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Wheat Market Deregulation

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Since the financial markets were deregulated, there has been more talk than action on the deregulation front. Mr Kerin, alone among Federal Ministers, has made substantial progress. With thanks to him, wheat, dairy produce and sugar all sell in freer markets than a few years ago. And, contrary to dire prediction, the world did not stop.

In fact freedom seems to work---consider what has happened with wheat. Kerin largely revoked the Wheat Board's monopoly of the domestic wheat market allowing every farmer, lawfully, to sell wheat to Australian buyers of his own choosing. This simple change in the rules has fundamentally changed the way my son, for instance, runs his business. He now grows grain to suit a particular flour mill. He now delivers very different grains directly to both flour and feed mills. Private sale also gives him the advantage of avoiding the bulk handling monopoly.

He no longer is compelled by law to 'pool' high quality grain with poorer quality grain. This fact has actually made life tougher for him---he now has a reputation to protect. No more hoping, as his father used to hope, that a load of wheat of doubtful quality will sneak past the sampling officer at the local siding. If he wants his customer next year he must please him now. Another change is that it no longer pays farmers to try to keep the quality of grain low by, say, delivering almost the permissible number of weed seeds.

The other side of this coin is that my son no longer need worry about traits that are of little interest to his buyer and he can, without price disadvantage, ignore them to concentrate on those traits which that buyer wants. And, if for some reason he can't meet those particular criteria, or it does not suit him to do so, he can look for another buyer.

Choosing a variety is no longer a matter of looking up the Department of Agriculture's trials to establish the highest yielding variety which meets the Wheat Board's minimum criteria. Instead, if he wants top dollar, he has to think about a potential buyer's needs---that's tough, but it is also more fun and more profitable.

On the other hand, he knows that much of his additional profit will soon be competed away by other farmers entering his market. As more farmers sell privately it will become easier to discover what end users really want, because different prices will then have come to be associated with the various combinations of attributes. What is more, commission brokers or dealers will find outlets which individual farmers have not the time to investigate. Should even the best of these competing middle-men try to charge more than an individual farmer thinks the services are worth to him, he can again seek out his own buyer or even go back to his old middleman, the Wheat Board. The last is not so unlikely: the Wheat Board, after a few years of competition, is likely to become a much leaner, more innovative and more efficient body than it is now. Wheat Board staff express confidence that they will in general match the competition of private traders. I see no reason why they should not---after all they started the race with expertise which other traders will have to acquire.

Competition will soon insure that any profits which exceed those enjoyed by other farmers and flour mills are shared around. They will be passed on in cheaper or better flour or passed back in higher wages and other input prices. That is how free enterprise works and the standard of living rises. Then, to stay ahead of the ruck, a farmer such as my son will have to think of other good ideas. His options are increased by domestic deregulation but, unfortunately, as yet he is regulated out of the important overseas markets.

Wheat market deregulation has, so far, been so unremarkable, so smooth and afforded such obvious benefits to those who took advantage of it, that one might well ask why it didn't happen long ago?

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