp, which run pools alongside the AWB have had this option and security for themselves: if they fill the domestic market they are able to turn around and put their excess wheat back into the AWB single-desk pool. With the removal of that, that security will be gone, so they will not have the ability to run in the future pools as large as the ones they had before, because they will not have that option to go and divert their wheat back through the AWB pool.

**Senator ADAMS**—Let us go to Western Australia. You guys have got an option but we have no option. That is where the problem comes in.

**Mr L Drum**—I understand that.

**Senator ADAMS**—As far as the marketers' information goes, the other marketers will be running pools. As for some of your comments, as far as the accreditation goes this is a very

flexible process, and these people are going to be put through the mill well and truly as far as being able to finance pools and refinance growers or anything like that. Most of them are already accredited under the South Australian barley award.

**Mr L Drum**—I have talked to Western Australian growers, and I think you will find the majority of Western Australian growers still want the single desk, and it is in their interests, because they are totally reliant on export grain—we can agree to disagree, but I think—

**CHAIR**—Mr Drum, I think that Western Australian farmers will let us know next Monday, but time is ticking away. Senator Adams, you do have questions for Mr Drum?

**Senator ADAMS**—I do have one more. You are talking about the hedging. That is an individual farmer's choice; they have control of what they want to do. Whether they hedge or they lose their money is hardly anything to do with the legislation we have at the moment.

**Mr L Drum**—I would say it is.

**Senator ADAMS**—When you put your wheat into AWB, you realise of course that you are an unsecured creditor?

**Mr L Drum**—I noticed you said that to the last grower, and yet our wheat board can be funded through the bank. Westpac Bank funds the single desk through individual growers backing the pool. We do not have to take it through the AWB; we can have our pool return funded by the National Australia Bank, Westpac Bank—whichever agribusiness mob you want to go to. If you think that Westpac is going to go broke, I can tell you that the country is going to be in a big, big mess if those sorts of banks go broke. If you take the right options in marketing your grain through the single desk, it is highly unlikely that you are going to go broke, because if Westpac or National Australia Bank go broke then I am pretty sure that the country would be pretty broke as a whole.

**Senator ADAMS**—So, therefore, as for the argument that the banks are not financing growers: really and truly they are being financed through the single desk, then?

**Mr L Drum**—No. The way that it works, through the 80 per cent return to growers, the 80 per cent up-front payment—

**Senator ADAMS**—I know how it works. There have been comments made here that the banks are not going to support the growers; it is difficult, but with the single desk you can be financed and be safe. This is where I am just trying to get the argument clear.

**Mr L Drum**—The banks are only going to support the growers when they can see that a grower has enough equity there that, if things turn bad, they can still sell them up. But what is going to happen is: there is not going to be that security. I have talked to bank managers and agribusiness managers in our area and they have straight out said, 'Knowing that there is an estimated pool return gives confidence to the banks.' The grain that you plant, the crop you borrow the money to put in, is going to have a security through a return through their single desk. With the loss of that, there is no security for the bank. The bank is going to come up and say, 'What are you looking at? Where are you doing your figures in your budget to see your income for this year?' and we will rub our heads and say, 'There's no estimated pool return this year because we no longer have a single desk. GrainCorp may come in and say, "We

might give you this”, but there is no legislation in place to have any security or accountability for grain merchants to give us a price at any time.’ And in a glut year—

**Senator ADAMS**—I will just go to your father now. He is growing canola. Mr Drum, how do you deal with your canola?

**Mr A Drum**—I think the big point of the whole lot in farming is that you are looking for a big year. And this is where the pool is very important—

**Senator ADAMS**—Could you just answer the question I asked you about your canola. How do you market your canola?

**Mr A Drum**—How do I market my canola? I market my canola more or less on the open market because that is all we’ve got.

**Senator ADAMS**—That is right.

**Mr A Drum**—We did have barley boards, and we played one off against the other.

**Senator O’BRIEN**—I want to take up the point about estimated pool returns. As I recall, last year there were several revisions of the estimated pool return by AWB and, in fact, a boycott of the pool by many growers because of the very low estimate of return. How does that justify the argument that the estimated pool return is somehow the saviour of farmers in the wheat sector?

**Mr L Drum**—The first point is that the estimated pool return is an estimate. That is the whole reason why they say it is not a confirmed pool return but an estimated pool return. Now they have to be as honest as they can with the growers and say, ‘There are fluctuations in the market on the whole; there is going to be a variance in it.’ That is the easiest way to answer the first part of the question. What was the second part again, sorry?

**Senator O’BRIEN**—The point is that the only reason the EPR went up was that there were growers who were not prepared to commit their grain to the pool—

**Mr L Drum**—I was one of them.

**Senator O’BRIEN**—because the estimate was so low and world prices were so much higher.

**Mr L Drum**—That is because there was a drought and—

**Senator O’BRIEN**—Growers who knew they had wheat would not commit it to the pool because the estimated pool return was so low.

**Mr L Drum**—That is because we had a domestic market that was driving the price in Australia. In a normal year, when we have an overproduction for the domestic market, the whole scenario turns around the other way. The point we keep trying to make is that in the last seven years a lot of people have not used the pool because the domestic market has been so short of grain that of course there will be a higher price. Do you follow what I am saying?

**Senator O’BRIEN**—I know what you are saying.

**Mr L Drum**—The reason why I and a majority of eastern seaboard growers have not utilised the pool is that we have not been able to produce the grain. I can guarantee you that as

soon as there is an oversupply in the domestic market we are totally reliant on the export market.

**Senator O'BRIEN**—I have one other question. Should this committee listen to growers who regularly use export markets more than it should listen to growers who have on occasions used export markets?

**Mr L Drum**—For my father and I, if you work it out over our farming lifetimes—and I have been farming for barely 10 years—the majority of our grain has gone through the AWB single-desk pool. I keep trying to make the point that the only reason it has been different in recent years is that we have not been able to produce the wheat—and that has been out of our control because of the drought. I think you should be listening to growers from the west just as much as growers from the east. But I think you will find that it is in everyone's interest to have the single desk.

**CHAIR**—To assist Senator O'Brien: I have had my ears chewed by Western Australian growers who are telling us a completely different story. In fact, they say that in are sick of selling it to eastern states growers.

**Senator NASH**—The Ralph review, which last year conducted hearings in a number of places, came up with the view that the majority of farmers—and we understand that is around 70 per cent—want to keep the single desk. Other reviews and polls have also come up with a consistent figure of 70 per cent of farmers wanting to retain the single desk. Do you have a view on why the Labor government would ignore the view of the majority of growers in terms of retaining the single desk when quite obviously the majority of growers want to see it stay?

**Mr A Drum**—Some of our farming leaders have fallen down and have not put the right information out. I was at two meetings of the Ralph committee. Two deregulators talked at those meetings and they were given very good media coverage. Other people, who spoke very well for retaining the system, were not given the same amount of coverage. So perhaps that is one reason. The witness who spoke before us today is probably very well trained in his job. I am a farmer. I am not a public speaker—as you have probably worked out by now! We just do not have the expertise in that field and we have 'sold our job'. That is my opinion.

**Senator NASH**—Do you think anything that has happened in the last 12 months might have changed the view of the majority of growers or do you still see it as being exactly the same?

**Mr A Drum**—I think the drought has had a fair bit to do with it. This problem has come in the last 12 to 24 months.

**Senator NASH**—I should be a bit clearer in how I say that. Do you have any reason to believe that the number of people who support the single desk, as found by the Ralph review and the polls last year, would have changed?

**Mr A Drum**—Not really. I think that probably some people are a little bit blase about it because they have been caught up in the drought that has gone on. There has not been a flush of grain, and they have been able to sell the bit of grain they have had at good prices. I think the big boom years are going to be the major problem, and that is where the farmer tries to

consolidate on the few years that you do get. If the bottom is going to fall out of it, it is going to be a disaster.

**Senator JOYCE**—You have obviously heard of Senator Norm Coleman, a Republican senator from Minnesota in the United States; Senator Tom Harkin, who is a Democrat on the agriculture committee; and Alan Tracy, who is President of the US Wheat Associates. All these bodies, from both sides of the political fence, and the growers group have emphatically said that they believe Australia should get rid of their single desk because it is unfair to the United States. Do you think they are mad and have got it completely wrong?

**Mr A Drum**—I was over there a few years ago. I travelled through a lot of wheat areas in Canada and in the United States, and the farmers I talked to there said, ‘You don’t know how lucky you are with the set-up you have got in Australia.’ That is what I was told. I notice that Senator Harkin and a few others have gone very quiet in recent times, because I think they have got their own way.

**Senator JOYCE**—Alan Tracy actually congratulated our agriculture minister for getting rid of the single desk.

**Mr A Drum**—I wouldn’t doubt it.

**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.

**Senator IAN MACDONALD**—But, for whatever reason, we sell good quality wheat and we get paid well for it. Do you agree with that?

**Mr L Drum**—In the past we have, yes.

**Senator IAN MACDONALD**—You are saying it is because of the single desk and the one dealer, who was able to sort out the good quality wheat.

**Mr L Drum**—Yes, and you are rewarded for your quality, so there is an incentive to produce—

**Senator IAN MACDONALD**—But you do not believe that the commercial exporters will be trying to do the same thing so that they maximise their return? Forget about your return!

**Mr L Drum**—They will still be trying to acquire the best quality wheat they possibly can to satisfy their buyer—there is no doubt about that—but that is still missing the point. That is not going to be of any help to us when we come with our grain.

**Senator IAN MACDONALD**—They have got to get your wheat to sell it at the maximum, so they are going to encourage you to produce the best wheat.

**Mr L Drum**—They are going to pay us the minimum amount of money that they can get our wheat for. I will give a scenario to explain it to you.

**CHAIR**—Mr Drum, can you make it as short as possible, please.

**Mr L Drum**—Okay. If there are two wheat producers and we both come up with the same quality grain, the grain buyer is going to take it off the bloke who is prepared to give in for the lowest price. And the most desperate producer of that grain will be the one that takes the lowest price. He cannot say, 'I've got GrainCorp'—or ABB—'coming in wanting my—

**Senator IAN MACDONALD**—But surely GrainCorp would buy both of them—

**Mr L Drum**—No, that's the thing—

**Senator IAN MACDONALD**—because they can sell it overseas at a premium.

**Mr L Drum**—If there is an overproduction of grain, they are only going to buy enough to fill the market that is there.

**Senator IAN MACDONALD**—But AWB could not sell it if there were not a market.

**Mr L Drum**—That is why sometimes—

**Senator IAN MACDONALD**—I am not debating it with you; that is not my purpose today. I was just interested in your—

**Mr L Drum**—It is a complex thing. AWB do not sell all the grain all at once; they have got to sit on it. But you are not going to find grain merchants sitting on millions of tonnes of grain saying, 'I hope that things are going to turn around and grain prices are going to increase.' Grain merchants are not going to do that.

**CHAIR**—I am sorry, Mr Drum, but I have to pull this up. I am sorry about that, Senator Macdonald, but we have gone well and truly over time.

**Mr L Drum**—That is fine.

**CHAIR**—Thank you very much, Messrs Drum, for your time. If you want to hang around and ask some questions or answer some questions for senators later on, I am sure they will be happy about that.

[2.11 pm]

**HART, Mr Hugh Lawrence, Private capacity**

**O'HARE, Mr Michael Philip, Private capacity**

**O'HARE, Mrs Velia Felicity, Private capacity**

**CHAIR**—I welcome the south-west New South Wales growers. Thank you very much for your patience. Do you have any comments to make on the capacity in which you appear?

**Mr Hart**—I am just an ordinary farmer from Tallimba in New South Wales.

**Mrs O'Hare**—I am not just an ordinary farmer; I am a passionate farmer—a grain grower who wants to see the most money we can get.

**Mr O'Hare**—I am the farming husband of Velia.

**CHAIR**—I invite you to make a brief opening statement and then the committee will ask questions—and bear in mind that the longer the statement the less time the senators have to ask questions.

**Mr Hart**—I think a lot of ground has been covered and I do not want to start going through a number of issues that other people have already put forward. But one of the things that is probably misunderstood and has not really been grasped is the concept of 'buyer of last resort' and who pays for carryover stocks. At the moment that risk is spread across every grain grower who puts up export wheat in Australia. People in business understand about spreading risk. There has been no adequate answer to the problem that I see we will be facing under the new regime. The only reason the single-desk holder—it does not have to be AWB; we do not care, quite frankly, who it is—has been able to offer that service is because they do not have to compete with anybody for Australian wheat and the risk is spread over the pool. It is the same with hedging. AWB was a big hedger and they could do it better and more efficiently because, again, they had the advantage of being able to spread the risk over the entire export crop.

Nobody that I can see is going to be able to operate as a buyer of last resort. That probably does not matter if you are in Queensland: you get in early, you grow premium wheat on the black soil, the domestic market takes most of it and you do not have to worry about it. By the time you get down south to where we are that is a big problem. We grow a lot of APW and ASW in our area. I am not going to talk about the drought, but everybody is saying, 'Why haven't you used the pool in the last few years?' Because we have not grown any wheat; that is why. I wish we had been able to use the pool. I have been in the game for a long time. I started on my own, basically, and I became a farmer because I wanted to do it. I did all sorts of things along the way—drove trucks, whatever; but now I am a farmer and I want to stay a farmer, and I want my son to have the chance to be a farmer. One of the reasons I could survive in the business from a small start was, I believe, because of the security I had in the single-desk system, and the buyer of last resort was an important part of that. I do not think that concept has really been very well understood.

**CHAIR**—Mr O'Hare or Mrs O'Hare, I invite you to make a brief opening statement.



**Mrs O'Hare**—Being a woman, I feel my area is family life and community life. I think something like this could mean the destruction of families and communities. It is a worry. One of our local TV stations is running a heap of ads on depression. I just see that, come January, if there is no buyer of last resort and we do not get that 80 per cent in January to offset all the loans that people have at the moment, you have not seen anything yet in suicides. The men out there are getting just so low. We do not need this. We are down now. Do not kick us in the guts. Last week you actually passed a bill to get rid of AWAs; well, this is our AWA. I am sorry: this is our industry; you ask us. We are the bottom line and you should talk to us first before you start talking to traders. Save our communities. This government or any other government will not pay us subsidies like they do in Europe or in America, so when you get rid of single desk marketing you have to really think about what you are going to put in place to keep us out there. You cannot rip apart communities; you have to keep us going. You do not want more and more people moving to the city. You are all alive today because of the farmer. You had breakfast; we grow the grain. Think about what you are really doing to us. Thank you.

**CHAIR**—Mr O'Hare, do you wish to make a brief opening statement?

**Mr O'Hare**—Yes, and I will be brief because most of it has been covered. I might pick up on the hedging and market risk that growers are going to face if this new legislation comes in. For example, I am one of the ones who lost money last year. We lost around \$50,000 because we hedged. The reason we did that was that all this was being thrown up in the air and there was a threat that there was going to be no national pool last year. So the price of wheat was improving, it was up at a pretty good level, and the season was looking okay—it certainly did not turn out that way—and we thought we could miss an opportunity so we hedged a very small portion of our crop. Normally, we would never have done that, because the national pool would have done some of that and spread that risk over the whole pool of growers where they knew there was going to be some wheat. Australia grew about half—I do not know the exact figures—its normal crop of wheat last year, but we had our worst crop ever. We could not deliver wheat so therefore we lost a lot of money. I was just trying to clarify it, because Senator Adams asked a question a while ago and I do not think she was looking at it from that point of view.

**Senator ADAMS**—We sold our property on 1 April. I am not a farmer at the moment.

**CHAIR**—Thank you, Mr O'Hare. Mrs O'Hare, I would like to make a statement regarding your comment about our kicking you in the guts. You are speaking to an ex-truckie, so that language does not hurt me, but I am from Western Australia. I am not from farming stock, but I have been inundated by growers who have said to me during the last 18 months, since this whole fiasco with the AWB stuff blew up, that Western Australian farmers have had a gutful of subsidising eastern state growers through transport costs because Western Australia is closer to the export markets. So I just wanted to clarify that we are listening. We listen to everyone who speaks to us. We do not have earmuffs on when we go across the border. I have probably accused senators of doing that before, but I will not this time. Senator Fisher has some questions.

**Senator FISHER**—I come from a family farm in Western Australia that my brother and sister-in-law still run. My husband and I hopefully earn an income from a farm that we

operate in the south-east of South Australia. I want to place those two things on the record before I proceed to ask you a couple of questions around the same theme, essentially building on some of the evidence that has been given by some here today about the impact that it is considered this legislation will have on family farms and particularly on small family farms.

A range of factors have been cited by you and others: for example, drought, international competition and the costs of inputs—particularly in response to questioning from my colleague Senator McGauran—like petrol and, as Mr Curry earlier referred to, fertiliser. Can one of you please put to the committee your view as to where the challenges that this legislation puts in front of family farms and communities like yours fit in the context of the other challenges that small and, in particular, family farms are already facing.

**Mr Hart**—There are a number, but the major one, which I will speak about in the limited time available, is that we are going to be forced to carry our own carryover stocks. A trader, with the best will in the world, cannot put a big price on grain that he has not got an immediate market for. He just cannot; the risks are too high, because he does not know what GrainCorp is doing, he does not know what ABB is doing, he does not know what stocks they have and he does not know what their plans are or what their markets are. So I am going to have to carry over stock. That certainly has not been a problem for me for the last couple of years, I can tell you, because I have been running at a massive loss and I have not grown enough grain to have that problem. But a problem arises when I get a big year.

We are already under severe financial stress from prolonged drought. In the past, AWB always ran a pool. I could get 80 per cent of the estimated pool return in my bank account. That is a nonrecourse loan; there has been a lot of talk about equity, and you are in debt here, there and everywhere else, but it was a nonrecourse loan. In other words, they could not get the money back off me whatever happened. So I have had the security of knowing that, however big the year, I do not have to build a silo or rent space, in effect, in somebody else's silo to carry that grain, for an indeterminate period, until I can find someone who wants to buy it. I really think that is going to be a major headache for a small operator like me.

**Senator FISHER**—So when you and your financiers make decisions about the ongoing challenges that you face, and you try and make the decisions so you can have that farm to pass on to your son, I understand that you are taking into account a range of factors, of which, in your view, security of payment is one.

