ON THE DRY SIDE 183  GRAIN HANDLING  John Hyde


THE AUSTRALIAN INSTITUTE OF PUBLIC POLICY (25 MOUNT ST. PERTH) HAS PUBLISHED AN ACCOUNT OF THE PROTECTED MONOPOLIES WHICH TOGETHER MAKE UP THE GRAIN HANDLING INDUSTRY. ITS AUTHOR, DENIS HUSSEY OF 'ACIL AUSTRALIA', TELLS FARMERS THAT THE BULK HANDLING AUTHORITIES, RAIL AND PORT MONOPOLIES, AND THE WHEAT BOARD ARE KEEPING THEM POOR.

FARMERS CAN BLAME THE WEATHER, THE UNITED STATES AND THE EEC FOR HARD TIMES BUT THEY CANNOT REALLY DO ANYTHING ABOUT THESE. THEY CAN’T EVEN DO MUCH ABOUT TRADE UNIONS AND TARIFFS. BUT THEIR COSTS BETWEEN FARM GATE AND SHIPS’ HOLDS COULD BE REDUCED SIGNIFICANTLY BY ESCAPING THE WEB OF REGULATIONS AND STATUTORY MONOPOLIES.

IT IS SAD TO SEE FARMER MILITANTS ACTING IRRATIONALLY - DUMPING WHEAT AT PARLIAMENT HOUSE AND MANURE AT A FERTILISER COMPANY. SUBSTITUTING ANGER FOR ARGUMENT AND SELF-PITY FOR PRIDE WILL NOT HELP THEIR CAUSE. BAD BEHAVIOUR WILL NOT STOP TARIFFS AND DUMPING DUTIES BUT WILL DAMAGE A LEGITIMATE CASE. FARMERS WON’T GAIN MUCH BY DEMANDING THINGS GOVERNMENTS CANNOT OR WILL NOT DELIVER WHILEignoring matters within their influence.

GRAIN HANDLING AND MARKETING ARE AMONG THE FEW AREAS WHICH FARMERS COULD IMPROVE RADICALLY AND RELATIVELY QUICKLY.

IT IS TEXT-BOOK KNOWLEDGE THAT MONOPOLIES ADOPT INEFFICIENT WORK PRACTICES BECOMING OVERRANNED AND OVERCAPITALISED. WHY SHOULD THE MONOPOLIES WHICH PROVIDE FARMER SERVICES BE DIFFERENT? WHEN GRAIN PASSES THE FARM GATE IT MOVES INTO A MONOPOLISED AND REGULATED SYSTEM. BECAUSE WHEAT FARMERS ARE SMALL BEER AND HENCE PRICE TAKERS IN WORLD WIDE MARKETS, OFF-FARM COSTS ARE PASSED BACK TO THEM. FARMERS WHO DEMAND COMPETITION AMONG THOSE WHO SELL THEM FERTILISER, MACHINERY AND CHEMICALS SEEM NOT TO APPRECIATE THE POTENTIAL REWARDS FROM COMPETITION FOR THE RIGHT TO HANDLE THEIR PRODUCE.

THE AUSTRALIAN WHEAT BOARD CONTROLS ALL FOREIGN AND MOST DOMESTIC SALES. IT SETS DOMESTIC PRICES. PERMITS ARE REQUIRED FOR DIRECT GROWER-TO-BUYER SALES FOR HUMAN CONSUMPTION AND INDUSTRIAL USE. THE AWB IS THE SOLE EXPORTER OF WHEAT. IT IS SECRETEIVE. AS HUSSEY SAYS:

"HOW WELL THE AWB DOES ITS JOB ON THE MAJOR EXPORT MARKET IS VERY DIFFICULT TO JUDGE. THERE ARE NO OTHER MAJOR WHEAT EXPORTERS IN AUSTRALIA FOR COMPARISON. DETAILS OF INDIVIDUAL SALES AND MAJOR LONG-TERM CONTRACTS ARE NOT MADE PUBLIC BECAUSE THE AWB CONSIDERS"
THE INFORMATION TO BE COMMERCIALY CONFIDENTIAL. BUT IF IT IS
PERFORMING ADEQUATELY, WHY SHOULD A MONOPOLY BE FRIGHTENED TO
RELEASE THIS INFORMATION? FOR FEAR IT WILL REACH COMPETITORS WHO
ARE BY DEFINITION NON-EXISTENT?"

