

Impact of Competition Policy Reforms inquiry

Productivity Commission

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**From the Southern Mallee District Council of the Victorian Farmers
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3pages plus cover

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Additional comment on competition policy as it already is effecting Agriculture ----- since the Inquiry has started

Due to competition policy being pursued by the Victorian Government , the grain industry is in serious crisis .The AWB has embarked on a program of competition in the grain handling in Victoria using growers money to build handling facilities , "cherry picking" the industry. Targeting 33% of the whole system in the most productive areas , making it very costly to use by starving other silos for grain .The objective presumably to bankrupt Vicgrain and take it over , actually it will cost farmers very dearly . Perhaps there are other matters of disagreement but with corporate isolation it appears we must go down the road of destruction while stupidity prevails . The AWB then would be taxable for this exercise , unless they used off shore funds manipulated out of grain sales dodging the tax department . They could devoid the tax department for some \$20m , in fact there is no limit to this procedure now that the AWB Ltd is an unlimited multinational , something the theorists overlooked .

Ultimately costing farmers excess cartage by closure of much of the system ,logistically farms are not equipped to handle such changes in terms of storage on farm ,labour ,equipment, funds and time .The result must be a loss of production and farmers , as they would not have the equity to make these changes, this could be ultimately a 60% loss of farmers the figure placed on those with financial difficulty today .(ABARE)

Growers already own the Victorian system , so it is a case of growers money being used to destroy a grower owned facility. This is achieved by selecting a strategic site where a large volume of grain is available on a main line serving two states and offering a reduced rate to those who deliver grain . The site in question is already served sufficiently with at least two other major overload storages within 100 kilometers radius . The catchment area of the new storage is to be 100 kilometers radius.

Thus the existing storages will not fill , raising costs for all storages within the system . Shire Council rates will rise due to damage to the roads which may well off set the saving offered by the AWB, which would only be a pittance in the whole scene .

2

There are some 78 storages within the catchment area involving hundreds of kilometers of roads and two State highways. It is not the function of the AWB to other than market the crop . Growers pay the cost of handling the crop regardless of who owns the handling system , so it is a case of uncontrolled corporate stupidity

Experience has shown that farmers desperate for a dollar ,as many are at the moment, some will carry their grain 160km and more . So who really knows the extent of what might happen to other roads and other storages as the AWB has indicated they will have on farm pickup by heavy transport available .

The AWB storage will only cater for a few segregations on a limited scale ,where as ,the present system caters for about 60 segregations of grain on a full scale . Farmers will be obliged to build their own storages at a high cost many not having the necessary equity , many farms will cease production costing towns, jobs and businesses .

It is reasonable to assess that a decade up the track there will only be four receival sites in the State ,with farmers delivering the crop by road to the seaboard in competition to the railway .There is no doubt the current system is costly .the original GEB (grain elevator board) was debt funded by farmers and did not attract taxation , tax now costing about \$2 a ton .Couple this to segregation having increased four fold at a significant cost, on a system built to cater for horse drawn deliveries there are major problems. To scrap the lot and start again would be a great idea ,but will there be any farmers left standing to grow the crop ,they would have to find hundreds of millions of dollars and pay income tax on it . Why should they bother over 60% have financial difficulty , while 60% are too old , but mostly financial , why should they not rest in peace ?

Once a truck is loaded ,the loading time and cost having been incurred , it is a simple matter to send the truck on a longer journey as there is no recurring loading cost involved while the truck is travelling and earning money .

Competition policy as applied to rural industries can be most restrictive and damaging , raising cost and limiting production .

3

Watching the trends in Europe in relation to food quality , contamination and product reliability , Australia must always retain total control over the export product if we wish to sell the product in future .The single desk approach is the only workable system ,with total trace back as used by the ABB and AWB with other industries moving the same way .

To assume that the corporate industry will function in the interests of the Australian people is a serious miscalculation . Prior experience in relation to the export of malt barley to China is ample proof . A trader was allowed to export to China a cargo which the trader claimed was malt barley ,resulting in seriously financially embarrassing Chinese industry as the barley was not of malt quality .This exercise costing the Australian export malt barley market to China \$50 per ton on new sales .

Frequently cargoes of various products are rejected at ports of destination being dumped or flogged off to a third world port ,usually our farmers carry the loss by a reduction in price and return , this is a loss to Australia not just farmers as it is export income , which earns new dollars without which our economy cannot function .

Our system of farming in Australia is developing into abject poverty and slavery .The higher the on farm costs, taxes, production cost and hindrances , the harder the farmer has to make the effort to survive, the only way to survive is to increase production but few ever consider the price that is paid .The question arises for how long will production be sustainable with some of the processes farmers are driven to use today ? Hence we have very few young ones who take up farming today .

I am grateful for the opportunity to make comment on the competition policy as the view from the production side of industry reveals a complex economic structure often not understood by those not involved .

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