**Mr Hart**—Yes.

**Senator FISHER**—What I am trying to get a bit more of a concise feel for is where that security of payment fits in the other factors that you will take into account and where it fits in the scheme of things. Given the time, I will go right to it. Is security of payment, in your view, the sole determinant now as to whether or not your family farm will continue, or is it one of a range of challenges that will continue to confront you and others like you?

**Mr Hart**—I think it is one of a range, to be honest, but I think it is probably the biggest one. It has come from nowhere—we did not have this problem before—and it will probably be the biggest challenge, I think.

**Senator FISHER**—At the risk of putting words into your mouth, is this, as it were, the straw that might break the camel's back rather than the sole determinant as to your funds?

**Mr Hart**—I consider myself a small grower, but I am not as small as a lot of others, and I think that for a lot of other growers in our area who are much smaller than me—half the size of my operation, for instance—it definitely will be the straw that breaks the camel's back. There is no doubt about it.

**Senator FISHER**—I have one further question, and I will ask it of Mrs O'Hare. You talked about 'save our communities'. If this legislation were not to pass, would it save your community?

**Mrs O'Hare**—I think it would, because if we get a good year the cash flow will be there and businesses will pick up. There are businesses that are owed money that are carrying on and holding people. Everything is constricted at the moment. Everything is so tight in all the communities.

**Senator FISHER**—That is a pretty big call. So if this legislation went nowhere, your community would be sustained at current levels and would not go backwards.

**Mrs O'Hare**—It would probably pick up, because it has got down that low.

**Senator SIEWERT**—I want to pick up on a question that Senator Fisher asked. The problem we have here is when you say 'if it does not pass'. The fact is that we are at an impasse because we no longer have the single desk as it used to be. I need you to expand on your answer, because we do not have the status quo; we no longer have the single desk. There have to be decisions made by June. There is more to it than the legislation just not passing. I think that communities will be in a bigger mess if we do not sort this out. In your opinion, what should happen?

**Mrs O'Hare**—There should be some sort of organised marketing, a single desk—obviously not one run by AWB, but there should be a growers market, a single desk.

**Senator SIEWERT**—So it is not just a question of stopping this legislation.

**Mrs O'Hare**—No.

**Senator SIEWERT**—Again, I do not want to put words in your mouth, but you are not asking us just to stop the legislation; you are saying that we should put in place a growers single desk.

**Mrs O'Hare**—Yes.

**Senator SIEWERT**—Like the one we had, as previous witnesses have said.

**Mrs O'Hare**—Yes. We want a guarantee, and the best way is for all farmers to market together.

**Senator ADAMS**—Just on that, did you support WEMA?

**Mrs O'Hare**—Yes.

**Mr O'Hare**—Yes.

**Senator ADAMS**—Why did that not succeed, in your opinion?

**Mr Hart**—It did not succeed because a little thing called the federal election came in the middle of the term that it had to raise the money, after which it was clearly flagged by the now government that they were going to throw a hand grenade at it—dismantle the single desk.

Whatever the words were, it does not matter. So that left WEMA without any possibility of raising the money by March.

**Senator ADAMS**—Coming from a Western Australian wheat grower's point of view, I was amazed at that. Having attended five out of the eight wheat consultative committees run by John Ralph, I saw the passion of people who had one point of view on the AWB side of things, and I could not see why it was not supported and the money was not forthcoming. They had every opportunity to do it. So I am just asking why, from the point of view of the eastern states, it was not supported. Why did they not raise the funds?

**Mr Hart**—It was signalled that the thing was going to be blown up. The WEMA group at the very least put out statements that indicated that they believed that, whatever we did from here on, WEMA was dead because the incoming government had made its position clear. It makes it very hard to raise funds when you are trying to sell a dead horse.

**Senator ADAMS**—The reason I asked the question was that you were asking about a growers cooperative or collective group, and that was the group. I was amazed that it did not take off a lot faster. I am trying to remember when it came in. I think it was in September, but it may have been earlier because the containers were deregulated on 7 August, so there was a fairly good lead-up time before the election.

**Mr Hart**—There are obviously two reasons. By September in the eastern states, in our area and south and west of us, it was all over. There was going to be no crop. We were already under very severe financial strain. That made it very difficult for farmers. Most of us were already operating on borrowed funds. By that time of the year our overdrafts were maxed out. Where do you get the money? You believe in the cause, but where do you get the money?

**Mrs O'Hare**—When you are facing the fact that you are not going to get a crop, people get very depressed.

**Senator ADAMS**—I know. I have been there and done that. I am fully aware of that.

**Mrs O'Hare**—That answers your question. People are not prepared to go outside the farm, to do anything, to say anything. They feel everything is against them. Consequently they did not get the support, because they were feeling very down.

**Senator ADAMS**—To carry that question on, do you believe you can get the support now? You made the statement that that is what you think you need. It was there. You have given me all the reasons why it did not work. What makes you now think that it will work?

**Mrs O'Hare**—If the government came out and said, 'We're going to give you a period of time to raise the funds, and if you do we will go back to the WEMA model.'

**Senator ADAMS**—With the model that is set up now, what is the difference with the WEMA model? The WEMA model, the way I understood it, was going to accredit certain organisations to do certain services.

**Mr Hart**—That is right. The difference is that the WEMA was going to regulate the market so that Australian wheat did not compete against Australian wheat in the marketplace. In other words, you could develop a market for Australian wheat and, subject to approval from the WEMA body, you could service that market and it would be your market. There would be no other Australian wheat competing in that market.

**Senator ADAMS**—This is what is happening now, actually, with the minister approving companies to go and sell to a dedicated market. That is exactly the way the model is working at present, if the minister decides that that company can pay the growers, they have a stable market and they are a reputable company. Have you read the accreditation parts in the bill?

**Mr Hart**—Yes.

**Senator ADAMS**—That is following that particular model.

**Mr Hart**—I have read through that. To my knowledge, I could not find where it said that a certain company was going to be limited to a certain market and no-one else could take that market.

**Senator ADAMS**—That is not in the legislation, but that is the way it is being conducted at the moment. This is still a very flexible accreditation program. Flexibility will come into that. When we have the department here they will probably be able to explain a lot better how it works, and that will be tomorrow.

**Senator JOYCE**—I am just trying to follow Senator Adams. Where in the exposure draft of this legislation is the assertion that we will have one player and one market? Where did she get that from?

**Senator ADAMS**—It is not in there. What I am saying is that that is how it is being done at the moment. The minister is looking at which market it is going to and that company—

**Senator JOYCE**—That is not in the legislation.

**Senator ADAMS**—No, it is not in the legislation. The legislation is an exposure draft. I have already raised with the department how that works. Tomorrow they will be explaining a lot more fully about the flexibility of that draft.

**Senator JOYCE**—Are you saying that you have something that succeeds what we are looking at now and having an inquiry into?

**Senator ADAMS**—I have it in my head because I went to the department and asked for a briefing. I have nothing else. I am just saying that the department will explain tomorrow.

**CHAIR**—As much as we would all like to look inside Senator Adams's head, we will wait until tomorrow. I do not mean that disparagingly, Senator Adams.

**Senator O'BRIEN**—In terms of the performance of the system as it exists, do you accept that in some markets it is a disadvantage to have one seller as there is a relationship between one buying entity and the Australian seller and because of that other buying entities will not buy our wheat?

**Mr O'Hare**—Can you explain that a bit more?

**Senator O'BRIEN**—In some markets with more than one buyer, the relationship between sellers and buyers becomes exclusive so once you establish a relationship with one buying group you have excluded all the others with that Australian seller. Are you aware of that?

**Mr O'Hare**—I think I know where you are coming from. I do not know if that exists or not. All I know is that any survey or examination of the single desk marketing system has always shown that Australian wheat has been receiving a premium in the market, for two

reasons. One is that it has a single seller and there is not someone else trying to compete with the same wheat. The other reason is that they have been able to maintain quality and deliver what they say in the contract they are going to deliver. No other country around the world has been able to do that. That is because they have not had a marketing system with that ability.

**Senator O'BRIEN**—In terms of the range of international marketing operations, do you believe that we have penetrated all the marketing opportunities that exist around the world for Australian wheat under the current set-up or do you believe that more could have been done?

**Mr Hart**—I do not think we are here to say that the system as it has operated in the past has been absolutely perfect and without blemish. We are realists. We know that is not the case. More could always have been done. I do not care who you are or what you are doing, it is always: 'Could I have done better in my job and could I have done more? Yes, I could have.' We are not coming here to say the system that we want to protect does not need to be improved. We are not coming here to say there are not areas that could be dealt with better.

**Senator O'BRIEN**—I also understand that under the current system we have heavily discounted the price of wheat to win markets. If that is true and if we have not penetrated others, isn't it just as likely that under the current system we have underperformed as to Australian farmers' potential returns for their wheat?

**Mr Hart**—We are talking about the system compared to the available alternatives. That is what we are talking about, and we are not talking about the system compared to perfection. We are talking about the system compared to the likely alternatives. In that sense I would say that this system has performed very well in favour of Australian growers and better, in our opinion, than any likely replacement.

**Senator O'BRIEN**—Certain growers say that because of deregulation as to containers they have been able to sell their wheat into certain Asian markets for \$60 a tonne more than they would have received from the pool. Would that be the sort of improvement in marketing that you would support?

**Mr Hart**—No, because the container market is always going to be a niche market. The fact that it is put in containers tells you that it is a niche market.

**Senator O'BRIEN**—Or it may tell you that the cost of shipping containers has become more competitive than bulk shipping.

**Mr Hart**—Indeed it has, and everybody knows that because the pressure on bulk commodity exports has meant that that has been the case. But these things ebb and flow depending on demand, and if shipping magnates around the world build enough bulk vessels the pendulum will swing back and then containers will again be a niche market because big bulk ships, if there are enough of them, can always ship things cheaper than containers.

**Mrs O'Hare**—Container markets are generally the ones for places like Vietnam, where they cannot get big boats in. Consequently those smaller markets which are niche markets will take containers because it is easier to get them into their ports.

**Senator O'BRIEN**—But if people are getting more money from the ability to find another seller and sell into a market that is not being optimised by the existing system, isn't that an improvement? It must make things even better.

**Mr Hart**—They can do that.

**Mrs O'Hare**—But it is only a certain number of tonnes that you are ever going to get in there.

**Mr Hart**—Yes, that is right, and they can already do that. You can apply for a licence and do that.

**Senator O'BRIEN**—That is only since September last year.

**Mrs O'Hare**—No, before that. You were able to containerise before that.

**Senator O'BRIEN**—I was talking about deregulation.

**Senator ADAMS**—Western Australia had that sort of system before.

**CHAIR**—Mr O'Hare, did you wish to add a comment?

**Mr O'Hare**—I was just going to make the comment that one of the great advantages of a single desk marketing system is that they can price-differentiate in the different markets. Instead of having a group of traders picking off the higher price markets—the Japanese market, for example—the single desk was able to pick that market, sell the right quality of wheat and maximise the price. They sold wheat on our behalf into other markets at lower prices, but they were able to price themselves into the market without somebody coming and trying to undercut them all the time. They had enough international competition without another Australian trying to undercut them with the same sort of wheat.

**Senator O'BRIEN**—In some markets they underperformed the world price under the current system.

**Mr O'Hare**—I do not know.

**Mr Hart**—It is quite possible. Nobody is saying that that is not possible. Our concern is with the overall return on the entire crop under this system compared to any other.

**Senator O'BRIEN**—Under the existing system, Mr O'Hare, you spoke about hedging losses being occasioned because of some uncertainty about the single desk for that year. I put it to you that that is not actually true. There was complete certainty that the single desk pool would be available for last year.

**Mr O'Hare**—From my recollection, around this time last year we were not in the same situation we are in now but in a similar situation where there was no guarantee that there was going to be a single desk or a national pool run by AWB.

**Senator O'BRIEN**—Yes, for a subsequent year. But for that year AWB were running a pool.

**Mr O'Hare**—I think that at some stage that was uncertain. You will have to check that somewhere.

**Senator O'BRIEN**—I think it is probably fairer to say—I do not want to harp about this—that the estimated pool return early in the year was very poor and that growers were looking for other alternatives. Also, because there had been some initial moisture, they were speculating that they would get a crop, and the price on offer was, by those standards, very good for people to hedge.

**Mr O'Hare**—Yes. I am only going back on what my own recollections are. That was the deciding factor: that the national pool was not hedging at that time.

**Senator O'BRIEN**—I think if you check you will find that that is not quite the case.

**Mr O'Hare**—Could you check that, please.

**Senator O'BRIEN**—I will.

**Mr O'Hare**—That is the decision we made at the time because of the information that we had, and it probably needs clarifying if that is the case. But that was my understanding.

**CHAIR**—Senator O'Brien has said he will get back to you, Mr O'Hare.

**Senator JOYCE**—I will go back to an issue that was greeted with some mirth. You are aware of the positions of American Senators Coleman and Harkin and of Alan Tracy of US Wheat Associates. Do you think that their position is justified—wanting to get rid of the single desk because it would be an assistance to American wheat exporters?

**Mr Hart**—Yes.

**Mr O'Hare**—Yes.

**Mrs O'Hare**—Yes.

**Senator JOYCE**—We have also heard the basis of the argument that what we will have is a disparity between very large wheat growers, who will have the capacity to be favoured clients of major regional depots, and other people who will make up the margins—similar, I imagine, to the way shopping malls have favoured anchored tenants, who get an extremely good deal, and everybody else makes it up. But why should Australia not just be owned by corporate agriculture?

**Mr O'Hare**—We are not disagreeing with you.

**Senator JOYCE**—It is a clear issue. People watching would say, 'Well, why should Australia have family farms?'

**Mr Hart**—It is a very good question. Why should Australia have small businesses? Why should Australians, indeed, own any business? Surely we can get Wal-Mart in here and just turn over retailing to them. It sounds good to me; they have a track record as the best and cheapest retailers on the planet, so let us close everybody down.

**Senator JOYCE**—You know I do not believe this.

**Mr O'Hare**—One of the major benefits I see in family farming is that you have people in families living on the land and looking after it. We have seen in our own area that superannuation companies have come in and bought big stretches of land that are then run by outside contractors. We are living on our farm, we are looking after it, we are planting the trees, we are making sure that it looks okay and we are looking after it for the future. We are not a corporation looking to make a quick dollar that, if it all fails, will say, 'Bugger it; we'll get out of here.' We are looking at the long term.

**Mr Hart**—I think there is more to any argument than just pure utility, and that is the argument that you are putting.



**Senator JOYCE**—Do you believe the peak industry groups that went and had a chat to the Export Wheat Commission represented you or the majority of growers in your area?

**Mr Hart**—The Grains Council of Australia imploded months ago. The Grains Council of Australia is a very interesting thing because it has basically been financed by the New South Wales Farmers Association. They are the only farm body that has been viable and paying their subs and dues consistently. The Western Australians love them or hate them depending on the mood they are in when they get up in the morning and I do not know—

**CHAIR**—Here are three of them you can ask!

**Mr Hart**—We know that they are a pretty touchy bunch in the west.

**CHAIR**—We are the engine room of the economy.

**Senator JOYCE**—It is interesting because these things are known in this room but they are not known publicly.

**Mr Hart**—The Grains Council of Australia, as I understand it, at the moment effectively represents nobody. I am a member of a state farm organisations and I was very actively involved as an executive councillor and a Grains Committee member in the New South Wales Farmers Association some time ago for quite a period, but there has been a massive disconnect in South Australia, Victoria and Queensland between the people who somehow get themselves elected to state farm organisations and the rank and file. I do not know how this has happened but it appears to me that it has. We as farmers have to take some responsibility for this. We have to take a lot more care in the people we get into these positions and we have to make sure that bodies that are supposed to be representing us actually do. The Grains Council of Australia is a classic example of one that is not representing anybody.

**Senator JOYCE**—You have heard the argument that single desk sales are inefficient. Are you aware of any single desk buyers throughout the world? If so, where and why do they still exist?

**Mrs O'Hare**—Iraq, India.

**Mr Hart**—Most of our biggest customers are single desk buyers.

**Senator JOYCE**—So what do you think will happen when two Australian competitors go to the same market, to a single desk buyer?

**Mr Hart**—I am a farmer and when I go to a supplier I say, 'How much for a tonne of super or a litre of fuel?' If I go down the road to the next bloke and it is 2c a litre cheaper for the fuel or \$30 a tonne cheaper for the fertiliser, I will buy from the cheapest supplier.

**Senator JOYCE**—Are the traders that are selling to those single desk buyers making money out of growing the grain or selling the grain?

**Mr Hart**—They are making their margin out of selling.

**Senator JOYCE**—So they really do not care what the price is as long as they make their margin?

**Mr Hart**—They just have to make a margin. That is how our stock and station agents work, and that is why we love them sometimes and hate them others.

**Senator JOYCE**—We have talked a lot through this so far about exploitations which could become apparent with the monopolisation of the delivery side of grain. We heard one gentleman in here who is closely aligned with GrainCorp and they have an extremely strong hold on both the port facility and more importantly on the actual delivery side of grain. You have had a look through this exposure draft. Can you see any mechanisms in there whatsoever to protect small growers from being exploited at the delivery side?

**Mr Hart**—No, there are none in there that I can see.

**Senator JOYCE**—So if I was to have two trucks turn up with exactly the same product, I could arbitrarily say to one seller, ‘I am going to pay you \$300 a tonne,’ and, because I did not like the look of his face, I could say to the other, ‘I’m going to pay you \$100 a tonne.’ That would be completely legal, wouldn’t it?

**Mr Hart**—As far as I can see, there is no legislated protection whatsoever for a grower in the proposed legislation.

**Senator JOYCE**—So this would mean that if you were not able to collectively bind together to protect the position of the more vulnerable—an argument that was put forward by my colleagues in Labor for why we needed to get rid of AWAs—that will have the capacity to really drive down the more vulnerable grower, won’t it?

**Mr Hart**—I think so. I think that, even if they did not intentionally do that, small growers in these situations could find themselves at a disadvantage because—

**Senator JOYCE**—That is a very important word you used: ‘disadvantage’. There is no no-disadvantage test in this legislation, is there?

