

Grower Submission to the Productivity Commission : Export Wheat Marketing

Mr Adam Cannon

On behalf of my farm business Cannon Partners, at Tomingley in the central west plains of NSW.

Wheat is only one of our enterprises, but a very significant cost to grow, and contributor to our cashflow. We normally produce between 1,000 to 2,500 tonnes of hard wheat per annum.

I am disappointed by the overall draft report as presented by this commission.

I feel the draft report is heavily influenced by traders and exporters who of course are enjoying trading wheat in a market where growers are weakened by lack of information, and where growers are being denied premiums that were previously paid based on preferred varieties, and quality attributes of protein, moisture, and screenings. I fear for the long term reputation of Australia's farmers as producers of high quality milling wheat in the world wheat trade.

I also fear this submission, and other grower concerns will not be taken seriously by a government who could not care less about family farms in this country.

I am further disappointed that after interrupting our grain harvest on December 9, 2009 to attend a public forum in Dubbo, that the commissioners have seen fit to state in the report (page XX),
“ it is the Commission's view that the transition to competition in the marketing of bulk wheat exports has progressed relatively smoothly and the industry has performed well under the new arrangements”.

I want to express my profound dissatisfaction with this statement.

After this statement, the commissioners go on to justify their statement by saying that basically no traders went broke whilst enduring difficult market conditions. What the commissioners fail to mention is that in the process, growers have lost premium payments, have felt insulted by prices on offer at local bulk handling sites during harvest, are seeing less buyers bidding at site than under the regulated market, and are now confused and concerned about the future direction of wheat marketing in this country. On top of this, we the growers have inadequate market information on which to operate in a deregulated market.

I am further disappointed by the way the commission wants to paint 'smaller' farmers as having trouble adapting to change in the wheat industry (p39). I don't know if I am a 'small' grower, but I have tried forward marketing tools in the past such as swaps, and a range of forward contracts (eg AWB's flexi 3 contracts), and I have lost significant amounts of money trying to achieve a better price for what my family produces.

One thing I found however, was that many larger operations lost more per tonne than I did in comparable situations, so any statement that larger operations will adapt better is questionable.

My experience of the transition to bulk deregulation is counter to the statement of the commissioners. I have experienced the loss of market premiums through the re-introduction of flat grade pricing, and also prolonged periods when regional traders are telling me that demand is basically non-existent in the post harvest period.

Due to our crop rotation (wheat and pulses) and dry finishes to seasons, we have been producing hard wheat with protein levels of 14 to 16%. Yet with the return of flat grade pricing under a deregulated market, the prices on offer often reflect that of a base protein of 11.5%.

I estimate that we should be capturing an additional \$15 per tonne based solely on protein, without taking moisture, screenings, or preferred milling performance of varieties into account. Maybe the government thinks this is fair that growers are no longer being offered payments for quality or milling performance?

Page 45 of the report states that the move to a deregulated industry is “likely to lead to productivity improvements in wheat growing, marketing, and transport and storage, allowing the Australian wheat industry to thrive in a highly competitive international market”.

That statement is false and misleading, and I ask that it be withdrawn as there is no evidence to support it. The statement on page 45 would appear to be a personal view without substance, and would mislead policy makers that growers will have improving terms of trade through higher prices and lower costs. The experience of many growers thus far is of lower competition, lower returns specifically relating to the absence of premiums, and poor provision of market information.

I have been frustrated and felt demeaned trying to sell quality wheat in the deregulated market as we are not being paid incrementally for quality. If I was selling canola, I get premiums and discounts based on oil percentage, and payments are also adjusted for admixture. What happened to the Golden Rewards system of returning premiums to growers for quality wheat?

We the growers appear to have taken on board a slogan of one of the major department stores, namely ; “we sell for less”.

Where is the innovation we as growers were promised by the deregulated market?

Where is the section in the report that deals with communication directly to growers about how to better meet market requirements, and hence reward growers for quality? I have not seen any attempt from any new or existing traders to convene meetings to communicate with growers about what they want in wheat going forward, or where the wheat is going.

Yes, this happened under the single desk. I attended numerous meetings where AWB International staff talked about what the various markets wanted in preferred varieties, protein, and grades. It appears now that growers should be kept as the proverbial mushrooms.

The grower forum in Dubbo clearly expressed the dissatisfaction of 98% of growers in that room towards the transition to a deregulated market, specifically because they feel they are not being rewarded for the quality of wheat they are selling to traders, who are now pocketing such premiums. The commissioners were repeatedly told of less competition – not more at regional bulk handling sites. Where is the statement from the commissioners indicating a reduction in buyers at harvest in the draft report?

I accept that some wheat producers are happy with a deregulated market. I am not, and I believe I am in the majority. It is clear that Australia's wheat producers have been denied a basic democratic right to vote on whether they wanted to move to a deregulated industry.

If a coalition of labor and liberal politicians decided tomorrow to enact an Australian republic without a vote of Australia's citizens, would people be happy to accept that?

What we have witnessed in the legislated removal of the single desk, is the removal of people's rights to have a fair and orderly system to sell their produce internationally by a government and liberal party that have no comprehension of what it will mean in the future.

As a fourth generation wheat grower I have lost confidence in any notion that our terms of trade in producing wheat for export will improve, and that the deregulated market gives me the information and rewards for producing higher quality milling wheat.

As such, I ask that the commission reflect the view that for many growers, a deregulated market has left them frustrated and lacking confidence in future marketing arrangements. Unless this changes, we will produce less wheat.