

## **Wheat industry grinds slowly on as single desk turns into a Frankenstein<sup>1</sup>**

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The wheat export fiasco plumbed new lows last week. AWB confirmed it would not de-merge, the Wheat Export Marketing Alliance (WEMA) promoted an insipid single desk "plan", rebel Liberal MP Wilson Tuckey fired off another letter to John Howard and Agriculture Minister Peter McGauran rejecting a particularly important export licence application. These events raise red flags about the behaviours of AWB (yet again), WEMA and Mr McGauran -- and instil no confidence in current or future marketing arrangements.

While the single desk is a silly concept, if we are going to have one we should have the best we can. A desk constructed from first principles wouldn't look anything like the model outlined by WEMA chairman Graham Blight at the Dowerin Field Day last Wednesday. That Frankenstein is the product of constraints imposed through AWB's intransigence, our Government's ineptitude and WEMA's inability to raise funds.

WEMA, formed by several state-based farm lobbies, is in total denial, as Blight's comments on his appointment in July showed: "Some would say it's an opportunity to fix the single desk. I am not sure it's broke. Some farmers would argue that we wouldn't be in this position if the Government hadn't instituted the Cole Inquiry. If that hadn't happened we would still be rocking along the same way we had been going."

WEMA had wanted to take on a demerged single desk from AWB, but AWB's ultimatum was: an "essential services" model or nothing. In July, WEMA's Derek Clauson rejected the model as there was "nothing in it", saying "a legitimate single desk" must "have full control of international sales and marketing". Last Thursday, AWB chair Brendan Stewart scotched the demerger, as we always knew he would.

WEMA's latest model contracts out virtually everything. Blight says anyone can apply to be an export "facilitator"; if they meet WEMA's "test" of "maximising farm-gate returns" then "we have a responsibility to make sure we exercise their right to sell under the single desk". While that beats AWB's closed shop, WEMA is proposing it only because it can't get its hands on that shop.

But why should our Government hand a self-appointed bunch of lobbies the right to decide what's best for growers? Why not let an independent body do it though a simple grains licensing system? Better still, open the market to full competition.

WEMA's demand to run the desk for five years before any review is held is a huge red flag. This represents yet another attempt to kybosh the long-scheduled 2010 independent review. In the lead-up to AWB's privatisation, the same lobbies that now run WEMA arm-twisted the Government to push the then-scheduled 2004 review out to 2010. A Rural Press poll two weeks ago found that 33.3 per cent of growers rated the WEMA model as poor and 28.2 per cent said more detail was needed. Yet our Government may well compel all growers to deal with it. This compulsion highlights a grave concern: funding. When appointed, Blight said that, as the Government gave growers the task of establishing a new desk, it should answer calls for funding. He conveniently ignored the fact that the Government acceded to the lobbies' demands to give them this task.

WEMA has been trying to cadge short-term funding. It (unsuccessfully) hit the Grains Research & Development Corp for \$1 million. On August 23, Blight confirmed WEMA was asking the Government for money and that \$7-10 million was "not far off" the mark. McGauran has left the door open, saying "we haven't made a definitive decision". Strong rumours suggest that McGauran plans to take a multi-million dollar proposal to Cabinet. Why should taxpayers fund lobbies?

Permanent capital is even more critical. On July 3, Tuckey wrote to Howard on this issue. Howard's response took 39 days and left plenty of wiggle room, but it did say that "any new single desk manager will have adequate equity" that must be "sourced outside the Government". Unfortunately, this leaves the definition of "adequate" wide open.

Tuckey is adamant that WEMA needs at least \$1 billion in equity. In 1996, prior to AWB's privatisation, the Grains Council of Australia announced that it and its state affiliates (which included WEMA lobbies) had "unanimously agreed"

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that AWB must have an equity base of "at least \$500-550 million". As GCA president in 1998, Brendan Stewart backed AWB's privatisation subject to "a capital base to provide an acceptable level of harvest payments and ensure a strong commercial entity acceptable to financial markets". Now AWB chairman, Stewart has undergone a conversion; when AWB touted its "essential services" model, it claimed that the required equity would be as little as \$2 million.

McGauran's actions as WEMA's chief cheerleader are inappropriate. On August 23, he said: "I am mightily impressed with the sophistication of WEMA's flexible and innovative model." He is very impressionable. Next year, he will decide whether to hand WEMA the single desk. Tuckey is "alarmed" by McGauran's claim that WEMA taking possession of the first wheat crop will "give them substantial equity". His latest Howard missive warns that "the WEMA proposal is to be a \$2 company whose (only) assets are to be compulsorily acquired wheat" with "no cash equity to back it up". He asks that this matter be "clarified by a Cabinet decision that better defines the minister's responsibility".

WEMA had wanted to raise more capital, proposing a compulsory grower levy to the Nationals, but not even they thought Howard would buy it.

Last Friday, the Wheat Export Authority told OzEpulse that its application to export to Yemen (at a \$55/tonne premium over AWB) was rejected -- five months after the application was made, even though the Authority gave the minister its recommendation within six days. The sole reason the authority gave was that "the minister has informed the WEA that he does not agree to the WEA giving you consent".

This is fascinating, given that McGauran rejected a similar OzEpulse application last December, overruling the authority's recommendation. He took 74 days to respond to OzEpulse's request for reasons (five days after receiving a legal letter of demand). The legal dispute over that matter goes before the Federal Court next week.

Last December, when Howard foolishly gave McGauran veto power over applications, he promised that McGauran's recommendations would be reviewed by Cabinet to assuage partyroom concerns. But this was sidelined to a "kitchen cabinet" of Howard, Vaile, Costello and McGauran.

At least one cabinet minister has written to McGauran to express concerns about his go-slow and intends to raise the matter in Cabinet. In July, Alby Schultz, chair of the Coalition backbench committee on rural affairs, described as "reprehensible" the fact that growers were losing out because "exporters can't get a decision out of the minister". Tuckey believes McGauran "sits on applications" to "win by default". Applications totalling about 5 million tonnes are still sitting on McGauran's desk.

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