**Mr Hart**—No.

**Senator JOYCE**—Going back to the corporatisation of the Wheat Board, how long did it take to set up the single desk and how much money did it cost in 1937, and also when it was corporatised and we all got chances to buy shares when they initially privatised the wheat board—

**Mr Hart**—What were you talking about—1937?

**Senator JOYCE**—Well, there are two. There was 1937, and then we did it again—

**Senator HUTCHINS**—Mr Hart might not even have been born by 1937!

**Senator JOYCE**—I am sure he is very aware of how long it took and how much it cost.

**Mr O’Hare**—I do not really know.

**Senator JOYCE**—Did it cost \$600 million and take approximately two years to set it up when we initially corporatised?

**Mr Hart**—When we initially corporatised, that is correct. Yes.

**Senator JOYCE**—So it would be peculiar in the extreme to expect someone in the WEMA model to be able to set it up in a matter of months with no money at all.

**Mr Hart**—Well, it was a very big ask, as the Americans like to say.

**Senator JOYCE**—Some could suggest it was set up to fail.

**Mr Hart**—Yes, and I think that as events unfolded it was inevitable that it just could not get off the ground.

**Senator JOYCE**—Do you assume that with the right support from the government and the right time frame a single desk, grower owned, could be set up?

**Mr Hart**—Yes, I believe so.

**Senator JOYCE**—And it would have had the capacity to deal with some of the issues rightly brought up by the Western Australians, so that maybe we could have had a better allocation or parity of cost structure.

**Mr Hart**—Yes. I am not unsympathetic to the Western Australians. They have some legitimate points and complaints.

**Senator JOYCE**—So we would not have needed to throw the baby out with the bathwater.

**Mr Hart**—That is certainly our belief, for sure.

**Senator JOYCE**—Who do you think the biggest beneficiaries of this will be? It is peculiar in the extreme. I refer back to Mr Ginns with regard to the Grains Policy Institute and their association with GrainCorp, which has a commercial association with Cargill. Who do you believe will be the biggest beneficiaries of this in the future?

**Mr Hart**—The biggest local beneficiary on the eastern seaboard will undoubtedly be GrainCorp, because they already own most of the infrastructure and if they can get into the trade as well it is perfect for them.

**Senator JOYCE**—We have gone from one form of monopoly, which was transparent and legislated, to an untransparent and unregulated monopoly.

**Mr Hart**—Yes.

**Mrs O'Hare**—Exactly.

**CHAIR**—Before you go, I have a question. I am leading on from Senator Joyce's questioning about the ability to undercut, for want of a better word, and to get the cheaper tonnage. Please correct me if I am wrong, but if there is a grain dealer who is out there wanting to sell grain on to other countries surely they have to have agreement from the farmers before they start promising, haven't they? It is all very well to run around the world saying, 'We'll sell you wheat for X amount of dollars per tonne,' but if that is not ticked off by the growers—you are all intelligent businesspeople—you would not just go out there and throw your wheat at the first person who puts an offer to you, would you?

**Mr Hart**—No, we are not going to do that.

**Mr O'Hare**—That might be a question that, probably, should be put in front of the traders as well, I think. I do not have a proper understanding of how it works, but if you look at how a lot of the trading is done around the world the trader will take a position in the market knowing how good his chances are of obtaining that wheat. He has some idea. He is not going to take a position if he knows he cannot get the wheat. And just the same as that, he is not going to offer to pay us, whether it be a flat price or a pool, if he has not got a market.

**CHAIR**—Sure. But if there is a demand for wheat out there, no-one knows the cost of a tonne of wheat better than you people who grow it. So I see only one problem—and please pull me up if I am wrong; I am sure you will. You are not going to give your wheat away.

**Mr Hart**—It has happened before.

**Mr O'Hare**—We certainly do not want to.

**Mrs O'Hare**—But we are price takers, because we are at the bottom of the rung.

**Mr Hart**—At the end of the day we are price takers and our margins can get really squeezed.

**CHAIR**—Sure. And I am aware of the problems confronted by price takers, because there are a number of industries confronted with that problem. Would it be fair to say that one of the biggest dangers you would have for genuine remuneration for your wheat would be other farmers?

**Mrs O'Hare**—Can you clarify that?

**CHAIR**—If farmers throw out their wheat a lot cheaper than they can grow it, that is your real problem, isn't it?

**Mrs O'Hare**—Yes. And they will be forced to for financial reasons.

**Mr O'Hare**—It has been mentioned here today already about how it takes around 18 months to sell a crop, and one big advantage of the national pool was that that wheat was taken off the market and put back into the market when there was a market for it. Under this legislation, just say we go 25 million tonnes of wheat this year, it will be no trouble to get a price for the first five million or 10 million tonnes. That could be moved relatively quickly as they will have markets for it, but there is not going to be an immediate market for the other, say, 15 million tonnes. So no-one is going to come out and say, 'We'll give you the same amount of money as you got for the rest of it.' They are going to offer you either a very low price or a very low estimate in a pool. Probably both of those things are unlikely. They are probably not going to offer you anything at all, and we will be left holding that grain.

**Mr Hart**—We will carry the carryover stocks.

**Mr O'Hare**—That is the most likely scenario.

**Mr Hart**—It is just a big cost, and basically the southern growers are going to feel the major impact of that.

**CHAIR**—If there are no further questions, I thank you very much for your patience in waiting for us today.

[3.04 pm]

**BIBBY, Gary, Private capacity**

**BISHOP, Mr Barry, Private capacity**

**BROAD, Mr Andrew, Private capacity**

**MALCOLM, Mr Alan, Private capacity**

**SIMPSON, Mr Neil, Private capacity**

*Evidence was taken via teleconference—*

**CHAIR**—Senator Heffernan, are you online?

**Senator HEFFERNAN**—Australia's most disgraced senator! I sure am.

**CHAIR**—Thanks, Bill. We have just finished!

**Senator HEFFERNAN**—I will see you later, mate. I'll go down the pub!

**CHAIR**—I welcome the Victorian growers who are speaking to us via teleconference. Do you have any comments to make about the capacity in which you appear?

**Mr Malcolm**—I am a grain grower from Hopetoun in Victoria.

**Mr Bishop**—I live in Swan Hill in Victoria. I have been a farmer, a grower member of the Grain Elevators Board of Victoria and a grower director of the Australian Wheat Board from 1982 to 1992. I was then a member of the Victorian parliament and I retired at the election at the end of 2006.

**Mr Broad**—I am a 32-year-old grain grower from central Victoria and a 2005 Nuffield scholar, when I looked at grain production in countries such as Ukraine, Canada, Argentina, Brazil and the United States.

**Mr Simpson**—I am a grain farmer, still active, and have a background of 20 years with ABB Grain.

**Mr Bibby**—I am a farmer in Berriwillock. I have been farming all of my life. I am 55 years old and I am president of the Berriwillock silo.

**CHAIR**—Thank you for your patience today. The committee has gone on a lot longer because there have been a lot of questions being asked by senators. But rather than tie you all up, is there anyone who wishes to make a brief opening statement?

**Mr Bishop**—Yes. Thank you for the opportunity to put forward our views today. From my point of view we have just sold our farm so the comments that I am going to make today do not come with any vested interests and they come from a lifetime in the grain industry, particularly from my international marketing experience regarding the single desk structure. Over the years I have seen the single desk being subjected to many inquiries. The single desk has brought positive results to farmers and the nation's economy due to its ability to extract a premium from the market. It has huge grower support through its collective bargaining structure, which maximises returns and ensure that growers are paid. That is very important. It also sends quick and reliable market signals to growers on variety and quality payments,

which is important as our grain industry must be market driven to survive. It was swept up in the Cole inquiry but that inquiry was about governance of AWB Ltd and not the single desk. Our international competitors, led by the US, are almost beside themselves with glee, I believe, at what they see as us tearing ourselves apart on this issue. They would love to see it go.

We believe the single desk cannot survive under multiple sellers. Commercial companies generate profits for their shareholders—as they quite rightly should—but not for growers. Multiple sellers will cherry pick the world's markets and that will rapidly erode the basic single desk structure. An important issue that is not well understood is the accumulation powers under a single seller. These powers will not be fully available to multiple sellers and that will erode their capacity as reliable suppliers. To give you a quick example: if one state or area fails due to drought or frost, a single accumulator can guarantee supply from other areas, whereas multiple sellers simply will not be able to do that due to their being too thinly spread. Standards, trace back and technical support are much more efficient under a single seller and are all crucial parts of wheat marketing. I wonder who will do the market promotion and lead wheat plant breeding under multiple sellers. I ask: will all these responsibilities fall to the Wheat Export Authority or will it simply not be done? Our single desk is our best weapon against the treasuries and subsidies of our competitors, and that is why they want it to fail. The question I have asked is: can a single desk be sustainable under multiple sellers under that structure? I believe that it cannot. To be sustainable it must be managed by a single organisation, not listed on the stock exchange, and it must focus directly on the export wheat market and return profits to growers. Thank you for your time. I am happy to answer questions if I can.

**Mr Malcolm**—I did not add, when I introduced myself, that I was a director of ABB Grain for five years when it was privatised, and I have also international marketing experience, selling grain in the Middle East for that company. I am still a practising wheat grower, and I have very strong views on marketing.

I am concerned that the proposed legislation seeks to dramatically change a system of marketing that has been very successful and has been supported by the wheat industry, by growers and by governments of all persuasions since the early 1940s. I will not repeat what Barry said, but the claim that the WEA will manage a single desk is misleading. It is intended to open up the market to multiple sellers. By definition it is not a single desk. A single desk is one seller. Importantly, for the first time in decades, Australian wheat will be competing against Australian wheat on the export market, which has the potential to drive the price down as exporters compete for markets. Also, the WEA, as a separate authority, will not be trading in any wheat, and I am not sure what monitoring power they will have to enforce conditions onto accredited exporters, other than to check their credentials annually. In my submission I have furthered that point about accreditation. I am happy to answer questions when the time comes.

**CHAIR**—Thank you, Mr Malcolm. Does anyone else wish to make a brief opening statement?

**Mr Simpson**—I am happy to provide my thoughts. Obviously previous speakers have outlined issues, and I will try not to repeat those. Unquestionably, a single authority will have

to control everything, from logistics right through to recommendations, to make sure that we are producing crops that have a positive result in the marketplace. That has been a feature of the history of the single desk—the fact that it coordinated the facets that brought things together, from plant breeding through to accumulation through to logistics, getting onto ships. On the logistical side, we have in eastern Australia a very serious crisis, because to get even an average crop out of the nation is going to take 1½ years, and a good crop is going to take two years to get to export position. This is primarily brought about by the lack of a satisfactory infrastructure servicing the industry—mainly infrastructure but also the capital involved in providing the wagons.

Probably the most important thing I see in analysing the bill—and this is on page 52—is that it appears that the bill is not going to direct the Wheat Export Authority; it is going to leave it to determine its own strategies. They are going to make those strategies available to the minister, but I believe the strategies should come from the minister and not from the people who are, it would seem, deciding on their independent position. That could cause some difficulties.

The financial capacity of exporters out of Australia is a serious problem. Even if you were to amalgamate all the agricultural companies in Australia, we are looking at a need for credit of \$10 billion from 20 million tonnes of wheat—which is highly likely in the coming years with the price of wheat the way it is. The capacity that is suggested for financial guarantee is going to make people look overseas for partners. I thought the bill could be stronger on that. It did address that problem but it did not seem to understand the magnitude of it.

The main factors are the fact that all these things require coordination and intelligent application to see that the market can perform to the optimum for Australian farmers.

**CHAIR**—Thank you, Mr Simpson. Does anyone else wish to make a brief opening statement?

**Mr Bibby**—I might not be as eloquent as the other speakers, but I have got a few points to make. We are driven by demand and supply of wheat, obviously, but I am very concerned about the subsidies of other nations, and we have had the single desk in place to try to help compete with other nations with their subsidies. I am pretty worried about how companies are going to compete on the world market.

We have probably been a bit blase over the last few years because we have not produced much wheat. But when we get back into wheat production, when we get past these droughts, we are going to have surpluses. World wheat supply does not have to increase by much to drive the price of wheat down. In 1996 the wheat price fell by 40 per cent with a 10 per cent increase in world production. So it does not take much of an increase in world production to push the price down.

The Wheat Board has been the buyer of last resort, which no-one has mentioned yet. What I think will happen is that they will have pools and there will be competition for pools, but when we get into oversupply situations the traders are obviously going to stand back from pools because they will not be able to sell their wheat overseas immediately, so it will be a stand-off situation. I am sure the price will go into freefall, which frightens me. Payment is not guaranteed by these other companies that come in. Traders will compromise quality. We

have seen that before with barley going into China. They substituted feed barley for malting barley and lost markets and drove the market down. We do not want that sort of thing to happen. Relationships that have built up over years may be lost because we have a lot of fragmented sellers fighting against each other.

One of the other things that might happen and that upsets me is a problem with port access. I am concerned that not all companies might be able to compete for port access. The Victorian situation with rail is a bit of a disgrace. A huge number of trucks are going to have to hit the road if we have a decent harvest. I am sure that grain will have to be stored on farms. It is going to be difficult to accumulate cargoes at ports with the infrastructure that we now have. Also, there are pressures being put on the transport industry. Wakefield Transport, a huge operator in Mildura, has receivers in at the moment, which is a bit frightening.

As Barry Bishop said, overseas nations, especially America, will divide and conquer us. I am just a bit worried about what is going to happen in the future. Companies will take their profits and we will be left to fight our own battles. You just have to look at the grape industry and other industries. They would have given their back teeth to have orderly marketing. I hope I have not taken up too much of your time. Thank you.

**CHAIR**—Mr Broad, would you like to make a brief opening statement?

**Mr Broad**—Yes. I think Australia would survive under a deregulated system. The question is whether it is in the best interests of rural Australia. When I met with the Canadian Wheat Board, when the Cole inquiry was going on, they asked me about the single desk over here. Their response was that they would not allow their industry to be divided and dominated by foreign traders whose only concern is to maximise return for themselves instead of return for the grower. If there is one thing rural Australia needs it is money injected into it. The best way that that is going to happen is through agriculture and mining. Agriculture will play a play a key part.

Maximising return to the grower should always be the focus. How that takes shape, deregulated or not deregulated, is probably irrelevant. The best way for it to take shape, I believe, from what I have seen overseas, is first to look at what is our competitive advantage. Our competitive advantage on the world market has been and continues to be our quality. The wheat that is produced in the Ukraine, with low labour forces and great yields and great countryside, can certainly beat us on price, but to make quality milling for bread you have to take 80 per cent low-grade wheat and 20 per cent high-grade wheat to make a good quality product. You only need a small amount of good quality wheat, and that is where Australia has been able to extract its premium on the market. AWB has been a good brand name, I suppose, for a commodity product because it has ensured that the quality has been good and that what the miller has ordered has been able to make that market.

I think if we were to deregulate and not look at our quality control issues we would probably run on the benefits of that for about five years, and then we would start to see ourselves being uncompetitive. I looked at some wheat that the Canadians were producing—a white wheat crossed with a red back crossed with a white—that was to target the Asian market specifically where Australia was aiming to hit. So one thing we really need to look very hard at are those market signals coming back to the grower, and variety selection and



crop incentives. The other thing I also observed is that Australia has been able to be a little bit more aggressive in market development and the initial pioneering of some of those higher risk markets because the risk of developing those markets was carried by the Australian pool, so that if something went wrong—a ship sank or a payment was not paid—that was distributed back over the whole Australian grain—

**Senator HEFFERNAN**—I think you're wrong, old mate!

**Mr Broad**—What was that?

**Senator HEFFERNAN**—We will come to that in a minute.

**Mr Broad**—No worries; interrupt me.

**CHAIR**—You carry on, Mr Broad.

**Mr Broad**—But the pooling system has certainly added value to being a bit more aggressive on the market. So those are a couple of points. The other thing, from a young grower perspective, is that AWB has given a price per tonne for wheat and that has not really allowed someone who produces 20,000 tonnes of wheat to get a special preference. That has been a help in getting young farmers up and going. Perhaps that could be something to look at if we were to go to a completely deregulated system—that the big operators might be able to extract a bit more premium. Those are just my thoughts. Thank you.

**CHAIR**—Thank you, Mr Broad. We will now go to the senators who do wish to ask questions. Senator Nash.

**Senator HEFFERNAN**—Can I ask a question that will follow on immediately from that response.

**CHAIR**—I will ask Senator Nash, because I did give her the call.

**Senator NASH**—Senator Heffernan can go ahead, if he is brief.

**CHAIR**—You heard that, Senator Heffernan—if you are brief.

**Senator HEFFERNAN**—Struth! I did not catch the name of the witness who was last speaking but he said that the pool averaged the risk—was that right?

**Mr Broad**—Yes.

**Senator HEFFERNAN**—In relation to the 18 months to May last year, in a question I put on notice in May last year I asked the Australian Wheat Export Authority if they could provide the details of the operations of the Geneva desk. You say that the pool has operated to maximise the profit for the growers. Do you have an explanation for the operations of the Geneva desk?

**CHAIR**—I thought you were following on, Senator Heffernan.

**Senator HEFFERNAN**—I am talking to the last person who spoke.

**Mr Broad**—Bill, I am grain grower.

**Senator HEFFERNAN**—Can I just put a proposition to you. The answer that we got back in February this year, to a question I put in May last year, was that in the preceding 18-month period the AWB Ltd sold through the Geneva desk, on behalf of the shareholders not the

growers, 2.9-odd million tonnes of wheat that it had purchased from the pool. Do you think that was in the best interests of Australia's wheat growers?

**Mr Broad**—I guess the point I am alluding to there is that when Wheat Exports Australia, which was the combined group, was taking over the exports into Iraq they realised that, if a ship was to sink, the equity in their company was potentially too big for one company, such as CBH or ABB or GrainCorp, to sustain by itself; whereas in a market development situation like that, if something was to go wrong then the equity would come across to the Australian pool.

**Senator HEFFERNAN**—But it does not. Can I give you the explanation of—

**CHAIR**—If I can interrupt, Senator Heffernan, I did give Senator Nash the call and I would ask—

**Senator HEFFERNAN**—Righto. No worries, mate.

**CHAIR**—That is all right, but I am getting attacked down here, and quite rightly so—and I say 'down here' because I keep looking at the sky every time I hear someone speak on a teleconference line.

