

Wheat Market Deregulation

John Hyde

The 1989-90 harvest is the first for which all but the oldest wheat farmers have experienced a relatively free domestic market. We farmers are still feeling our way, but deregulation has been most instructive and, in my own case, profitable.

Parts of the WA wheatbelt experienced the driest August and September ever. Consequently the harvest was no great shakes but it was, nevertheless, better than the average crop of fifteen years ago. During that time wheat varieties have been improved, but I think the most significant improvement came from the much maligned multinational chemical companies--Bayer, Pfizer, Du Pont, ICI, Monsanto et al. Modern weed killers have allowed us to change our cultural practices.

These days, because the weeds can be knocked out after seeding, the crops go in sooner, thus extending the growing season. Crops no longer need to compete with weeds. The reduced need to kill the weeds by cultivation and the planting of legumes, which also depend on weed killers for successful propagation, have so improved soil structure that the soil is better able to retain moisture than at any time in my lifetime. The carefully-fostered belief that Australia's farmland is, in general, being degraded is nonsense. All these advantages were made possible because the law permitted chemical companies to fall over each other trying to sell in a competitive market.

Farmers mostly understand the value of competition. Indeed they complain bitterly when wool brokers and fertiliser companies form cartels. And they would be outraged by laws which gave them no choice of tractors, trucks and weed killers or which collectivised their farms as was done in the Communist world. Yet, since shortly after World War II, they have not only tolerated, but actually supported, the monopoly Australian Wheat Board. Until this year, it confiscated their wheat at their farm gate, sold it on their behalf, and deducted costs from the proceeds. Further, farmers have tolerated a situation whereby the Wheat Board entered into cosy arrangements with other monopolies---the bulk handling authorities in each state---to store and handle the grain. Several public enquiries, a Royal Commission and an IAC Report have pointed out that these practices are very wasteful.

Mr Kerin, the Minister for Primary Industries, has largely revoked the Wheat Board's monopoly of the domestic wheat market. Deregulation now allows my family's farm to supply the type of grain a particular flour mill wants. It enables us to deliver directly to flour and feed mills, thus avoiding the bulk handling system. It means we no longer must 'pool' high quality grain with poorer quality grain.

Now, quality is measured by relevant criteria. Now, when we have a load of wheat of doubtful quality, instead of hoping it would sneak past the sampling officer at the local siding, we ring the mill and ask them what they think about it. We no longer try to keep the quality of our grain low by, say, delivering almost the permissible number of weed seeds. We do not worry about traits that are of little interest to our buyer but we do concentrate very hard on those which are. We now have a reputation to protect. So does our buyer. Because the trade is profitable to both of us, we both want to do business again next year and we both try very hard to oblige. We are already discussing the varieties we will grow next season.

The additional profits, although initially shared between the mill and ourselves, will in time be competed away. Because both of us buy and sell in competitive markets and because we cannot keep our good ideas a secret for long, we will soon have to pass on a large measure of our gains in cheaper or better flour or pass them back in higher wages and other input prices. Then, if we want to stay ahead of the ruck, we will have to think of other good ideas.

The details of our contract are not very important: they will be different next year, and will differ for other farmers and other mills. What is important, however, is that deregulation allowed us to seek out and satisfy unmet needs and opportunities. This is the so-called supply-side reform Mr Keating promised us more of, but about which the government has done so little. The changes we made are but a small example of the 'restructuring' which economists and politicians talk about.

Wheat market reform was due to the persistence and courage of a Labor Party Minister, John Kerin, who understands free enterprise far better than most Liberals. He has accepted that the Australian economy is in trouble because it is uncompetitive, and he has actually done something about it.

The market principles he has allowed to penetrate the domestic wheat market are also needed in the international wheat market, where the Wheat Board retains its monopoly. They are needed on the waterfront, in the railways, the labour market and in many other places.

Mr Kerin has at times been a brave and lonely voice in the Labor Party. He has also stood up to Senator Richardson who is attempting to win Greeny votes with regulations which block or delay projects which could earn export income. For his pains Mr Kerin has been rebuked by the Prime Minister. He

might have expected as much from a Prime Minister who has made a mockery of cabinet procedures by encouraging Senator Richardson to make pronouncements which pre-empt cabinet decisions. He might also have expected the fury of the left and of the Democrats. But he should have been able to rely on the support of those champions of the free market, the Federal Opposition. Not so: first the National Party supported retention of the Wheat Board monopoly and now, when Mr Kerin is calling for less stringent environmental regulation of mining and agriculture, Senator Chaney wants the Prime Minister to sack him---admittedly for a breach of procedure.

Dear me! Under provocation Mr Kerin broke cabinet solidarity, but what is that to the Liberal Party? Why belittle someone who is supporting your general line and giving you added credibility? If, alternatively, Senator Chaney doesn't believe in what he and his Coalition colleagues have been saying about the economy, on what grounds will he ask Australians to vote Liberal?

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