"Mandalay"
Eugowra Road
PARKES NSW 2870

13 November 1998

Mr John Cosgrove
Productivity Commission
PO Box 80
BELCONNEN ACT 2616

FAX (02) 6240 3311

Dear Mr Cosgrove

re: **IMPACT OF COMPETITION POLICY REFORMS INQUIRY**

May I thank you for the opportunity to verbalise my concerns at the inquiry at Parkes last Wednesday about the misconceptions of so called monopoly controls in the marketing of agricultural products.

I appreciate that it is difficult for persons without experience in actual wheat growing to understand and hence accept the enormous risks in wheat production, the need for orderly marketing by pools and hence the need for AWB single desk. As you drive through southern NSW, please now think of ripe wheat ready for harvest, having survived all the production risks indicated in paragraph 6 of my submission, but unable to be harvested at optimum time. If the Bureau of Meteorology forecasts are correct, that ripe wheat will soon become "shot and sprung" or "rusted", no longer capable of sale by any description other than as down graded feed wheat. Such down grading will cause a 40% decline in gross price, assuming that it is saleable. That assumption depends entirely on the domestic market and, as at today, that market already has an abundance of feed grain.

Accordingly when you kindly reported the desire of some growers of niche marketing direct, I hope and trust that you will kindly bear in mind my response that:

1. There is scope already in the single desk for the AWB to consent to niche marketing arrangements.
2. In Parkes district Buckwheat Enterprises exports without having to obtain consent because of its specialty direct with Japanese markets.
3. Any grower of premium products (eg, high protein or durum) would be better served by a special umbrella arrangement with AWB because of the risks on default in payment, disputes as to contract performance pursuant to specification, and difficulty of continuity in supply year in year out to satisfy custom at all times.
4. The current season's problems in the north (NSW) simply highlight that risk that an established niche market would be lost by inability to supply now, where AWB has the critical mass to draw in supplies to ensure that no particular custom is lost.

/ll>

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I would welcome the opportunity for further discussion or input into the inquiry, particularly where it must be asked by any proponent of abolition of AWB single desk and thence extension of the Trade Practices Act to AWB (International) Ltd:

a) What production volume size industry is predicted for wheat in the short, medium and long terms after abolition?
b) What is the precise community benefit from abolition?
c) In the absence of a clearly demonstrated fair international competitions policy why should the aspirations of more than 90% of Australian growers be overridden to the detriment of both all rural communities and the national interest?

Yesterday's Land Newspaper reports that:

1. Russia defaulted on a payment now due to Canadian Wheat Board on grain sales in mid 1990's, CWB not having sold any wheat to Russia in recent seasons.
2. Russia is presently exporting wheat but is receiving from USA food aid of wheat.

Please introduce me to any grower known by you to be seriously contemplating direct international sale. As I reported to you, the good farm of a long-standing Forbes grower is being sold up by his Bank now, due in part to default by and closure of Cowra cannery, and default of, and inability to enforce, payment by Japanese traders. That example in the vegetable industry repeats itself in our domestic grain trade. Until there is an effective international legal regime to trace produce and enforce debt, growers would be ill-advised by NCP propaganda to become exporters.

May I ask for any preliminary draft paper, before release of the draft, so that this issue may be discussed further unless of course you kindly now accept and implement my objective submissions, enclosed herewith.

Yours sincerely

Bill Burke

WRITTEN SUBMISSIONS OF BURKE & BAKER

TO	PRODUCTIVITY COMMISSION INQUIRY
AT	PARKES SHIRE COUNCIL, 2 CECILE STREET, PARKES NSW 2870
ON	WEDNESDAY, 11 NOVEMBER 1998

IMPLICATION FOR THE WHEAT INDUSTRY ARISING FROM THE BROADENED APPLICATION OF TRADE PRACTICES ACT

1. In its Annual Report to 30 September 1997, Australian Wheat Board disclosed sales revenue of $4.4 billion of which Pools contributed 90% of sales.

2. Unlike any other Wheat producing nation, AWB exports more than eighty (80%) percent of Australian production. In short, there is only a domestic market capable of absorbing 20% of that production. No other nation has such export efficient capacity.

3. The diversity of wheat growing is shown by its composition of over 40,000 growers throughout all States (excluding NT).

4. It is the only industry of that size in Australia that is unable to stagger its production beyond three months mid October to mid January in each year. Ninety percent of that production is harvested in a six week period in that time.

5. Without orderly marketing essentially via Pools, the basic laws of supply and demand heightened by overwhelming grower need for once only annual cash flow would cause unacceptable volatility in the market.

6. Volatility in price leads to diminished confidence in risk taking, where grain production throughout the seven month growing season is at risk of destruction by drought, flood, hail, flood (all beyond human control) disease and insects pests.

7. Pooling takes off supply at a time when supply is maximum. Growers prefer pools, as evidenced by the above sales figures for 1996/97 harvest, because until harvested and tested, forward sale by description is of considerable risk and because pools are responsibly organised by AWB with best practise estimates of pool net returns to growers.

8. To conduct pools in a $4 billion industry AWB is the largest short term commercial money market borrower in Australia.

9. To enable best practise pool estimates and hence confidence to growers, AWB needs to be able to go into overseas markets, ~~often~~ OFTEN single desk buyers, ~~is~~ AS the only supplier of Australian wheat, a quality product with buyer recognition and high custom over many years.

10. In short, the single desk selling arrangement in favour of AWB (soon to be privatised) is a matter of marketing expediency needed overwhelmingly by growers rather than a matter of monopoly control.

11. Loss of single desk will cause inability of AWB to operate effective pools.

12. Without effective pools the industry will substantially down size to the detriment of all suppliers in metropolitan and regional Australia of inputs into the wheat industry.

13. That down sizing will have a "knock on" effect through every small rural centre because viability of each centre's silo receival point will be challenged to the point of closure.

14. The flight of ex-wheat growers into other forms of agricultural produce, where the basic element, land, is then in plentiful supply, will impact upon other commodity prices just as it did in 1986/87 to the Wool industry.

15. In so far as the expediency of Wheat Pooling arrangements, effectively operable only with a single desk export, causes an export restriction upon private grain traders, the benefits of that restriction to the community are retention of a $4 billion export earner with a minimum 3:1 flow on effect throughout the community.

16. The marginality of the industry is such that it has minimal further capacity to absorb any further price declining in the export market as a result of uncontrolled international trade sales subsidisations by USA under EEP.

17. The community has already the maximum benefit sustainable in the Wheat industry where the domestic wheat market is totally deregulated and where (save in domestic drought) the domestic price reflects and is set by the export price.

18. In short, the cost of single desk export restriction is minimal to the community. The benefits to the community as a whole of retention of a sound wheat industry, and hence avoidance of its contraction, greatly outweighs the costs, if any, of that restriction.

The conclusion is that there is no other marketing system available for an industry of such peculiarities than the existing pooling system necessitating the single desk arrangement. Without same the community losses of such export revenue with a flow on effect to all input suppliers cannot be overstated.

The objectives of the current Wheat Industry legislation of a grower owned:grower controlled company (AWB Limited) responsibly continuing the aims of AWB (as a SMA) and providing an effective Pooling system, can only be achieved by restricting the single desk export (upon grant by Wheat Export Authority) to AWB (International) Limited.

The relevant principles applicable are not Competitive Neutrality but rather:

a) Competitive Equity in a hostile International market,
b) Overriding Community benefit,
c) Effective competition opportunities for Australian business.

(Bill Burke)
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