**Senator NASH**—It is very off-putting.

**CHAIR**—But you are on the speakers list, Senator Heffernan.

**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.

**CHAIR**—Mr Malcolm, it is a Senator Nash who is asking the questions—and, from where I am sitting, there is a very real difference!

**Mr Malcolm**—My mistake!

**Mr Bishop**—Senator Nash, I think you have raised a very good question in relation to the buyer of last resort. As I think Alan Malcolm said earlier, we have not seen that position because we simply have not been growing a lot of wheat in Australia. If you take the national perspective, Queensland starts very early—in August, perhaps—and buyers go through there. Victoria has quickly become a very strong domestic marketing state. That market is generated by not only the supply that is about but also the transport costs if you are looking to buy in Western Australia or Queensland. On the buyer of last resort, I certainly hope we get some big years. But, unfortunately, some areas get some weather damage that really tests the marketing system. I am quite sure that merchants would not be prepared to stand out their money for a number of months until they can move that particular grain onto the international market or even the domestic market. So I think that the buyer of last resort, while it has not been tested for some time during the droughts, could be tested in the future—and I certainly hope it is.

**Senator NASH**—On the issue of the carryover of stock: would you like to comment on the changes that will be brought about by this new legislation in terms of how it is going to affect farmers potentially looking at on-farm storage given that the nature of the whole system is going to change so dramatically?

**Mr Simpson**—The difficulty, especially with the higher interest rates that are now occurring, is that the cost of carrying stock in today's terms is probably in excess of 10 per cent. You find that there is not only a 10 per cent carry there but also that the bulk carrier companies have a mixed approach to this because of handling. They have a meter ticking over, like a taxi, and the longer the grain stays there the more they charge. They make sure they recover their costs. That is another factor in the equation of logistics which is going to make it very difficult. Whether there are more farm silos built or not, we will have to contend with the fact that, if there is nothing moving 12 months later, they are going to be trying to empty their on-farm storage and they will be jammed to meet the market at the time. So, whilst on-farm storage might be encouraged, it is really just as big a capacity as the consumption within Australia, which, in average terms, is probably 85 per cent of wheat exported. So there is a limit to the domestic market.

**Mr Bishop**—Senator Nash, you have raised a very good point in relation to the carryover and management of stocks. If you have a single accumulator, information is worth money. So that single accumulator knows exactly what quantities and qualities are in various places around Australia. As the markets have changed, farmers have stored more on farm—and there are some very good storages too. But obviously the marketer would not know what is on the farm—it is very difficult to tell—so there would be less information around and, certainly with multiple sellers, it would be very difficult to forward sell and know exactly what you have inside Australia with more and more people involved in the system.

**Senator HURLEY**—I might carry on about the marketing information and data because I also think it is very important. You said that, particularly if you have on-farm storage, it is difficult to assess how much crop there is—and that makes marketing choices difficult for

both the traders and the farmers, I assume. But that does not necessarily work against opening up the market to any extent, does it, provided that you have publicly available data on what crops are available and the marketing conditions?

**Mr Malcolm**—But how are you going to get that information?

**Senator HURLEY**—It would be a matter for the industry expert group and the new body as to how they accumulate that data.

**Mr Malcolm**—I have mentioned that on the second page of my submission. I said: ‘With multiple exporters, this information should not be accessible as traders are not likely to disclose this commercially sensitive information which may be advantageous to competitors.’ The increased amount of grain stored on farm for later delivery is certainly going to be difficult to actually account for. You spoke about the wide range of accumulators, but bear in mind that stored grain does not bring any income to the grower until they sell it. Under the pooling system or the system we have been used to for so many years, while the grain may not have left the silo or our shores for some six or 12 months, at least the grower was paid 80 per cent of the estimated pool return or a cash price in recent years. So the grower had income while the grain had still not gone offshore. We are looking at logistical problems that are not going to allow that to happen. So, at the end of the day, the grower is going to be carrying a lot more expense until he can sell that grain. This is another big problem that we have not addressed yet either.

**Senator HURLEY**—My information is that in the United States there is publicly available information about grain, regardless of whether it is a competitive advantage or a disadvantage to traders. Are you aware of that?

**Mr Malcolm**—That would be something new here. You say that it is available, but how accurate is it, how is it collected and who gets it?

**Senator HURLEY**—I guess that is to be worked out if the system does change. Going to the logistics and moving wheat out from farmers’ properties to the markets: I have nothing to do with wheat farming but it sounds to me as though there might in fact be an argument for increasing the number of people who can export and trade out of the country. For all the discussion in your submission about AWB being an expert and having the most efficient logistical way to get wheat out of the country and sell it, there is also criticism that there have been inefficiencies bred into the past system. If you get competition and new traders into the market they might be more efficient in getting wheat into new and different markets because, with competition, growers will have much more choice about where they sell their wheat.

**Mr Bishop**—A trip to the Middle East or China would certainly put paid to the view that competition among traders would raise the price of wheat. More often than not, they trade the price down to get the volume in there.

Picking up your point about wheat going from farmers’ properties into the market, many nations now buy just in time. The shipping and the road transport is a just-in-time operation. Years ago the industry stored thousands of tonnes of wheat at the seaboard. They do not do that now. It is stored up country in the central storages, generally. As soon as the order comes in, it goes down and it goes straight through the system, onto the vessel and away. It is a very efficient operation. But, if you do not know what you have got, you cannot do that. You

certainly do not know what you have got if it is spread around a number of multiple sellers and more of it and more of it is stored on farms.

**Senator HURLEY**—I certainly accept that. I think that that information system is critical to the proper operating of a market. I guess I still maintain that, providing the right regulations and the right systems are in place, that does not mean there needs to be one trader in the market. To go back to this logistics exercise, the other criticism of AWB is that because it is a single trader and perhaps got lazy and inefficient there are marketing savings to be made. Even if two traders go out and are selling Australian grain versus Australian grain, providing the grower gets the return that they want or an equal return, it does not matter to that grower, does it, if one trader sells at a lower price at the end to the buyer?

**Mr Malcolm**—You have lost me a bit there. If traders are competing and they drive the price down, how is that going to help the grower? The grower, at the end of the day, is there to make a living. If the two traders compete with one another, invariably competition on the export market would prove that this happens. The price comes down. How does that help the grower?

**Senator HURLEY**—I am saying that if farmers have a contract for a particular price to two different traders, if a trader can make their own efficiencies in storage and marketing and sell at a lower price, it will not affect the grower, will it?

**Mr Malcolm**—That is if it is contracted. I accept that. But, if a trader is going to lose money on it, they are not going to be in business very long. That comes back to your point about accreditation. The security of the growers, the security of your money, is your problem.

**Senator HURLEY**—What I am saying is that you can have a number of sellers in the market, but the market is really setting the price. If the farmer says that that is their price and the seller takes their cut in competition, it might not be very good for the trader but in the end it does not affect the grower, does it?

**Mr Bishop**—That runs against the whole philosophical approach to pooling. Pooling originally was one great heap of wheat, but it has become far more sophisticated. There would be dozens of pools throughout Australia now where the quality and the quantity would be for the particular market. So getting that information and managing those pools would be very difficult in relation to the trader area, because those markets have been built up over many years and those price signals have gone back to growers. Furthermore, if the market is spread over 18 months or one season, the swings and the roundabouts are picked up throughout that pool.

**Senator HURLEY**—In the end I think that is a difference in philosophy. I am saying that if you open out that single pool then you might actually get benefits that are not apparent to those who believe in spreading.

**Mr Bishop**—I think that comes back to the issue of multiple sellers. Without doubt, if I were one of the sellers chosen by the organisation, I would be on the plane to Japan tomorrow, and I would go to two or three markets after that, and they could have the rest. I do not know how the cherry-picking in the market with multiple sellers could be managed. I suspect it cannot. That leaves the last-resort markets to be swept up, which is quite difficult. I think there have been instances of that. I have heard reports that since the container market opened

up the premium which Australia used to enjoy on the Japan market has slipped off. I think they are the issues that a number of us are concerned about with multiple sellers.

**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.

**Mr Broad**—Can I add a couple of things, just backtracking a little bit. I think it would certainly be a good time to be a silo manufacturer, but I do wonder, if we go that way, whether we are going to be putting more freight on roads—and that is a factor to consider. The other thing is that we tend to think that if we deregulate our markets then our marketers will be a group of small marketers such as CBH, GrainCorp and ABB, but one of the things I noticed when I was overseas is that world trade is dominated by Louis Dreyfus, Cargill's and Archer Daniels Midland. We tend to think that there are going to be multiple buyers, but if you go to the United States the number of multiple buyers is really three. I think there is a perception that in a deregulated market there will be, say, 10 buyers out there trying to buy our grain, like we have had in our domestic deregulated market. So it has been good in domestic circles, but in a global market I think you would find that we would very quickly be dominated by the big players.

**Senator ADAMS**—Mr Broad, that question of multiple sellers was something Mr Bishop spoke about. How many do you think there will be if the market is deregulated? Also, these marketers have to be accredited, and the accreditation protocols are going to be pretty stiff. Would either you, Mr Broad, or Mr Bishop like to comment on that?

**Mr Bishop**—I have no idea how many there would be. I do understand, from reading the notes, that the accreditation process would be tough—and so it should be, because you are talking about using people's product and gaining money out of it and using that product on the world market. I do agree with Andrew Broad that, when you go into those markets, if you are going to gather up or accumulate wheat you are going to have to have a lot of money to do that—unless you are not going to pay growers, of course—and only those big companies will probably be able to do that. But I would have no idea how many would be interested. I suspect that for a start there would be a lot, but I also suspect it might come down to a lower number as the system sorts itself out. What we would hope, of course, is that one organisation could do that, which is much simpler and much more straightforward and certainly much safer in the international market.

**Senator ADAMS**—You made some comments about activities that AWB were supplying in their service industry. Can I ask all of you: have you read or had access to the Wheat

Industry Expert Group's discussion paper, which is looking at the provision and the transition of industry development functions for the Australian wheat industry?

**Mr Bishop**—No, I have not seen that paper, I am afraid.

**Mr Malcolm**—I have. It is a matter for discussion in the next few days at our grains conference and then further on. It was only released the week before last, so it has probably not had a lot of airing yet, but I have a copy.

**Senator ADAMS**—I would suggest to all of you that that gives very good advice and recommendations as to how the services that were provided before by AWB would be broken up. A lot of that goes to the Grains Research Development Corporation. Someone also mentioned the wheat variety classification, and the recommendations are all in there. If you are going to read the legislation, this is probably a must-have to go with it, just to understand exactly how it is suggested that these services are to be broken up.

**Mr Malcolm**—I have a point to make on that. I understand that, since that report came out and the industry expert group asked for details, there has been quite a considerable amount of comment and criticism, and there have been counter-recommendations to their recommendations. So if the industry is going to be given a fair hearing on this I would not take the IEG's report as what is going to happen. They have put up a series of recommendations, but the industry itself has obviously not agreed with quite a lot of them from what I gather around the traps. As I said, our grains conference is on for the next couple of days, and I am quite sure there will be quite a lot of discussion on that, so I suggest that we all keep our ears to the ground and not jump to any conclusions on that one yet.

**Senator ADAMS**—No, it is a discussion paper. The reason I was raising it was that they need comments—I think by 21 April, so you have got time to come back with comments. That is what it is about; it is ideas out there for you to discuss so you can come back with better ideas.

**Mr Simpson**—I heard about this discussion paper. I have been going through all the websites that I can, and I could not find any link to get to it. I was trying to do that in preparation for today. Maybe that is a bit of a point: does the world know of the existence of this? Probably the weekly press and journals would be an ideal place to pump it out.

**CHAIR**—If you contact the secretariat copies can be sent to you.

**Mr Simpson**—Right. Thank you.

**Senator JOYCE**—I have just got a few questions. There has obviously been a lot of conjecture going back and forth about the buyer of last resort. Can you clearly explain how you believe the buyer of last resort is currently present and how it will be lost?

**Mr Simpson**—I will have a go at it. In a sense it is a descriptive thing. When you know you have a national crop to sell you, in fact, remember at all times that there are going to be things coming and going as the crop matures from September through till February, and you are offering a basic price to all those people who are delivering. That is primarily caught up by those in the pooling system, who in a sense become the risk takers in this situation, but they are not granted 100 per cent access to the money—they get, in fact, about an 80 per cent

forward advance. Experience has shown that competent marketers can market, say, 10 million to 20 million tonnes in this way quite adequately.

Invariably as the pool proceeds, both in quality and in variation, there are logical points at which you say the market is moving either up or down, and you indicate to the grower community that the outlook is either more favourable or less favourable, but it is invariably covered by the fact that, right from the start, the single-desk operator in this case has, in fact, been aware of its responsibility to the people who may enter the market. Conversely, of course, you can have the market take off with a catastrophe in production in the Northern Hemisphere, as a result of which the grain coming in later will, in fact, appreciate, and therefore the pool can substantially change. A dramatic case of that occurred in 1993, with the Australian Barley Board, when the world price totally collapsed and farmers were looking at a farm gate price of A\$45 to A\$50. In the end, because the ABB felt they could manage through it, one year later those growers were paid a farm gate price of \$135. That was a matter of managing world supplies and being a critical supplier in the market. So it is a complex, amorphous thing that comes and goes, but eventually, by good management—

**Senator JOYCE**—It is definitely there, though; that is the issue.

**Mr Simpson**—Yes. It is there if in fact you have, as in this case, the legislative power. With whatever we are setting up here I think we have got to see that the thing has great power. The great power that is mostly wanted is of course financial backing. Therein lies a dilemma where we have a federal government that is moving to cast off people that are being supported by government policy.

**Senator JOYCE**—As for this proposed legislation, especially as to your growers in Victoria, there is nothing to stop traders, if someone turns up with prime hard wheat, saying, ‘Regardless of whatever the price is in northern New South Wales or Queensland, we’re going to pay you a price for feed wheat and there is nothing you can do about it.’ That is basically correct, isn’t it?

**Mr Simpson**—It depends if you have feed wheat or you have premium wheat.

**Senator JOYCE**—But I am saying that there is no transparency or protections against discrimination in the current proposed legislation to stop someone who holds a regional monopoly in your area from paying you whatever price they see fit and in fact lining you and others all up, one behind the other, and paying a different price to every farmer as they come through the gate.

**Mr Simpson**—I guess that is true.

**Mr Malcolm**—I refer to the point about the buyers licences audit. It comes down to legislative obligation if the holder of the single-desk licence had a legislative obligation to virtually take the crop. When it first came into being, there was not a deregulated domestic market and there were quite often years when certain areas would have thunderstorms during harvest which would give you downgraded wheat. In 1983 there was a prime example. After the 1982 drought there was a record sowing of wheat and yields were very high. But we got a very wet harvest. There was a lot of what they call ‘sprouted wheat’, which was downgraded for the flour-milling industry. But the AWB took all that wheat because of its legislative requirement under the single desk. That was what you were looking at as a buyer of last



resort. Given the situation under a deregulated system where the buyers have got the choice to take it or not to take it, you then have to try to flog that grain off to somebody at a much lower price because you simply have not got the access of a big company or a big operator to be able to place that grain to your advantage.

**Senator JOYCE**—So now, quite obviously, a person with a strong market presence by having a big volume of grain would inherently be in a stronger position, and so would be likely to get a better price, than smaller growers. Would that be a fair statement? You would be an anchor grower. It would be similar to being an anchor tenant in a shopping mall. Your position in the market and your strength would get you a better price which will be subsidised by the smaller growers.

**Mr Malcolm**—This has been quite obvious in recent years. It was very obvious when the traders came into the domestic market. They always looked to the ABB and the AWB to set the price and then they would offer a cash price of a dollar above it or whatever. You are right: the big operators were the price setters and the others used that as their base and then if they wanted to they would just go around it.

**Senator JOYCE**—This legislation discriminates against those who do not have the bargaining power. It is actually a discriminatory piece of legislation that works for those with the strength against those without the strength, which you would suppose is a philosophy different from that espoused with the repeal of the AWA laws.

**Mr Malcolm**—Absolutely.

**Mr Bishop**—Senator Joyce, I think you are raising one of the concerns that most of us have been trying to bring forward. This is that the strength of one grower, for example—he or she being on their own—is very small. But collectively, working together, growers have a fair degree of strength, and the marketing has been set up on that. That is where it came from 60-odd years ago. That has been the envy of many other organisations around Australia and that has certainly been the envy of the international people whom I have met over the years. That is why those people want to get rid of the single desk: it weakens our capacity to collectively bargain for the best price on the world market.

**Mr Broad**—For a young farmer starting off, that is an essential ingredient. When you are a young farmer starting off your farm is on a small scale and it takes a generation to get to anything of the scale that would have any sort of bargaining power. If we are going to encourage young people into the industry, which is absolutely critical for Australia going forward, we will need to make sure that legislation does not discriminate against some of those smaller growers.

**Senator JOYCE**—Would this lead to conjecture about the position of the peak body groups? Today the Export Wheat Commission said that they had spoken to 20 to 30 people who espoused the view that the majority of Australian wheat growers wanted to deregulate. Do you believe that position to be true; and, if not, why not?

**Mr Bishop**—Absolutely untrue. I have been to heaps of meetings and read the reports. I read one report where 85 per cent of growers were in favour of retaining the single desk—and that is what we are talking about today, I guess. I think the majority of Australian wheat growers would be very much in favour of the collective bargaining strength of the single desk.

**Mr Malcolm**—I agree totally. I have been to a number of meetings, and that figure of 84 to 85 per cent is the one that comes through on every survey and poll that has been taken in recent years—the Ralph inquiry. There has been nothing put forward to substantiate the claim that the majority of growers want to deregulate. I would absolutely refute that on all the evidence that has been presented. I am a little surprised and wonder why the legislators are hanging on this thing that a majority want to deregulate. I am quite sure, indisputably, that the vast majority of growers in Australia want the single desk operation rather than deregulation.

**Senator JOYCE**—If the vast majority of Australian wheat growers want to keep the single desk and our strongest competitor, being the US, want us to lose the single desk and both are doing it for the same reason—that is, that it gets a better price for the Australian wheat grower—who is pushing for the repeal of the single desk and why have they got so far?

**Mr Malcolm**—For a start, the US Wheat Associates have made all sorts of claims in world trade talks et cetera that the Australian system distorts the markets. They have their own reasons. I have not studied the politics in America, but I do know that the Cole inquiry was largely pushed by the American Wheat Associates. As Barry Bishop said earlier, they will be rubbing their hands together with glee on this one.