GROWERS MUST SUPPORT STATE RAILWAY SYSTEMS. RELATIONSHIPS
BETWEEN RAIL FREIGHT RATES AND RAILWAY COSTS ARE NOT KNOWN
BECAUSE THE INFORMATION IS NOT MADE AVAILABLE. IN VICTORIA THE
COUNTRY RAILWAYS (V-LINE) AND THE VICTORIAN FARMERS AND GRAZIERS'
ASSOCIATION NEGOTIATED A FREIGHT RATE WHICH WAS SUBSEQUENTLY
OVER-RULED AND SUBSTANTIALLY INCREASED BY THE MINISTER WITHOUT
FURTHER NEGOTIATION.

THE CHAIRMAN OF WESTERN AUSTRALIA'S CO-OPERATIVE BULK HANDLING
REFUSED TO PROVIDE ME WITH INDIVIDUAL SILO COSTS.

HOWEVER, EVEN IN THE ABSENCE OF FIGURES FROM THE MONOPOLIES
THEMSELVES, THERE IS HARD EVIDENCE OF POOR PERFORMANCE. THE
BUREAU OF AGRICULTURAL ECONOMICS HAS CONCLUDED THAT OVER THE SIX
YEARS TO 1984--85, MARKETING COSTS FROM PRIMARY RECEIVAL POINT TO
EXPORT PORT ROSE 52% IN AUSTRALIA, WHILE THEY DECLINED 18% IN THE
UNITED STATES.

SOME AUSTRALIAN GRAIN-HANDLING FACILITIES HAVE MANNING LEVELS
FIVE TIMES HIGHER THAN EQUIVALENT-SIZED FACILITIES IN THE UNITED
STATES. IN 1984--85 THE NEW SOUTH WALES GRAIN HANDLING AUTHORITY
HAD 200 WAGE EMPLOYEES AT SYDNEY AND NEWCASTLE AND EXPORTED 4.8
MILLION TONNES OF GRAIN - 24,000 TONNES PER EMPLOYEE. IN CANADA,
THE ALBERTA WHEAT POOL'S VANCOUVER TERMINAL ACHIEVES 33,000
TONNES PER EMPLOYEE, AND THE PRINCE RUPERT TERMINAL AT VANCOUVER
ACHIEVES 75,000 TONNES PER EMPLOYEE.

IN THE UNITED STATES, THE CARGILL TERMINAL AT HOUSTON, TEXAS,
ACHIEVES 96,000 TONNES, THE CARGILL TERMINAL AT TERRE HOUT, NEW
ORLEANS, 91,000 TONNES, AND THE DREYFUS TERMINAL AT PORTLAND,
OREGAN, ACHIEVES 96,000 TONNES PER EMPLOYEE.

A REPRESENTATIVE OF THE GRAIN PRODUCERS OF NEW SOUTH WALES HAS
STATED THAT GRAIN HANDLING AUTHORITY MANAGEMENT HAS CONCEDEED
UNOFFICIALLY THAT THE SYDNEY TERMINAL COULD BE RUN WITH ABOUT A
THIRD OF ITS PRESENT WORK FORCE. A MANAGEMENT CONSULTANT REPORT
HAS CONCLUDED THAT THE GHA HAS LAXLY ALLOWED EMPLOYEES TO RUN THE
SYDNEY TERMINAL FOR THEIR OWN BENEFIT.

LABOUR COSTS ACCOUNT FOR 70% OF THE TOTAL OPERATING COSTS OF
RAILWAYS IN AUSTRALIA, BUT ONLY 40% IN CANADA AND THE UNITED
STATES. THE COST OF TRANSPORTING GRAIN TO END-USERS IS TWO OR
THREE TIMES HIGHER ON A CENTS/TONNE/KILOMETRE BASIS THAN IN
CANADA OR THE UNITED STATES.

OVER THE LAST FOUR YEARS, VICTORIA HAS IMPLEMENTED A CENTRAL
RECEIVAL POINT SYSTEM TO REDUCE HANDLING AND TRANSPORT COSTS.
WHEAT IS ACCUMULATED AT SUB-TERMINALS AND THEN MOVED IN LARGE
BLOCK TRAINS. BOTH PROVIDERS AND USERS OF THIS SYSTEM EXPRESSED
CONFIDENCE THAT LOWER COSTS WOULD RESULT, BUT IN FACT IN THE
1985--86 season rail charges there have increased 6 per cent. The charge to rail grain from one central receiptal point to the port is $14.68 per tonne, and the railway is sub-contracting the cartage to road haulers and paying them $7.80 per tonne.

A Bureau of Agricultural Economics analysis of wheat marketing costs in New South Wales recently estimated that direct grower-to-buyer sales would save growers $20 per tonne.

The IAC twice, and the Bureau of Agricultural Economics reached unequivocal conclusions that economic benefits would result from more competition in grain marketing.

With such a system, how can we cry 'We wuz robbed!' if we find America can afford to dump wheat in North Yemen? With a sufficient number of such systems, banana Republicanism is inevitable.