ON THE DRY SIDE  GRAIN HANDLING  John Hyde

Australian wheat farmers are among the world's most technically efficient. However, after the Great Depression, when they blamed the wheat merchants for the very low prices, they became paranoid about the possibility that middle men might gain an advantage over them. This excessive timidity led them to establish collective arrangements to look after their produce once it passed beyond their farms; even though most farmers would have been horrified if their farms had been similarly collectivised. Insulated from the wheat market they have become excessively conservative, ignorant of their own self-interest and gullible. They have ensured that foreign wheat farmers did gain an advantage over them!

In spite of, or even because of, the Wheat Board, the railways and bulk handling authorities, the farmers' price of wheat has fallen dramatically from the early post war years so that it is now about two and a penny a bushel in 1932 money -- about the same as it was then, at the bottom of the depression.

For the first time in forty years these farmers are now starting to ask whether handling, storage, transport and marketing procedures, which until recently seemed to have the status of holy writ, are in their best interests.

The Wheat Growers Federation has been niggling away at the Wheat Board, bulk handling authorities and railways to deregulate, and they have had some success against the innate conservatism and fear of competition of those organisations. Pressure for faster change is building up and has spawned a new organisation - Graingrowers of Australia Ltd.

After fifty years during which the number of wheat farmers has declined from 80,000 to 47,000 those relatively few Australians who now produce grain have a considerable natural comparative advantage over their foreign competitors. We know this because they survive in spite of the very considerable unnatural disadvantages they suffer. If the unnatural disadvantages were to be lifted the natural advantages would remain. Present farmers, being more efficient than their average competitor, would do very nicely, more people would enter the industry and Australian living standards would rise over all. A thriving industry would benefit the whole economy, not least the unemployed.

The greatest of the unnatural disadvantages are tariffs, import quotas and other barriers to imports put in place by the Australian Government. The National Farmers Federation calculated that, in 1978, Australian trade barriers cost wheat growers $32 per tonne. At the time the figure was challenged but more recent work broadly confirms NFF's estimate. $37 is a better current estimate.

Australian wheat marketing rules have been greatly improved by the wheat marketing arrangements about to be introduced which recognise five grades of wheat and that leaves the Board with authority to make differential payments within grades. This must be seen as a victory for the Wheat Growers Federation over the forces of darkness never the less there is a long way to go before individual growers will be able to seek out and fill niches in the market's varied demand.
Not all wheat can be grown in a similar physical environment. Even on one property there is a vast difference between the wheat grown on an ironstone ridge and that grown half a mile away in a red clay gully yet these are mixed and command the same price. Seventy per cent of Australia's wheat goes into one big amorphous grade called Australian Standard White (ASW), even though there are big differences in the characteristics such as protein content, millability and baking strength. Despite big differences in their economic value, these different wheats return the same price to growers. Because growers are given no financial incentive to deliver wheat which is superior to the minimum standard they don't minimise contamination by weed seeds, raise protein with fertilisers, or match the very different wheats produced to different end uses. Just as serious are the laws which prevent them from growing varieties to suit the ever variable seasons, soils and end uses. Inability to garner all the possible reward of matching product to end use has to be costing them at least $10 per tonne - probably much more.

My family are wheat growers. We were once, but alas no longer, permitted to negotiate with the local flour mills to sell direct to them wheat which they regarded as superior. They paid us a premium over the Board's price. I well remember delivering a truck of wheat left over after I had filled my contract with the mill to the Wheat Board only to be docked because the grain was too small.

The Board's delivery standards have been based on a number of visual characteristics and declaration of variety, and as many growers are well aware, some of the more promising varieties from the farmers' point of view have been banned. The combined bureaucratic strength of the Wheat Board and the State Departments of Agriculture have rolled the farmer every time.

Growers in central and southern NSW have been calling for an early sewing wheat variety for years, but the network of tired, old committees has stifled any progress. Not surprisingly a number of farmers grow 'illegal' varieties. Why not let them grow the wheat they choose provided they are paid the market value for those wheats?

This year in NSW we have an example of the cost of over-regulation. If the early sown wheats get frosted or the late sown wheats fail to finish the cost of not having later maturing varieties readily available will be great.

In the Riverina the cost of protecting the railway monopoly is as high as $13 per tonne. The BAE has estimated the cost of preserving the Bulk Handling monopoly at $4.00/tonne and for want of any data I am guessing that the cost of uncompetitive tugs, tug crews, stevedores and ports as a further two dollars.

All together these unnatural burdens add up to $56/tonne while the farm gate price of wheat is only about $115/tonne. The super phosphate subsidy so often cited as evidence that farmers too are protected is worth about fifty cents per tonne of wheat. It is no wonder Grain Growers of Australia Ltd is now getting a little stroppy but remarkable that grain farmers have for so long, with such docility, accepted, even encouraged, their own fleecing. Growers representatives on all the various boards have been bell wethers.