To answer your second question: we seem to be outmanoeuvred politically. Everything up until last November was pushing the single desk. We had the Ralph inquiry and all sorts of inquiries around Australia and the answer came up for the single desk. But, remember, growers have more things to do than to keep going to meetings and filling in surveys. Most of them did a lot of work and put their position forward, and we thought that this was being carried forward. But the new government have a different philosophy and they want to change it, and all of a sudden statements are coming out that have not been tried. No survey with respect to their claim has been taken since the new government came in, and no survey has been taken to counter it. We are being overrun by legislation and political expediency.

**CHAIR**—Clearly, Labor went to the election with that policy. It did not just fall out of the sky after 24 November.

**Mr Malcolm**—I agree with that; they did go with that policy. But, if you want to get political, you have to remember that the majority of wheat growers may not necessarily be in Labor electorates or may not support the philosophy of the ALP. Look at where they won the seats. We are in a minority in rural areas and this is our big problem. Our numbers are decreasing and we are getting older, but we still stand up for what we believe in.

**Mr Broad**—I will attempt to answer your question, Senator Joyce. I think your observation is very accurate. You have a situation where 80 per cent of growers want to keep the single desk because they believe it makes them money, and you have a situation where America, a major competitor, wants to remove the single desk because it would make American growers money. You really do need to ask where the push is coming from. I think some of the push is coming from the fact that our bulk handlers, GrainCorp, ABB and CBH, are now publicly listed companies. If you or anyone who was a responsible director were sitting on the board of those publicly listed companies, you would be looking to maximise the return from that company. Instead of becoming just a bulk handler, you would be pushing and lobbying to get involved in trade. I think in some ways the original idea of grower-owned companies to

handle our grain has worked against us because their focus, as it should be, is to maximise their return to their shareholders.

**Senator JOYCE**—If our major markets such as Iraq and India are single desk buyers, and they are, is there a possible outcome that, if two Australian sellers turn up to that market, they are going to reduce the price rather than put up the price—unless they collude before they go there, and of course colluding would be a single desk?

**Mr Bibby**—I grew digger lentils and they were marketed from Australia to India. We had a price that was set. The next year we had a good lentil harvest. Another person was trading lentils into India. They could not give us a firm price. They said the competition was reducing the price and they were not sure what they were going to be able to pay us. That is just one simple example of how only one other trader in a market was able to force the price down.

**Senator JOYCE**—They say that the protection mechanisms that you will receive will be enshrined via the active operation of the Trade Practices Act. Do you have confidence in how the Trade Practices Act—given how it is currently looking after the interests of horticultural producers as they deal with Coles and Woolworths—will look after you as you try to deal with regional centralisation of wheat traders?

**Mr Bishop**—I have talked to a number of horticulturalists who wished they could have had our structure over the years, which would have given them, again, that collective bargaining process and a bit of horsepower in the market. So I think we would struggle there. As we have said, a major percentage of our growers support the single desk, simply because of the work it does for them and how it maximises their returns. It always amazes most of us in the grain industry that people would want to take it away. Certainly other industries in Australia would love to have that sort of process. I think the Americans would too. In fact I have said to the Americans, if they think it is so good to get rid of it for us, that we could go over there and teach them how to work it. But they have got the biggest wheat board in the world, and it is called the USDA, the United States Department of Agriculture. With their Export Enhancement Program, they can always win.

**CHAIR**—Now we go to questions from Senator Heffernan, via telephone.

**Senator HEFFERNAN**—Everyone has been talking about the single desk. Can someone tell me which variety of the single desk they are talking about—the one that has operated since AWB Ltd became corporatised or the one before?

**Mr Bishop**—Certainly the one before. The arguments I have put forward indicate commercial companies would struggle maintaining the responsibility of the single desk. But it need not necessarily be the Wheat Board at all who carries the single desk in the new world. It could be the Bill Heffernan trading company, indeed, who would carry the single desk.

**CHAIR**—Spare us!

**Mr Bishop**—But I think the issue is: we are not talking about where it was before, where AWB Ltd was a commercial company. AWB International was a very small company that was fed off, if you like, from AWB Ltd in relation to the market. I believe the views of most people are that it would be an independent company that would be like a large cooperative.

**Senator HEFFERNAN**—Where did we go wrong with the single desk?

**Mr Bishop**—I think when it was set up with AWB Ltd and AWB International it was probably a good set-up at that time because AWB Ltd then really only had the export market of wheat and trading on the domestic market. But of course then they branched out into Landmark, as they should, as a company responsible to their shareholders. Their shares went onto the market and it became much more commercial. I think then growers decided that in fact what they wanted was more like they had in the past—a single organisation with an absolute focus on the export market that returned all profits to them.

**Senator HEFFERNAN**—The present arrangements of the single desk, as a buyer of last resort, which people have been talking about—you would not be in favour of them?

**Mr Bishop**—I think if a single company has a responsibility for the single desk it needs to be the buyer of last resort.

**Senator HEFFERNAN**—In some years AWB Ltd have been in the cash market and then they have dumped that wheat into the pool for a profit. Do you think that is a fair thing?

**Mr Bishop**—That is what we are arguing against, I believe.

**Senator HEFFERNAN**—Everyone has been talking about how the pool has operated to the maximum advantage of growers. I do not think that is quite true. I do not know when you draw the line when that ceased, but it did cease some years ago. As I said earlier, 2.9 million tonnes were purchased from the pool by AWB Ltd and resold through the Geneva desk for whatever reason. That is AWB Ltd competing against the pool in the global market. You understand that stuff, do you?

**Mr Bishop**—Yes.

**Senator HEFFERNAN**—Is there an explanation of why that was allowed to happen and why growers didn't go nuts over it?

**Mr Bishop**—No, I have not got—

**Senator HEFFERNAN**—Let me tell you the explanation, mate: because they simply did not know. I mean, they had been hoodwinked.

**Mr Bibby**—Do any companies know? It is such a fickle market. It can go up and down with the breath of anything that happens. How can any company—

**Senator HEFFERNAN**—No, I was talking about the operations of the Geneva desk—which obviously go to the shareholders, not the growers. Australia's growers have lived with the view that the single desk operation has protected them; in fact it has not.

**Mr Broad**—I understand where you are coming from and tend to agree with your view. On the single desk that I think would be envisaged: it is a catch-22 situation in some ways. If we hark back to the old days, of having just a statutory board which is not a publicly listed company, then we have something similar to the Canadian Wheat Board, which is a bit of an inefficient conglomeration that does not have any performance indicators and does not have any financial incentives to actually get out there and maximise the return. So it is a quandary. How do you do that? How do you find the balance between having a corporate company that is of course going to have corporate interests, and having a board that is inefficient. I will let wiser minds than mine—

**Senator HEFFERNAN**—If we are going to have a fair dinkum debate about this, people want to be aware of what has actually been going on. There has been all sorts of bullshit as to why the Geneva desk had to buy 2.9 million tonnes of wheat from the Australian pool and resell it through the Geneva desk—which has nothing to do with Australia's wheat growers, I might say.

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

**Senator HEFFERNAN**—But everyone should take that home and smoke it, because—

**CHAIR**—We have head-shaking and everything here.

**Senator HEFFERNAN**—I would love to know what the proper explanation is. Most people do not know about it and are in denial.

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

**Mr Simpson**—I believe that what you are describing, Senator Heffernan, is bad governance, absolute incompetence and, God help them, they deserve to be sacked.

**Senator HEFFERNAN**—I will shut up.

**CHAIR**—Senator Heffernan, you certainly woke up the room again. There was a fair bit of head-shaking going on. Do you have any other questions before we wind up?

**Senator HEFFERNAN**—I have plenty, mate. But I think they are going to have to stew in their own juice.

**Mr Bishop**—Who is going to have to stew in their own juice?

**Senator HEFFERNAN**—The people participating in this debate, because a lot of them are in denial.

**Mr Broad**—If I could just speak briefly—

**CHAIR**—Gentlemen, I am going to pull up our discussion very soon. You might want to have a conversation with each other off the loudspeaker. I encourage active debate. I just want to make one last comment before I wind up. I think it was you, Mr Bishop, and if I am wrong about that I do apologise, but there was this overriding statement that the majority of growers want to keep the single desk. I cannot say yes or no but, coming from WA—and I have said this to earlier witnesses today—that is not the message that comes through to me. We will find out when we get to Western Australia on Monday—

**Senator HEFFERNAN**—But which single desk?

**CHAIR**—As I was saying, Western Australian growers have said to me that they are fed up with subsidising, because of the way the grain pool is structured, eastern states growers. I know that will upset a few people in the room but, knowing what they have told me, I could not walk out of this room without having passed it on. It is in *Hansard*. Anyone can challenge me if they like. And we will certainly see what happens in Western Australia on Monday. On that note, I thank you, the Victorian growers, very much. Is Senator Heffernan still on the line? No, he has gone. I will now call the representative from the Grain Growers Association.

[4.10 pm]

**CLARK, Mr Bryan Tarrant, Industry Development Manager, Grain Growers Association of Australia**

**CHAIR**—Welcome. Thank you for your patience today. You have heard all the arguments, so I am sure you will be fully armed. Do you wish to make a brief opening statement before we begin our questions?

**Mr Clark**—Very briefly. I think you have heard the concerns of some of our membership today. There is a broad church of discussion on both sides. I would really like to focus on the legislation itself, if it is possible to confine ourselves that way.

**CHAIR**—That would be nice!

**Mr Clark**—It is fair to say that, as an organisation, our thoughts are still in development with this. We are taking internal argument on the way to go on some things, but, broadly, we are pragmatic as an organisation. The debate on whether or not there is a single desk is not one we are having. We have a piece of legislation in front of us; we are trying to focus on that and consider the best way forward with it rather than focus on the philosophical debate about whether or not there ought to be single desks. That is currently where we are and I am happy to take questions.

**Senator NASH**—This morning I think Mr Ginns made the comment that—

**Mr Clark**—Sorry to interrupt, but I did mean to put on the record that our chief executive officer, Peter Flottmann, sends his apologies. He would like to have been here but was called away to other things.

**Senator NASH**—This morning I think Mr Ginns said that grain growers were the biggest shareholder in GrainCorp. Is that correct?

**Mr Clark**—That is right.

**Senator NASH**—I just wanted to clarify that before we started.

**CHAIR**—Senator Joyce?

**Senator JOYCE**—Just to begin, do you grow wheat, Mr Clark?

**Mr Clark**—I do not; my parents do and I have done in the past.

**Senator JOYCE**—Good stuff! Regarding your input into this, I think it comes down to the fact that you just want to talk about the legislation. As it stands—seeing that you are here to talk about it, so you must know about it—do you support it or not?

**Mr Clark**—We support the thrust of it, but there are issues with the detail of legislation that we think need further clarification. Our policy position was support for a single desk.

**Senator JOYCE**—So you generally support it?

**Mr Clark**—In broad terms.

**Senator JOYCE**—In supporting it, what part do you refer to when you are trying to get a greater sense of parity and fairness between payment for product of smaller growers and what

will obviously be key stakeholders in the traders' capacity to attract grain? Do you have any problems with the fact that there can be a complete discrepancy between what five farmers turning up to one trader get paid for the same product? Does that worry you?

**Mr Clark**—No. Do you imagine that is going to happen?

**Senator JOYCE**—Is there anything in here to stop it?

**Mr Clark**—No.

**Senator JOYCE**—Does it worry you that it is not there?

**Mr Clark**—No.

**Senator JOYCE**—Do you think it is peculiar that the grain growers organisation would not be worried about disparity and unfairness for grain growers?

**Mr Clark**—No.

**Senator JOYCE**—You do not think that is an issue?

**Mr Clark**—No. Let me clarify: part of our concern about it is that it is a piece of legislation for which we can find no precedent. So, when you consider it in the context of all of the production that farmers do, we are specifically talking about a piece legislation to target that component of their wheat as a single commodity, as opposed to the other commodities they produce, which is then going on bulk export markets. So one of the issues I suppose we have that requires more thought is that the application of the legislation is really quite narrow. I think your question is a broader question about marketing of agriculture commodities in general.

**Senator JOYCE**—You said it does not worry you. You are welcome to change your answer, but as that was your answer that is how it stands. Do you have any concerns about the possible monopolisation of the delivery capacity for wheat? Do you have any concerns about a certain player in the market having the capacity to control large sections of regional Australia so as to exploit the return to the grower?

**Mr Clark**—We wonder what is different.

**Senator JOYCE**—So does that concern you or not?

**Mr Clark**—No.

**Senator JOYCE**—That does not concern you either.

**Mr Clark**—We do not believe it exists. We believe the Trade Practices Act applies.

**Senator JOYCE**—So you believe the Trade Practices Act is effective in dealing with it.

**Mr Clark**—Yes.

**Senator JOYCE**—Can you please direct me to where it is actually working and how it is currently operating in other areas, such as the horticultural industry?

**Mr Clark**—I think it applies, and the ACCC apply it, where there are monopoly circumstances. If there was the development of a monopoly circumstance, we would presumably see the application of it.

**Senator JOYCE**—The definition of ‘monopoly’ is the capacity to affect prices without affecting your customer base. Who has the capacity to do that? That means you just about have to control the whole wheat market in Australia before you have the capacity to put up prices without losing some of the market share to somewhere else. That is the instigating test of the Trade Practices Act, and you are completely happy with that as a kick-off point for this legislation.

**Mr Clark**—We think it would apply.

**Senator JOYCE**—Right. Have you had any correspondence with other people who might be in similar positions, such as the horticultural industry or possibly the dairy industry, to see if they are happy with how it works?

**Mr Clark**—No.

**Senator JOYCE**—Do you get out and talk to grain growers much these days?

**Mr Clark**—Somewhat, yes.

**Senator JOYCE**—When was the last time you had an open forum, an open meeting in a regional town, where you called them all in and said: ‘We’re going to support this legislation. We agree with the general thrust. What do you think?’

**Mr Clark**—We are not a policy development body in the same way that the state farm organisations are. We went through that process in formulating our response to the wheat marketing inquiry in general but not specifically about this legislation.

**Senator JOYCE**—Let us be more general. Did you ever have a meeting like that?

**Mr Clark**—Yes.

**Senator JOYCE**—Whereabouts?

**Mr Clark**—I think we had wide-ranging meetings across the eastern states.

**Senator JOYCE**—What was the general feeling of those meetings?

**Mr Clark**—I think there was a broad range of feeling. We have a range of growers who have expressed views such as those you have heard today and we have others who are very supportive of deregulation—

**Senator JOYCE**—Just give us your gut feeling of the overall—

**Senator O’BRIEN**—Can we have the answer before we get another question.

**Senator HURLEY**—If you do not get the answer you want, you go into another question.

**Senator O’BRIEN**—Can we have your answer, Mr Clark.

**Mr Clark**—Yes, we have gone through that process. Our membership, as I said, has a broad range of views. Some of them want to see immediate deregulation and others want to see protection, as you have heard here today.

**Senator JOYCE**—Do you believe that the majority of the sentiment is for the maintenance of the single desk or the repeal of the single desk?

**Mr Clark**—Of a single desk, but that is not the position in front of us.



**Senator JOYCE**—Sorry, can you explain that. What do you mean it was not the proposition put in front of you?

**Mr Clark**—We as an organisation support the concept of a single desk but not the single desk as it stood, necessarily.

**Senator JOYCE**—So how does this legislation, which you have said you support the general thrust of, support the concept of a single desk?

**Mr Clark**—It does not, as I have explained. We are a pragmatic organisation. We have moved on. We have the legislation in front of us.

**Senator JOYCE**—So you support the single desk. This legislation gets rid of the single desk, but you support the legislation.

**Mr Clark**—Yes.

**Senator JOYCE**—Do you find that paradoxical?

**Mr Clark**—We have some concerns about the legislation, as we have said, but in broad thrust we are happy with it.

**Senator JOYCE**—Do you find that there is any sort of conflict of interest between the obvious advantage that will be there for GrainCorp and your involvement with GrainCorp?

**Mr Clark**—Can you suggest that there would be an obvious advantage?

**Senator JOYCE**—I am asking you.

**Mr Clark**—Why would there be an obvious advantage?

**Senator JOYCE**—Because you are obviously going to be in a key position with the opening of the market and the potential for GrainCorp, without any transparency, to exploit the marketplace, especially given the fact that their infrastructure for the delivery of grain is predominant in so many regional areas.

**Mr Clark**—But there are competitors to such a thing.

**Senator JOYCE**—So the answer is that you do not think there is any conflict of interest.

**Mr Clark**—No.

**Senator JOYCE**—Who are the other major players in the delivery of grain? There is AWB, but who else is there?

**Mr Clark**—Obviously GrainCorp, ABB and the major international players. There could be new developments of growers and new traders entirely.

**Senator JOYCE**—There could be or there are?

**Mr Clark**—There are and there can be.

**Senator JOYCE**—What is ABB's share of the market? You must know the share of the market. What is the share of the receivals for GrainCorp and the receivals for AWB, percentage wise?

**Mr Clark**—I do not know the relative ones off the top of my head, but GrainCorp handles somewhere in the order of 40 per cent of the grain in the eastern states.

**Senator JOYCE**—Do you think that, if that position involved not only handling the grain but also trading it, they would have an extensive market position and that you could benefit from that?

**Mr Clark**—We would benefit only because we are a shareholder.

**Senator JOYCE**—But that is a pretty big benefit. That is exactly what I am saying.

**Mr Clark**—We do not manage GrainCorp, though.

**Senator JOYCE**—But you are going to benefit because of the benefit of the company, aren't you?

**Mr Clark**—But we may be a shareholder in other companies and we may benefit from them too.

**Senator JOYCE**—I think we are playing games here. Are you honestly saying that you do not think GrainCorp will be a beneficiary of the repeal of this legislation?

**Mr Clark**—I think they have an opportunity to exploit a commercial arrangement, yes.

**Senator JOYCE**—Do you think that, if it could be seen that your position is somewhat compromised—even if it is not—you would therefore have a role to disclose that possible compromised position and probably remove yourself from the debate?

**Mr Clark**—How do you think we would be compromised?

**Senator JOYCE**—You have just stated that you are a shareholder of the company that has 40 per cent of the receival positions in the eastern states, which will be one of the largest beneficiaries of the repeal of the single desk. Surely it cannot be any clearer than that.

