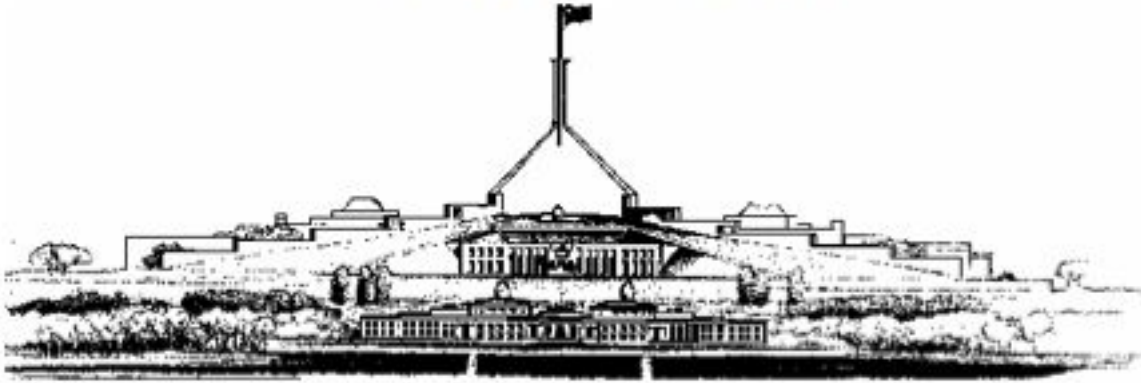




COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



**THE SENATE
PROOF**

WHEAT EXPORT MARKETING BILL 2008

SPEECH

Wednesday, 18 June 2008

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Senator EGGLESTON (Western Australia) (12.45 pm)—*The incorporated speech read as follows—*

In the matter of public interest debate today I would like to make some brief and very general remarks about the legislation partially deregulating the Wheat Industry which has been before the Senate this week.

I support the intention of this legislation because it will I believe enable more flexible marketing of wheat which will be of particular benefit to wheat growers in my home state of Western Australia whose wheat is largely sold to the export market.

WA is the largest producer of wheat with a harvest amounting to 37 per cent of Australian's crop, and more importantly W.A. is also the largest exporter of wheat in the country even though WA only has 18 per cent of growers.

In fact, unlike growers in Queensland, NSW and Victoria where most of the wheat grown is sold to the domestic market, the growers in WA largely specifically grow for the export market, as to a lesser extent do those in South Australia.

Because of this WA farmers have a different perspective about the means by which wheat is sold on the international market to growers in the eastern states.

For growers in the eastern states international sales through the single desk structure under the auspices of AWB were a means of disposing the wheat left over from domestic sales. AWB paid the 80 per cent of the value of the wheat put into the single desk system upfront, providing a strong financial incentive to remain with that system.

Many WA wheat farmers on the other hand have sought some flexibility in marketing and have sought to have the ability to market outside the single desk system, with the objective of enhancing their returns.

This largely meant they were seeking to sell wheat via the WA company CBH, which has flour mills in South East Asia but was not able to purchase wheat from the Western Australian wheat farmers whose wheat CBH collected and stored: surely a bizarre situation.

WA wheat farmers also wished to have the capacity to sell wheat on spot markets in areas such as the Gulf and other parts of Asia which under the previous regulated marketing system, they were unable to do. This was because the single desk policy gave AWB the right of veto over other exporters. The AWB of course in the interests of protecting its monopoly, was not interested in giving CBH or other exporters the right to sell their wheat independently of the

single desk arrangement.

Marketing monopolies such as the single desk of AWB were more common in Australian in the past before Australian trade practices were opened up to competition.

Examples of some of the marketing monopolies which existed in Australia in the era of protection and which now have been abolished include:

Diary - abolished in 1974

Egg export - abolished in 1984

Wool - abolished in 1991

Meat - abolished 1998

According to the I.P.A. the World Trade Organisation, Doha round of trade negotiations requires the abolition of many state trading enterprises around the world. Some examples of such trading enterprises include: In Canada: The Canadian Dairy Commission and the Canada Wheat Board, in Japan: Japan Tobacco, Japan Food Agency, and in New Zealand: Apple and Pear Marketing Board, New Zealand Dairy Board.

So as trade liberalization spreads around the world, single desk operations such as AWB are being phased out opening markets to more competition and the prospect of enhanced returns to growers as the world market is freed up.

This is an important point to emphasise, namely that there is never only one buyer on the International scene and having attended meetings with marketers in Perth, it would be seem clear that freeing up the process of marketing to new players will potentially see Australian wheat sold into countries where it has never gone before.

One of the arguments which has been raised against this new legislation is that the Ralph Committee conducted a vote on the question of deregulation of wheat exporting and a majority of wheat growers opposed the concept.

However, with respect, it has to be re-emphasised that wheat is grown on small farms in the Eastern states for the domestic market with international sales just being an add on bonus through the single desk requirement to buy all wheat presented to it, with an 80 per cent up front payment for that wheat being made to these domestic growers. But according to ABARE, 80 per cent of the national wheat crop is produced by big farming operators chiefly in WA where wheat farms are much larger (up to 3 times) than those in NSW and Victoria. WA produces 37 per cent of Australia's wheat although it has only 18 per cent of the

growers and as already stated the WA wheat crop is largely for export.

There are some 18,000 growers in NSW, Victoria and Queensland, who regard selling wheat for export to the AWB as merely cream on the cake of their domestic sales compared to about 11,000 in WA and South Australia which both have high levels of exports. Accordingly the Ralph Committee assessment of the opinions of wheat grower's nation wide about changing the export system by abolishing the singling desk was preordained to produce a majority in favour of no change.

Had the Ralph Committee allocated votes on the basis of one vote per tonne of wheat exported the result would not only have been a fairer indication of the opinions of growers actually involved in export but would no doubt have been in favour of change.

This bill is based on the South Australian Barley Exporting legislation which has worked well and that history should allay a lot of the fears which have been expressed about the impact of the Bill.

The bill does not propose laissez faire total deregulation of wheat exports but is a step in the process of liberalizing the wheat export system providing as it does a licensing system for exporters and the opening up of bulk grain facilities for competition.

In conclusion, I welcome the legislation because it will provide greater marketing opportunities for wheat growers in my home state of Western Australian and also is a further step in the liberalization of Australian trade practises.