**Mr Clark**—And our members are growers.

**Senator IAN MACDONALD**—Barnaby, there might be people on this committee who are in the same situation. The fact that you have an involvement in the industry does not preclude you from giving evidence.

**Senator JOYCE**—I am asking for a straight answer—

**Senator O'BRIEN**—We have just excluded every witness we have had today!

**Senator JOYCE**—and a declaration up front.

**ACTING CHAIR (Senator Siewert)**—We are supposed to be talking to the witnesses not to each other.

**Senator IAN MACDONALD**—It was by way of a point of order, actually.

**Senator JOYCE**—Mr Clark, what improvements do you think should happen to the legislation? You say you agree with the thrust of it, but there are areas that you think could be improved. Can you suggest them to us.

**Mr Clark**—We do think the port access provisions are quite good.

**Senator JOYCE**—You would!

**Mr Clark**—That is a pretty handy thing to have in the legislation.

**Senator JOYCE**—Who owns the—

**Senator O'BRIEN**—Can we have the answer before you jump in? If no-one else is going to pull you up, I am. I would like to hear the witness's answer. When you ask him a question, at least give him the courtesy of hearing his answer before you ask another one.

**Senator JOYCE**—You are not the chair. You are just another senator.

**Senator O'BRIEN**—I am going to take a point of order then, if you are going to behave that way. You have been repeatedly. I have intervened on a number of occasions and you continue to do it.

**Senator JOYCE**—You are not the chair.

**Senator O'BRIEN**—I do not care. I am taking a point of order.

**ACTING CHAIR**—Yes, and he jumped in just before I was about to. I am the chair at the moment. Senator Joyce, if you could allow the witness to complete his answers that would be appreciated.

**Senator JOYCE**—Okay.

**Mr Clark**—Thank you. In broader terms about the legislation itself: we note that there is no precedent for it. There may be some similar things, but not at the federal level. We note that there is some similar regulation associated with barley exports out of South Australia, but there is a sunset clause associated with that, which this legislation does not have. Also, there is no regulation, as we understand it, regulating most of the other commodities produced by the same grain growers that this legislation would pertain to. We think that the application of the Trade Practices Act and the activities of the ACCC are duplicated in some of this legislation, so we wonder whether or not it is necessary to write some of the things which are inside it.

Our understanding of the bill is that it has a review period in 2010 which is part of the national competition policy but that the review is not specifically described within the legislation. We wonder whether or not it should be, and against what. What would a review in fact look like?

We also note that container and bag exports are deregulated. One of the concerns we have is that if the legislation as it is proposed and some of the thinking which is going on at the export wheat authority were actually applied in terms of the fit and proper assessments, it would be possible to set the bar relatively high for exporters wanting to export bulk wheat and that that might provide a perverse outcome which would divert grain into the container trade because there would then be no oversight going on down there. If a legislative arbitrage could occur, we think that is a problem with the legislation.

**Senator JOYCE**—For the record, who owns the port facilities? When this talks to access, you have a problem with port terminal access as expressed in this exposure draft. Who owns that port terminal access predominantly, on the eastern seaboard?

**Mr Clark**—GrainCorp.

**Senator JOYCE**—Do you have any involvement with GrainCorp?

**Mr Clark**—We are a shareholder.

**Senator JOYCE**—Thank you very much.

**Mr Clark**—And, as I stated, we have no issue with the competition requirements. We think that strength is required.

**Senator JOYCE**—Is the majority of Australia's wheat bought by single-desk buyers: yes or no?

**Mr Clark**—No.

**Senator JOYCE**—It is not? The majority of our grain is not bought by a single-desk buyer?

**Mr Clark**—Not in an immediate sense.

**Senator JOYCE**—Not in an immediate sense? Can you explain what you mean by that?

**Mr Clark**—There are steps in the transaction. The majority of wheat in the eastern states is bought by the trade.

**Senator JOYCE**—The majority of our export wheat, is it—

**Mr Clark**—Export wheat is clearly bought by the exporter.

**Senator JOYCE**—Is the majority of our export wheat purchased by single-desk buyers: yes or no?

**Senator IAN MACDONALD**—Is there an alternative?

**Mr Clark**—Presently. There is nowhere else you can go with it.

**Senator O'BRIEN**—What the witness is saying is that traders buy it and some will put it into the pool.

**Senator JOYCE**—He is answering the question, Senator O'Brien, not you.

**Senator O'BRIEN**—You are trying to manipulate the answer so it says something that is not true.

**Senator JOYCE**—Senator O'Brien, he is answering the questions—unless you would like to go around there.

**Senator O'BRIEN**—Mr Clark said—

**ACTING CHAIR**—Please stop, both of you. Senator O'Brien, can you address this issue during your turn, thank you.

**Senator JOYCE**—So you agree that presently the majority of wheat in the world is purchased by single-desk buyers. Can you explain to me—

**Mr Clark**—No, no, no. Do not interpret what I have said.

**Senator JOYCE**—What do you say?

**Mr Clark**—The export wheat from Australia is presently bought by the export operator, but the trade that occurs—the initial trades between farmers and somebody else—is, often enough, with someone else.

**Senator JOYCE**—And with regard to its final position of destination, where it arrives in another country, is that Australian wheat predominately going to what is ultimately a single-desk buyer?

**Mr Clark**—In Australia, yes.

**Senator JOYCE**—Yes. Thank you. Can you explain to me how two people going to one single-desk buyer can get a better price than one person going to a single-desk buyer?

**Mr Clark**—I do not understand your question.

**Senator JOYCE**—I am saying that, if two people turn up wanting to sell wheat and there is only one place they can possibly sell it to, how can two people who turn up possibly get a better price than only one person who turns up—that is, when a monopoly is matched with a monopoly rather than when a monopoly is traded to by two people who just trade the price back and forth so that the buyer gets the lowest price? Obviously he is going to buy at the lowest price, isn't he? That would be a fundamental of economics—that he would buy from the cheapest seller if it were an equivalent product.

**Mr Clark**—I am not sure what your proposition is.

**Senator JOYCE**—You do not understand my question?

**Mr Clark**—No.

**Senator JOYCE**—It is a question that has been understood by every other person who has presented at this committee.

**CHAIR**—I think, Senator Joyce, you may want to rephrase it for Mr Clark. It might help.

**Senator JOYCE**—Rephrase it?

**CHAIR**—Mr Clark said he did not understand. I would suggest, Senator Joyce, that you rephrase it.

**Senator JOYCE**—I am trying to work out how I could rephrase it to make it any simpler. Iraq is a single desk buyer; is that correct?

**Mr Clark**—Yes.

**Senator JOYCE**—How can two people turning up to that single-desk buyer in Iraq, both selling exactly the same product from Australia, get a better price than one person on behalf of Australia turning up?

**Mr Clark**—I think you are putting a hypothetical proposition. I do not know where you are trying to get to. Ask a question that has perhaps got more to it. We have already seen, in terms of Iraq, a single desk trader undermining the marketplace.

**Senator JOYCE**—So you think that—

**Senator IAN MACDONALD**—That is not a good example.

**Senator JOYCE**—I think it is. I think he is deliberately evading the question.

**CHAIR**—Senator Joyce, the time really is against us—

**Senator JOYCE**—That's fair enough. I think it is good that you put that on the record. It is very important that the Australian grain growers know that.

**CHAIR**—Mr Clark has made it very clear, so if there is no other way of putting it, Senator Joyce, we might flick over to Senator Macdonald. If you have further questions and there is time later, after the other senators' questions, then we can come back to you.

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**Senator IAN MACDONALD**—My questions will be very brief and to the point of the bill, Mr Clark. First of all, could you explain to me—others obviously know this, but I do not—the background of your organisation: who are you and who finances you?

**Mr Clark**—The Grain Growers Association started life 50 years ago—we are celebrating our 50 years this year—as the prime wheat association out of Narrabri. They were a group of growers seeking to differentiate their product in the marketplace because they felt they were not getting a premium for it. They wanted to test it and be able to market it, supposedly, at a premium. That organisation was relatively successful and grew, over a period of time.

Eventually, through the foresight of some growers—who must have been outstanding at the time—that organisation purchased the assets of the collapsed Grain Elevators Board. They borrowed money to do so and subsequently bought grains interests in Queensland and Victoria, amalgamated those and floated them off as GrainCorp, as a grower owned shareholder organisation. They floated that off in a public listing. So our principal base now is a membership base, which has grown over a period of time associated with those various acquisitions and moves and growers who wish to be associated with those moves. There was an original membership fee which was predominantly for a life membership, so most of our members are life members—although there is some change to that at the moment. We derived financial benefit from that listing, so we have a substantial shareholding in GrainCorp itself. We have historically held the foundation share, which gave us a 75 per cent voting right at GrainCorp, but that was removed at the last GrainCorp annual meeting a few weeks ago. So we are now just one of the many shareholders of GrainCorp.

**Senator IAN MACDONALD**—So you run your organisation from dividends from GrainCorp?

**Mr Clark**—Yes, from our financial returns from investments.

**Senator IAN MACDONALD**—Are you able to categorise your membership in terms of percentage of Australian wheat growers?

**Mr Clark**—We have 17,000 grain growers on the eastern coast of Australia.

**Senator IAN MACDONALD**—How many grain growers are there in Australia approximately?

**Mr Clark**—I do not know.

**Senator IAN MACDONALD**—What would you estimate?

**Mr Clark**—It could be 40,000 or 50,000.

**Senator IAN MACDONALD**—So about 20 per cent of grain growers are members of your organisation.

**Senator O'BRIEN**—I think I heard it is about 35,000.

**Mr Clark**—So we have a substantial number who are members.

**Senator IAN MACDONALD**—Are they all New South Wales people or Queensland people?

**Mr Clark**—Our members predominately come from Queensland, New South Wales and Victoria. There are some from South Australia, but not many.

**Senator IAN MACDONALD**—I think you said earlier that there was no precedent for this legislation.

**Mr Clark**—As we understand it.

**Senator IAN MACDONALD**—My research led me to believe that it came from the barley industry.

**Mr Clark**—I did say that there was no federal precedent. In the case of barley there is similar legislation in South Australia, but it also has a sunset clause. It was a three-year piece of legislation, as I understand it.

**Senator IAN MACDONALD**—So you support the general thrust of the bill. Have you had time to look through it carefully to see whether it needs clarification or amendment? Will you be putting in a submission to the government on the exposure draft?

**Mr Clark**—Yes.

**Senator IAN MACDONALD**—Would you make sure that this committee gets a copy of your submission as well, through the secretariat?

**Mr Clark**—Yes, we can do that. Just to follow on from your point: I was going through a list of stuff that we think has some issues with it; certainly one of them is that it does not provide counterparty risk to growers, but we do not believe that that existed previously in any case. There are a number of things that we have issues with—one of them notably is the requirement to be a company in order to be considered as an exporter. We wonder why you would not allow that to be all of the structures available in normal business practice in Australia, for example. We wonder whether some of the reporting and market information could be strengthened. Is it sufficient? We are a little concerned at the position that the proposed Wheat Exports Australia could end up in, in that they could potentially find themselves on the receiving end of significant legal action. They may not be in a position to be able to participate in that.

**Senator IAN MACDONALD**—Could you just briefly explain that please.

**Mr Clark**—If they are in the position, as is proposed, of accrediting exporters then you could imagine circumstances where somebody failed to achieve accreditation, felt aggrieved and felt that their case was strong, and so would seek some review of that—which they are able to do through the admin appeals process. But they might also decide to take it into the commercial arena. Similarly the proposition where a person or a company is accredited—

**Senator IAN MACDONALD**—I am sorry; I just do not follow that bit. How can the failure of a government body to accredit someone lead to someone suing some other growers? I assume that is what you are saying.

**Mr Clark**—No, the Wheat Export Authority.

**Senator IAN MACDONALD**—But how is that going to impact on growers?

**Mr Clark**—No, it is not going to impact on growers. We have put the proposition that we are concerned about the position that Wheat Exports Australia end up with.

**Senator IAN MACDONALD**—I see; I beg your pardon.

**Mr Clark**—They could end up with a sizeable legal bill in both directions. What we are trying to think through is that, if an accredited company then fails, what would be the ramifications for the creditors of that company—because it was assessed as fit and proper and with appropriate security and other things—and would the creditors seek redress from Wheat Exports Australia?

**Senator IAN MACDONALD**—I see.

**Mr Clark**—What we cannot see in the legislation is that there is any government guarantee or otherwise to the activities that would provide any level of protection.

**Senator IAN MACDONALD**—Do you think that the accredited exporter should have some sort of bond arrangement—perhaps not that but something along the lines where their dealings with growers could be guaranteed by some form of regulation?

**Mr Clark**—Yes. We certainly cannot see any protection. The proposition as it is put certainly does not protect growers. I am not even sure that it would protect them from rogue traders—it might. We are trying to think through whether the proposition as it stands at the moment does provide these things, but it is difficult to see at the moment.

**Senator IAN MACDONALD**—I do not want to pin you down to this—and you may not be able to answer it—but when do you think you will have your submissions to the government on this exposure draft? When are we supposed to report on it?

**Mr Clark**—By the due date anyway.

**CHAIR**—On 24 April.

**Senator IAN MACDONALD**—Would you expect to have your submissions in by then?

**Mr Clark**—Yes. We will be working towards that date.

**Senator IAN MACDONALD**—Finally, Senator Joyce has confused me. For growers in Australia exporting, is there any choice in who could buy and then on-sell export wheat?

**Mr Clark**—Not for export, unless you put it in a container.

**Senator IAN MACDONALD**—And that is relatively small-scale stuff.

**Mr Clark**—Presently it is.

**Senator IAN MACDONALD**—But on the domestic market it is open slather?

**Mr Clark**—In a fully deregulated domestic market there are many choices for growers.

**Senator IAN MACDONALD**—Thank you.

**Senator ADAMS**—Do you think the proposed legislation will work and can it be implemented by 30 June, D-day?

**Mr Clark**—Yes, we think it can be.

**Senator ADAMS**—I know it is not in the legislation, but as you are here would you like to comment briefly on the Wheat Industry Expert Group's discussion paper?



**Mr Clark**—We think it is quite a good piece of work. Again, there may be areas where it is a little light on detail, but it is quite a good discussion paper to start with. We will be making a response to that paper. The principal thing that we see in it is that some of the organisations that have been suggested to take on some of the roles of industry services may not be that financially strong. Some of the suggestions are really good—GRDC. There are some natural roles that have been identified and we are pretty comfortable with those things. For example, the Grains Council of Australia is mentioned from time to time. It has already been raised today that its operations at the moment are a little questionable. With that caveat, we are relatively comfortable with it, but we will be making a submission to that as well.

**Senator ADAMS**—Thank you.

**Senator McGAURAN**—Would you say that your organisation's objective is to maximise grower returns?

**Mr Clark**—No.

**Senator McGAURAN**—Or at least interests?

**Mr Clark**—Interests, yes. We do not directly influence their returns so much. But we are certainly working for the whole of the industry and that is at a broader end. We are clearly involved with the commercial groups and we wish to talk to them as well as representing grower interests. But we are interested in the improvement of the Australian grains industry in total.

**Senator McGAURAN**—Are you?

**Mr Clark**—Yes.

**Senator McGAURAN**—I am sure you are—to the benefit of the growers.

**Mr Clark**—Yes.

**Senator McGAURAN**—But you are not working with the whole industry for anyone else's interest other than that of the growers.

**Mr Clark**—I think the growers need to be included in that. We see that as a commercial arrangement. We have a market economy; everybody benefits.

**Senator McGAURAN**—But even your title gives you away, doesn't it: 'Grain Growers Association'. No-one else should get in there, should they?

**Mr Clark**—No, but we are trying to position ourselves so that we are not duplicating functions which are being carried out by, say, state farm organisations or others. We wish to provide, or assist with the provision of, solutions for the broader industry, and that is an amalgam of what the commercial industry is doing as well as what the growers are doing. So we are trying to bring all of them together.

**Senator McGAURAN**—Do you think the objectives of the WEA should be maximising returns to growers, as with the old WEA?

**Mr Clark**—It is a good question. I guess we do not have a view on that specifically.

**Senator McGAURAN**—That is all right; nor does the WEA!

**Mr Clark**—Under the propositions as they are described in the legislation, that would not be their function.

**Senator McGAURAN**—You mentioned that there was duplication, possibly, of the ACCC's powers. Where?

**Mr Clark**—Firstly, the assessment of 'fit and proper' is that companies or commercial entities operating in Australia in general have to be managed so that they are effectively fit and proper for business all of the time. So we fail to see why you would need to see specific legislation that described what 'fit and proper' meant for the marketing exclusively of export wheat, as opposed to fit and proper for the general activity of business in Australia.

**Senator McGAURAN**—That is not the ACCC, though, is it? That is ASIC that you are talking about more—the corporate law. Sticking with the ACCC—this is my last question; I have heaps, but that is all right; we will make this the last one—with regard to the port access, there is a requirement in the legislation that all accredited companies must undertake an agreement to provide access, and the undertaking must be approved by the ACCC. Does that satisfy your group?

**Mr Clark**—Yes.

**Senator NASH**—I will be very quick. I am trying to understand something. You were talking before about the single desk. It had previously been your organisation's policy to support a single desk; is that correct?

**Mr Clark**—A single desk.

**Senator NASH**—Okay. I think that around the discussion we had there was an agreement that this piece of legislation was not going to retain a single desk. How and when did your association determine that change in position?

**Mr Clark**—We have not changed our position, but we have a piece of legislation in front of us to consider.

**Senator NASH**—What I am saying is that you have said you are supportive of the legislation. That legislation is clearly not for a single desk. If your policy has been to support a single desk, through what mechanism did your association change that view? By association, if you support this legislation, you cannot support a single desk.

**Mr Clark**—I guess the reality is that we are considering the politics of what is in front of us at the moment. We can consider the legislation as it is put at the moment, and we think that it can probably be improved. The alternative is to reject it. Politically, as you would be well aware, we can take this into the next Senate and we will not, perhaps, even have this discussion.

**Senator NASH**—I understand your view there, but what I am getting at is that you have 17,000 members, and it is very clear that this is not a single desk, so by association you have changed your position. I am just trying to ascertain—and I understand, from your perspective, the politics of it—who made the decision, and at what point, that you would relinquish your previous support for the single desk in order to support the new legislation.

**Mr Clark**—No. Let us be clear: we have not relinquished our support for a single desk, but a single desk is not being offered to us. Therefore, we are considering the legislation as it is being offered to us, and we think that on balance it is going in the right direction, given that that is what is on the table.

**Senator NASH**—Just so that I get it absolutely clear, basically your position is to support a single desk but your view is that that has gone because of the politics of the numbers. Therefore, you will look at the legislation because there is nothing you can do about it.

**Mr Clark**—Yes.

**Senator McGAURAN**—Was the membership figure 17,000? How do you get to be a member?

**Mr Clark**—Historically, you became a life member. Originally you were a member of the Prime Wheat Association. I do not know the specific details of the history. As we went through the corporate manoeuvres of purchasing the assets of the Grain Elevators Board and the takeover of a number of others, the existing members and participants—often those bodies were not corporately structured at the time, as I understand it—became members of our organisation. They were offered life membership, which they paid a slight fee for. We have new members coming on, but they are a very small minority of our membership base.

**Senator McGAURAN**—They pay an annual fee.

**Mr Clark**—Yes.

**Senator O'BRIEN**—Going back to your discussion with Senator Joyce, I think you said that—and correct me if I am wrong—on the one hand the bulk of the wheat is bought at first instance by traders rather than put into the national pool, even though in the end that wheat which is exported in the main goes into the pool. So does it follow that we currently have a process where traders buy wheat, trade in the domestic market and deposit what they cannot sell in the domestic market into the national pool?

**Mr Clark**—That certainly occurs, yes.

**Senator O'BRIEN**—Is that a small part or a large part of what occurs?

**Mr Clark**—As has been described by others today, we have seen relatively small crops for the better part of a decade. Some of our interest is in whether or not this should now be regarded as normal. We are cognisant of issues associated with climate change. We saw the ABARE report at the end of last year which suggested that under certain circumstances there could be almost no exports out of the east coast of Australia. We have also seen quite a dramatic move in the market itself or the dynamics of the market. The domestic trade is certainly taking up a much greater proportion of the grain flow in eastern Australia than it did. That is being built up, a lot of which is going into stock feeds as well as other things.

**Senator O'BRIEN**—And biofuels.

**Mr Clark**—We are conscious of the moving nature of the characteristics of grain production and grain marketing in Australia.

**Senator O'BRIEN**—What impact do biofuels have on the domestic market?

**Mr Clark**—I do not think they have had a strong impact on our domestic market in a usage sense. It is clearly in a market sense because of the international factors. Mandatory targets in the United States and elsewhere appear to be one of the things driving the market at the present time, as well as diversion in the area planted—that is, the substitution of crops for different ones. We are a bit interested in what this means for global trade in a broader sense. When you amalgamate biofuel development with potential climate change impacts, with population growth, with changing diet, you can see, we think, a pretty bright future for the pricing of grains, irrespective of whether they are exported or not.

**Senator O'BRIEN**—Does it follow from what you have just said that international prices are going to drive the domestic market, by necessity?

**Mr Clark**—Absolutely.

**Senator O'BRIEN**—Whether we have a big or a small crop.

**Mr Clark**—Yes, to the point where we may see it impacting on our import requirements.

**Senator O'BRIEN**—In what way?

**Mr Clark**—If our domestic production is curtailed to the extent that was suggested at one point by ABARE, it will be import parity, not export parity, that we will be worried about.

**Senator O'BRIEN**—And biosecurity.

**Mr Clark**—Yes.

**Senator O'BRIEN**—There are a fair few other questions I want to ask, but I will end there.

**CHAIR**—Mr Clark, thank you very much for your patience and your time.

**Mr Clark**—Thank you.

[4.50 pm]

**HAMILTON, Mr Rodney Eric, Condamine Growers**

**WALTON, Mr Rowell, Condamine Growers**

**PACKER, Mr Brian Michael, Private capacity**

**CHAIR**—Welcome. You deserve a reward for waiting patiently for so long. Do you have any comments to make on the capacity in which you appear?

**Mr Walton**—I am a grain producer from Condamine in Queensland.

**Mr Packer**—I am a retired wheat farmer. I have six sons growing wheat. They grow quite a large amount of wheat and I have got a very big interest in that market. I think one of the reasons why they are growing wheat is that we have had a good wheat market in the past. They have done it in a cattle-growing area and I think it is really a tribute to the way meat has been marketed that they have been able to make it that way.

**Mr Hamilton**—I am a grain grower in the Condamine district. I have three boys. My eldest fellow is at home and a pretty keen grain grower.

**CHAIR**—I invite you to make a brief opening statement before the committee asks you questions.

**Mr Walton**—I am cognisant of the time and I want to thank those senators that remain here now. It has obviously been a gruelling process, with some tremendous battles of ideas along the way. We have come a long way and it is great that you could stay here. It is a pity that we have not got some of the others here. The first thing that I would like to say to you is that today you have been told by some people that nothing will happen if these regulations are removed, if this legislation is enacted, and I believe that to be completely false—as our group does. It will be a similar story to post domestic deregulation, when prices slumped and premiums that were available disappeared. The other point that I would like to make—that has been repeated today often—is that most Australian wheat growers do support the single desk. You have just seen a witness in front of you today explain why lots and lots of people are not members of some organisations. When it comes to the crunch, they will do what the government intends them to do and move very quickly, without very much input from their growers.

Another point I would like to make to you is that the AWB does not necessarily equate to the single desk. The single desk has been mixed up in the Cole inquiry and the aftermath of that and through the media and people are quite confused. People think the AWB equates to the single desk, and that is not the case. We are really hopeful that this committee has an open mind and listens to what people have to say and that you can take that back to your minister and allow him to make a very good judgement about what has to happen here. At the moment, we do not actually believe that that is happening. We hope that you have the capacity through this committee to do that very thing for us.

There was a fellow on the hook-up we had earlier who said something about the limited dumping of wheat into the pool. We touched on it earlier in this inquiry, with the last witness.

In actual fact, lots of traders dump heavily into the pool. I know some of the traders and I know that, when they finally cannot find a home for their product domestically, they simply dump it into the pool. The pool is left then to carry that burden. 'Where did we come unstuck?' was the question. The AWB, in my view, came unstuck at the point that we moved it into a private company, where it had to then look after shareholders as opposed to growers. You would remember that we did away with government oversight then as well. I know that we are short of time, and that is a very short summary of a document that we have provided to you.

**CHAIR**—Mr Walton, if you want to take more time, we are happy to stay here and listen as long as you want to talk to us.

**Mr Walton**—I am just really concerned that we would miss the plane, to be frank with you. Maybe we will whiz through and touch on some little bits and pieces, if that is okay with you. But in about 30 minutes, Barney, we are going to have to walk.

**CHAIR**—And the traffic is shocking between here and the airport at this time of night.

**Mr Walton**—We will keep our fingers crossed.

**Senator JOYCE**—A police escort!

**CHAIR**—That won't help—you need a helicopter.

**Mr Walton**—I might just touch quickly on the background. For those who do not really understand how we came to have a single desk, it would be worth your while doing a little bit of homework. For those who do not understand the market chaos that existed at the time, it is well worth reading some of the history of what led us to the decision to do that. In fact, a statutory monopoly was the mechanism to counter the failings of an unregulated market at that time.

I want to flesh out that AWB does not equate to a single desk, if I possibly can. It is critical that this Senate committee investigating the single desk understands there is no connection between the AWB and the idea of a single desk. The connection is in the minds of the wider public and even some grain growers, and this is predominantly the result of the mass media and its capacity to indoctrinate and its failure to separate the two throughout the recent Cole inquiry. It is a widely held view that those who most wanted the comparative advantage afforded to grain growers and their families by the dissolution of the single desk carefully managed the scandal to precipitate a public reaction which had the result of connecting the single desk to the AWB. It was then a simple matter to remedy the issues of the Cole inquiry by getting rid of the AWB. This is and always has been erroneous and flawed. The connection is in the minds only, and the reasons for and the logic supporting the single desk will always triumph even when evaluated empirically. However, this will never be able to be supported when radical free-market philosophy and simple greed is driving those who would unwind a perfectly sound system of marketing which has stood the test of time, assisting to build a large and efficient Australian exporter of premium quality wheat, benefiting wheat and grain growers across our land, their communities, their families and the families of all the dependants of the industry.

I think it is important that you understand the separation. There are some premiums that come from the single desk. There are two premiums that we see. One is in the rebalancing of market power overseas. We also see a premium as a result of the management of export markets. We think the question of buyer of last resort is very, very important to us, even though we come from Queensland, where the prices are usually the highest at the beginning of the season. It is in those big years when we have large volumes that we look for a place to go when domestic markets dry up very quickly. I know that everybody has heard this over and over again but I need to remind you that we have just had a number of very poor production years and it is not clear to us that that is to do with climate change. We think it is seasonal variability when you look at the rainfall charts and what have you—it is at odds with our rainfall charts anyway. Maybe there are a number of things going on.

We think premiums that are acquired through the single desk that currently exists better the ones that existed some two or so years ago and are transferable from the wheat industry to other grains. There is an example occurring right now, with the supply of sorghum in Queensland quite high as a result of quite a good production year but the actual price of sorghum is reasonably high and it is somehow connected to the wheat market. End users would prefer to use wheat or, in particular, white grains, but wheat is very expensive. We all understand that on the international market it is very expensive at the moment. What follows is that the sorghum market is not slumping, as you would normally expect.

We could go through some personal experiences of growers here of the domestic deregulation and what it really meant. We think that there is a connection here. We think there has been very little regard for wheat farmers in the writing of this bill. There has obviously been politics, and everybody is aware of that. The proposed bill seems to impose a focus on achieving outcomes and advantage for traders and end users of wheat and has little regard for the very farmers who grow that wheat. Farmers need some level of certainty to operate and fund carry-on, capital renewal and technical advancement, while volatility suits traders who take small margins with regular movements in markets. This is not best suited to producers, who need to forward plan by some years with some confidence, for whom capital is not malleable and who mostly are engaged in dryland production and are unable to use regular financial instruments to forward price production, as production itself is uncertain and volatile. Farmers in the Australian environment have enough production uncertainty through seasonal variability and possibly droughts without being exposed to the old world of oligopoly and monopoly which existed prior to the single desk.

We think this proposal will lead to financial pain. If we had the resources, we would engage some people to do some serious work to calculate just what the pain might be. We think that importantly for Labor senators there is a philosophical similarity between looking after working people and looking after farmers. Whether the seasons or climate change have been the cause of seasonal variability is not clear. but one thing is for sure: the world's wheat production will respond to the current high price environment with increased output. To push the process of the removal of the single desk using the information drawn from today is similar to removing all protection from workers in a near full employment situation. It is the time when memories are shortest and creates a window of opportunity for particular

philosophical views to leverage the immediate situation. It is our view that it is similarly un-Australian.

We believe that the current system gives us certain things. It gives us a buyer of last resort. It gives us quality management of export wheat. It gives us market power in international markets. It gives us industry coordination—in particular for exports. It maximises the return to growers enshrined in the constitution of the AWB, and it gives us a transparent pool.

We want to finish this with some questions for the people who will be responsible for carrying this legislation. These are unanswered questions. How does this legislation protect wheat growers from monopolisation of the wheat industry inside Australia? How will this legislation maximise returns to growers? How will this legislation protect Australian growers from multiple sellers pushing the price of our wheat down in overseas markets? Why does the US continually wish to get rid of the single desk? Why did Labor go to the election to bring about fairness in the workplace and then follow it by making it unfair in our marketplace by the removal of our collective bargaining agent—that is, the single desk? Who will fund the carryover wheat? How much support is government prepared to offer wheat growers when this proposed system collapses after the introduction of this legislation? Why didn't we have a ballot of all wheat growers to decide the way forward? If the marketplace required the creation of a single desk some 60 years ago, what is different today? Senators, you may lie in bed and contemplate those questions.

**CHAIR**—I think we will go one better, Mr Walton. We will take those questions on notice.

**Mr Walton**—We look forward to your response. Thank you.

**CHAIR**—Mr Hamilton, do you want to make a brief statement?

**Mr Hamilton**—No, thank you.

**CHAIR**—Mr Packer?

**Mr Packer**—I will just make a brief statement. I have very little faith in the antimonopoly laws we have at the present time. I quote the instance of Incitec Pivot. Their shares have gone from \$14 to \$140 and the price of fertiliser has doubled in the last six months. Why isn't there a public inquiry into that?

**CHAIR**—I think there is.

**Mr Packer**—That should well and truly be done. Roundup has tripled in price in the last eight months and yet nothing has been done about it. These are the things that worry us. They are into our imports and yet your reaction is always very slow. The other thing that worries us is that the old monopolies that caused the AWB to come in 50 or 60 years ago were Dreyfus and Cargill. They are still out there and we have very little protection against those people now. We are left fairly vacant at the present time as far as protection goes.

**CHAIR**—Thank you, Mr Packer. I will just bring to your attention page 2 of today's *Australian*. This committee is having an inquiry into fertiliser pricing and supply. Submissions have been extended for that inquiry to 3 April. I hope that allays that concern of yours. We will now go to questions.



**Senator JOYCE**—I will try to be brief, because I want everyone to get a chance; and I am from Queensland so I have talked to you before. I would also like to declare on the record that I know these people. The issue you are really talking about, Mr Packer, is that our laws and our inability to deal with monopolies is apparent in our inability to deal with Incitec, so how are we going to deal with a monopoly when it is a monopoly that we are having to sell to. We will be hit twice. They will be selling to us under a monopoly from our inputs, and we will have to sell to a regional monopoly, and our laws are not able to deal with that.

**Mr Packer**—I think it is almost impossible financially for individuals to tackle companies. The legal costs are prohibitive. It just gets beyond the individual to do these things. That is what worries us: they are too big for us to touch. That is our biggest worry.

**Senator JOYCE**—I just want to touch base about something that is interesting. Mr Walton, we have heard today, over and over again, the position of Western Australian wheat growers. Do you have any knowledge of Western Australian wheat growers, and do you agree with the proposition that they are overwhelmingly in support of getting rid of the single desk?

**Mr Walton**—I should declare to the committee that I am an ex-West Australian. I have family in WA, so I visit WA pretty regularly, but I did leave WA in 1983. My family are involved in grain growing—wheat growing, in particular—and some canola and what have you, and machinery businesses in WA. I have spent plenty of time talking to West Australian farmers and I cannot find anybody, other than a few minor groups, who would like to get rid of the single desk. It is split, like the membership of the two organisations that make representations to government. The Western Australian Farmers Federation has the vast bulk of membership, and it would support the single desk. The pastoralists and graziers have always been a minority group and they would like to get rid of the single desk. One of the things that I have noticed in my time, in travelling backwards and forwards and talking to people over there, is that there appears to have been, by some senators who come from WA—and Senator Judith Adams, I notice you come from WA but, I am sorry, I have never heard your name before, and I am not making reference to you—from rural electorates—

**Senator ADAMS**—Besides me?

**Mr Walton**—No, there are more.

**Senator ADAMS**—There are not.

**Mr Walton**—Maybe in the House of Representatives, I beg your pardon, who seem to misrepresent dreadfully the farmers in their electorates. I am not naming anybody. That is what I have noticed over time. Those are the people I talk to; and, Senator, I could direct you to those people if you like.

**Senator ADAMS**—That is fine, but this is in the last two months?

**Mr Walton**—I spent Christmas over there, so not in the last two months.

**Senator ADAMS**—Since we have had the wheat consultation committees over there, people are now informed about what is going on. So I can assure you that wherever you have been is very different from what has been coming through the door of my office. I travel through WA, through the wheat belt, all the time. I live there.

**CHAIR**—May I suggest, Senator Adams, we will come to you. I know you did want to answer Mr Walton's question—

**Senator ADAMS**—I had to reply to that.

**Senator JOYCE**—It is fair enough that Senator Adams gets to reply on that. First of all, I want to thank you for giving us a presentation today. To be honest, a lot of people have been very lax in that we have not had presentations, but at least you have delivered one, and that seems interesting coming from a small farmers group. Who is the predominant receiver of wheat in your area?

**Mr Walton**—It depends on the season, of course. If it is a very low production year—not last year but perhaps the year before—it may well be that local feedlots will take a fair portion of it. Beyond that, it goes simply to GrainCorp. There is nobody other than GrainCorp.

**Senator JOYCE**—Do you feel that GrainCorp—because of what I think has become clearly evident today—has a vested interest in the repeal of the single desk?

**Mr Walton**—Senator Joyce, that is an absolute certainty—and the same in Western Australia for Co-operative Bulk Handling. They both have a vested interest in looking after their shareholders and extracting margins from farmers rather than doing the right thing by farmers.

**Senator JOYCE**—You were here when evidence was being given by the Grain Growers Association. Do you believe, because of their association with GrainCorp, there could be a perceived—whether or not in actuality—conflict of interest between their representation of grain growers and the problems they have in being a shareholder of a great benefactor of the repeal of the legislation?

**Mr Walton**—Frankly, I was quite concerned by the presentation from supposedly 17,000 members. I think Senator McGauran was asking about that. I struggle with that number of 17,000 members. I also struggle with the fact that these guys say they support a single desk because they have been to their farmer groups and then the day they sit down in front of a committee like this they tell you that they accept the legislation and they are going to get on with it. I really find that very difficult to deal with. That is one of the reasons that representation in our area, for instance, is very poor. In fact I know of a couple of members of AgForce, which is supposedly our local grain representing body, but I know of no meetings whatsoever in a decade—not a single meeting, certainly since it joined with the cattle organisations.

**Mr Packer**—I am a member of the Grain Growers Association and do not grow grain. I just wonder how many of those grain growers they have as members do not grow grain, because there are never any surveys done. The membership cost is nil, so it is very easy to belong to it. You pay an initial membership and after that there is nothing to pay, so it is very hard to work out where these members are, where the membership figures come from—even how many of these members might be dead.

**Senator McGAURAN**—That is exactly why I asked the question.

**Senator JOYCE**—Most of what you say is in here. Firstly, with regard to the legislation, do you have any concerns about the mechanisms of transparency and protection of growers as

outlined in the eligibility for accreditation? Do you get any sense of solace that protection mechanisms that are currently available under the Trade Practices Act are going to resolve any issues whatsoever that will become apparent when you get discrepancies in the price that you will receive—whether or not they like the look of your face—because they will be able to offer you a different price each time?

**Mr Walton**—Senator Joyce, this is a question that you have repeated several times today and I am going to give you an answer like most other farmers would. We do not think that the Trade Practices Act can do a job in protecting us at all. We draw this committee's attention to the fuel industry and the games that happened there and, of course, to those who grow small crops and sell to the duopoly of Coles and Woolworths and the problems that exist there. It is very clear that the regulations that we do have in place now are not sufficient to counter excesses of competition or monopolisation. No, we do not have any confidence.

**Senator JOYCE**—Even though you do not agree with the repeal of the single desk, would you, at the very least, expect movements to be made to remove from here the capacity to exploit weaker growers, which is obviously in this legislation?

**Mr Walton**—The minimum we would expect is that the unanswered questions that we have tabled before you be dealt with through this legislation. That is the minimum that we would expect. Like everybody else, we know that the grain industry is in change mode and that things are going to change, but we understand very well that as we go forward we need to work very carefully to get the best result for us all, and that does include growers. I am afraid that what is being proposed is going to least hurt those you intend to hurt and most benefit those who would argue that nothing will happen. We are very, very afraid of that. And it follows: how much money have you set aside to deal with the fallout? Will it be a bit like the dairy industry—several billions of dollars? I am wondering about the surpluses as they stand today. I imagine there is plenty of money to deal with it anyway.

**Senator O'BRIEN**—Dairy money came from the consumers, by the way; it did not come from surpluses or government funds.

**Mr Walton**—You will have a battle getting it out of these consumers, I can assure you. The problem will be that you will have significant social fallout, which you will have to deal with.

**Senator JOYCE**—This is my final question, and then I will let other people ask questions. What is the benefit of having family farms?

**Mr Walton**—Family farms equate to a community. If you do not have a community, then people do not feel very comfortable about living in places. Do you believe in decentralisation, or do you want an arid centre of this country where there is nobody living at all? This was a question without notice, thank you, Senator Joyce. We think that family farms would be more competitive than large organisations.

**CHAIR**—The others were on notice?

**Mr Walton**—Yes, give it to me with notice and I will think about it and write you some stuff.

**Mr Packer**—I can answer that, Senator Joyce. I have had a lot of experience with family farms. I think it is their efficiency; they have to be efficient to survive. They do do the job much better than corporations, and they know what has got to be done. Their lives are on the line. If they do not do the job well, they are out. That is why they survive. We have cooperative farms not far from us, and their struggle is getting efficient labour. With the family farm, if you make the mistakes you fix them. You cannot make too many mistakes; I can tell you that. So the efficiency has to be there, and it comes better from a family farm than from a corporation.

**Senator JOYCE**—But the corporate farm has the potential to deliver the volume which gets them the better deal, which will be subsidised by the smaller family farm under this model.

**Senator O'BRIEN**—Family farms are big or small; collective groups of families or individual husbands and wives; a couple of thousand hectares or tens of thousands of hectares. You cannot necessarily connect scale with family versus corporate farming. Certainly there are many large family farm operations on either side of this nation, aren't there?

**Mr Packer**—There are, but I think that when it comes back to efficiency the family farm survives better.

**Senator O'BRIEN**—You might be right. We are having a debate about whether family farms are necessarily the small end of the market and corporate farms necessarily the big end. The only point that I am making is that there are quite a number of family operations where there are multiple properties. In some areas they spread across climatic regions, spreading risks. There are different types of operations et cetera.

**Mr Packer**—One observation there is that one of our biggest problems now is getting labour. It is just about impossible. There is mining not far from us. They are paying bigger wages, and we are feeling that, so mum and the kids are out doing the work.

**Senator O'BRIEN**—In terms of commodities other than wheat, are you saying that Australian farmers, where they export, do not get world price?

**Mr Packer**—What was the last comment?

**Senator O'BRIEN**—Are you saying that Australian farmers selling their commodities, excluding wheat, on the world market do not get world price?

**Mr Packer**—I think they find it very difficult.

**Mr Walton**—Which commodities have you got in mind, Senator?

**Senator O'BRIEN**—I mean meat, canola, barley, cotton et cetera.

**Mr Packer**—I think wheat speaks for itself.

**Mr Walton**—There is some anecdotal evidence that the cotton industry has a problem with multiple sellers in certain markets. Certainly it is anecdotal—people have spoken to me about it—but it is an industry that is local to us. It means that the price is competed down at times in certain circumstances.

**Senator O'BRIEN**—Because of world markets?

**Mr Walton**—Because you have got two sellers trying to sell to one buyer.

**Senator O'BRIEN**—According to ABARE, the problem for price in the coming year is due to the volume of the Indian production. That is what ABARE tells us.

**Mr Walton**—Are we talking about cotton now?

**Senator O'BRIEN**—Yes.

**Mr Walton**—I am not sure that I would agree with everything that ABARE says either.

**Senator JOYCE**—They believed that oil would be \$34 a barrel last year.

**Senator O'BRIEN**—No, it was \$48 or something.

**Mr Walton**—The point is that it is very hard to second-guess where the market might be, which is part of the reason that we are talking about sellers of last resort, single desks and all that sort of stuff.

**Senator O'BRIEN**—But there is plenty of information about world price.

**Mr Walton**—Yes, but it is never perfect.

**Mr Hamilton**—That information comes to you daily—we can access all that information daily—but you cannot act on it unless you are sure of your supply.

**Mr Packer**—We have always been interested in benchmarking groups which compare industries. Wheat has very nearly come out on top in most years. That is a real tribute to the way in which wheat has been marketed. We have been with wool and cattle and they quite often do not come within a bull's rear of wheat.

**Senator O'BRIEN**—Wool is another story.

**Mr Packer**—Very much another story. It is a very much deregulated market.

**Senator O'BRIEN**—Let us face the fact that the previous floor price was unsustainable. The farming community accepted that in the end.

**Mr Walton**—It would not have mattered what happened. The market in Russia had collapsed at the time. Whether it was a regulated or unregulated market, there was going to be a shake-out. You cannot blame the system for Russia.

**Mr Packer**—I think the reserve price was badly managed. I think they put up the reserve when they should not have done and they supported too many of the bad wools.

**Senator O'BRIEN**—I put the proposition to you that, as with every other commodity, the strength of the world market is more likely to determine the level of return for wheat growers than anything else. It is just the same as with coal, iron ore, cotton, lamb or any other commodity. It is the strength of the world market, where we are in export markets, which will influence not just our export prices but our domestic prices.

**Mr Walton**—You can put that contention to us, but we would want to point out to you that the situation was not as you describe when we began with the single desk. And that is where you are proposing to take us. That is all.

**Senator O'BRIEN**—It is a different world now, isn't it?

**Mr Walton**—Only marginally.

**Mr Packer**—I think that the advantage of the single desk was for one seller. If you get 34,000 sellers in the market, the one that sells \$10 below the market price is the market setter then.

**Senator O'BRIEN**—But, on the other hand, there is evidence that AWB International would discount to sell in certain markets. In other words, they would accept less than the world price.

**Mr Walton**—To establish a market for the future.

**Senator O'BRIEN**—Or to keep one.

**Mr Walton**—Of course.

**Mr Hamilton**—The cattle industry do that all the time. They are doing it at this very moment. They are running at a loss to keep their markets in Japan, Korea and everywhere.

**Senator O'BRIEN**—So growers overall have paid for that.

**Mr Walton**—Of course.

**Senator O'BRIEN**—There are arguments that we have not been all that efficient in penetrating some markets, for a variety of reasons, and that the single desk seller has failed to get into markets. We hear that because of people who have been seeking permits under the old system saying: 'We had a sale. We couldn't get a permit. It was vetoed by AWB. We found out months and months later that they had done nothing about it, yet we had a better price.' On the evidence that seems to come through—

**Mr Hamilton**—They were probably isolating it to some niche markets. I think you are alluding to the noodles.

**Senator O'BRIEN**—It was bulk wheat. It was not containerised; it was bulk wheat. It may be that there are examples where containerised shipments have been—

**Mr Walton**—No matter whether you have a government organised system, however we decide to do it—with regulations or without regulations—either side will make mistakes along the way. Neither side is perfect; there is no doubt about that.

**Senator O'BRIEN**—Growers paid \$600 million to set up AWB.

**Mr Walton**—Yes, and don't we remember that.

**Senator O'BRIEN**—We are now hearing 'that is not the model that is acceptable and we want something else'. Are growers going to put up another \$600 million or \$800 million, or probably \$1 billion in today's dollar terms, to establish an alternative?

**Mr Walton**—Growers will not put that money up again. They feel like they have been burnt once, and they will not do it again.

**Senator O'BRIEN**—Absolutely.

**Mr Packer**—What you are looking at here too is the fact that the AWB can be scrutinised, but what about Dreyfus or Cargill? Can we scrutinise them to see what mistakes they have made in the past, what they have done, or what sorts of markets they have ignored?

**Senator O'BRIEN**—Under the legislative model, if they were accredited, they would have reporting requirements the same as AWB or CBH or GrainCorp.

**Mr Hamilton**—Is there going to be a mechanism in place to check that their reporting is accurate?

**Senator O'BRIEN**—There are audit provisions in the legislation as well.

**Senator ADAMS**—They will be audited.

**Mr Hamilton**—As far as loading ships and things like that go, and quality control?

**Senator O'BRIEN**—I understand that AQIS would remain in place but that there are also other industry good functions that are the subject of the discussion paper, which I think is part of the process of looking at how the new system would work without losing the industry good functions that have been held, for example, by AWB Ltd since the transfer from the Wheat Board.

**Mr Hamilton**—Is that what the audits state—that there will be quality checks?

**Senator O'BRIEN**—If you look at the legislation, you will see what I mean about the audit. You can look at—and, indeed, it is publicly available; I believe that we can get you a copy—the Wheat Industry Expert Group's discussion paper about some of those industry good functions, which talk about issues like quality and organisations that can take over that role.

**Mr Hamilton**—You talk about the wheat industry group. How were they appointed and who appointed them?

**Senator O'BRIEN**—The minister appointed a group to report, and they produced a discussion paper which is available to the industry for input.

**CHAIR**—It really would help you, Mr Hamilton, if you got a copy of that.

**Mr Hamilton**—I would like a copy of that, to see who they were.

**Senator O'BRIEN**—I just wanted to come back to your unanswered questions. You ask:

- How does this legislation protect wheat growers from monopolisation of the wheat industry in Australia?

I presume you mean the export marketing of wheat rather than the industry, which is obviously spread amongst many growers.

**Mr Walton**—Of course. We are very concerned that ultimately Cargill, who are tied up now to GrainCorp, will take over the AWB. Maybe they will just leave WA there and we will finish up with what is essentially a monopoly. It will be a tightly held monopoly where government has no power whatsoever.

**Senator O'BRIEN**—The legislation provides that if an accredited exporter were taken over the new entity would have to be accredited anew, and the taking over of those entities would be the subject of the Foreign Investment Review Board in any case.

**Mr Walton**—Could you give me an example of where the Foreign Investment Review Board has refused to allow overseas investment in recent times?

**Senator O'BRIEN**—I will come back to you with that, yes.

**Mr Walton**—I cannot remember one either.

**Senator O'BRIEN**—There was a recent decision—I am not sure whether it was the board or the minister—in relation to oil assets—

**Mr Walton**—It must be with the change of government, is it?

**Senator JOYCE**—Woodside, but that was some years ago, I think.

**Senator O'BRIEN**—Woodside is the most recent, I think.

**Senator JOYCE**—That was in 1996.

**Mr Walton**—In 1996—a decade or so ago.

**Senator O'BRIEN**—I do not think it was 1996; it was post 1996.

**Mr Walton**—So it was a long time ago, anyway. You can understand where we come from. I can understand why, from your point of view, you would want to put that point—but it will not stand to scrutiny in the bush, I can assure you. We simply do not believe it.

**Senator O'BRIEN**—I know there is scepticism. I understand that.

**Senator ADAMS**—In your unanswered questions you ask:

- Why did Labor go to the election to bring about fairness in the workplace and then follow by making it unfair in our marketplace ...

I have a pie chart here which shows that Queensland produces five per cent of wheat grown—and this is just wheat, not export wheat—and we in Western Australia produce 37 per cent. You have the benefit of the domestic market as well as being able to put your grain into the pool—that is, what you do not sell on the domestic market. We have not. We are completely reliant upon the export market, and of course that has to go to AWB. Farmers in Western Australia—the ones that I talk to and communicate with—have had enough. They consider that they have been subsidising the eastern states with the service provisions coming from AWB. All this is of course going to change on 30 June come what may, no matter whether the legislation goes through or does not, because from then on there is no veto and AWB do not have a monopoly anyway. I would just like to put that to your unanswered question. From a Western Australian wheat grower's point of view, we do not believe we have fairness in the workplace at the moment. We have no choice.

I know there has been a comment today about containers. The reason that the container trade has gone up sevenfold since 7 August in Western Australia is simply that our bulk wheat is going out in 20-tonne lots in containers. Every container that can carry a grain of wheat is going off on a ship. That is the reason. That is the only way to get our grain out. They are getting really good prices. Some of them are getting \$30, \$40 and \$50 a tonne extra. You cannot blame farmers for taking advantage of that. I do not think we have fairness in our workplace over there.

**Mr Walton**—It is interesting to hear your views, but I just have to caution you that those premiums that you see now will evaporate when you do away with the single desk, which is what happened when we did away with domestic regulations. If you read our submission, you will see that people sitting here remember very clearly that they advocated for the removal of



domestic regulations, and the premiums simply evaporated on the other side of the removal. So I caution you to be careful.

What I would say to you is that, to the extent that the pooling arrangements have given Queenslanders an advantage, I think it would have been proper for that to have been balanced out through the pool, maybe with a slightly lower pool return for participators from the eastern states because of the very thing that you are talking about. It does not mean you just do away with the whole pool; it just means you fix the problem.

**Senator ADAMS**—I have had a number of exporters and a number of growers come and talk to me. As far as I am concerned, with regard to the accreditation I am happy with what is in the legislation—I have spoken to the department about it—and the flexibility. There is more work that will be done on it, but I believe that it is going to be really hard for these exporters to be accredited, and the minute they put a foot wrong that accreditation goes, so they are up the creek without a paddle as far as exporting wheat goes. There has been a lot of criticism of them, but I believe that the legislation, if it is tightened up a little bit, will actually work. They are prepared to supply pools. People have been talking, once again, about the buyer of last resort. In the legislation that exists at the moment, it is a receiver of last resort—that is, AWB. They do not, under that legislation, have to actually provide a price. They do not. It is just a pool where the grain goes. Under the legislation they are a receiver of last resort, but there is nothing in the legislation to say they have to actually buy the grain. So there are a few things there. But, seeing that it is getting late, we had better not continue, I guess.

**Mr Walton**—I would really enjoy a further exchange, but I will refrain.

**CHAIR**—Before I go to Senator Fisher for the last question, I will say that everyone who has approached us today has had varying views of who represents industry and who represents growers. I know Labor consulted widely and for many months with all the perceived leaders of industry. They put themselves up there whether we liked it or not! But what I would like to ask you, just so I am very clear here, is this: in your submission you say it is ‘A presentation on behalf of Queensland grain farmers’. Are you speaking for every Queensland grain farmer?

**Mr Walton**—No, we are not able to speak for every Queensland farmer, but what I can say to you is that this group meets with various different little groups in our area. To be frank with you, we just have not had time to go back to those people and put together a submission that would have been acceptable to every single one of them. But we know them personally and in our area.

**Mr Hamilton**—Probably the biggest GrainCorp shareholder in Queensland fully supports the single desk and what we are on about.

**CHAIR**—I am picking up on Senator Adams’s pie chart. How many farmers would you represent as the Condamine Growers Group?

**Mr Walton**—In our immediate area, I would reckon that there would be some hundreds, but of the farming community I would not like to guess. Some of these numbers, like 17,000, roll off the tongue very easily, but I do not know about the accuracy.

**Senator ADAMS**—These are wheat growers, not just farmers.

**Mr Walton**—Yes, wheat growers—absolutely.

**Mr Hamilton**—Yes, we are all wheat growers.

**Mr Packer**—I went to a meeting at Roma some six months ago. I think there were probably 30 people at that meeting, and only one was against the single desk.

**CHAIR**—Just to help senators on this committee, the heading on your presentation is a little misleading.

**Mr Walton**—It is a little bit like the grain growers organisation, isn't it.

**CHAIR**—I am just picking up on all the comments that have been made today.

**Mr Walton**—Not a problem.

**Senator FISHER**—I note your plane commitments, gentlemen. I have one line of questioning; Senator O'Brien touched upon it. I do need to lead in with some declarations of interest. I come from a family farm in Western Australia. My husband and I own a farm in the south-east of South Australia. Both participate in and, hopefully, benefit from the wheat industry. My husband, John Crosby, is also chair of the Wheat Industry Experts Group and will be giving evidence tomorrow. My question of you is this: in the context of your submissions about the effect of this legislation on family farms, what is your definition of 'family farm'—I have a view; others no doubt have a view—and is it a definition that you have agreed between the three of you?

**Mr Walton**—Family farms are not generic, as Senator O'Brien correctly pointed out. We have not agreed on a specific definition. Family farms are exactly as Senator O'Brien said: they are very small operations, from 500 acres of grain, through to 20,000 and 30,000 acres of grain. But you have to understand that the larger operators are beginning to behave very much like corporate models. I am not sure where the lines are, to be frank. But you would understand what is happening out there: there is some pretty rapid consolidation going on and the bigger guys are getting bigger very quickly.

**Senator FISHER**—Yes, it is difficult to define family farms. Where size becomes a factor and there are corporate structures within what you might otherwise regard as a family farm, does that make a family farm a corporate organisation?

**Mr Walton**—Absolutely. The US probably deals with this definition of farms a little better than we do. They describe them as corporatised and then go back to family farms and then go back to hobby farms. They prescribe policy for each group, which gives you quite a different result from the result we try to deal with.

**CHAIR**—Thank you for your time today. I wish you well in getting to the airport in time. That concludes today's hearing. I thank the secretariat and Hansard.

**Committee adjourned at 5.37 pm**