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Wheat Marketing: Too Much Politics

John Hyde

Farmers with crops full of weeds tell their bankers (and their wives) the weather was lousy. Mr Hawke, who should be attending to the weeds in the Australian wheat industry, attacks United States wheat subsidies while President Reagan blames Mr Takeshita for his trade deficit. They would all do better to concentrate on the causes of adversity which are closer to home.

Although all countries faced the same poor international trading environment, some concentrated on their domestic economies and grew wealthier than others. Who, in 1945, thought that he would live to see resource-poor, defeated Japan surpass our living standard?

There is no better example of what has gone wrong in Australia than the grain industry. Having access to cheap arable land, the industry is resource-rich. Farmers are competitive businessmen who work hard and take over each other's properties and ideas with alacrity. The few straw-sucking back-woodsmen sold out to their neighbours long ago. A more recent phenomenon, the high-flying highly-geared gambler, is finding that the competitive market is eliminating him too. Apart from a brief period around 1970, Australian wheat prices have not been highly subsidised. In short, the Australian farmer is efficient.

However, his industry is not. Beyond the farmers' gates, grain falls into the clumsy hands of monopolies---monopoly bulk handling companies, monopoly railways, monopoly sea ports, a monopoly wheat board and monopoly unions. Each monopoly is maintained by law, and none is so confident of its efficiency that it welcomes competition. The uncompetitive part of the grain industry absorbs nearly 40% of the value wheat has when on board a ship in an Australian port, and its charges are about three times the sea freight.

The wheat industry's basic problem is the same as that faced by all Australian industry: too much politics. Industry, State and Federal politicians between them regulate prices, varieties, qualities, transport, and storage. Since the

processes are political we should expect the outcomes to be political also.

People have always been cynical about the self-justifying drivel politicians go on with. Public choice theory explains the drivel and predicts political outcomes in terms of the rational self-interest of its players. The theory starts from the premise that politicians are motivated by self-interest. That is, they are just like you and me---no better, no worse. Political behaviour is explained by asking, "Who benefits and how?" Industry politicians are like all politicians.

Politicians love inquiries: this century the grains industry has been subjected to at least 20 major royal commissions, inquiries and reports. The most recent of these is the The Royal Commission into Grain Handling and Storage in Australia, the McColl Commission. It reported, as others had done before it, that the handling and marketing system is unsatisfactory. The statutory monopolies are charging the farmers about 30% more than would be possible in a competitive environment. Why, then, do farmers tolerate a pointless and wasteful tax which subsidises inefficiency and over-manning?

One reason is that the information flow to farmers is badly skewed in favour of the monopolies. Since the McColl Commission reported, the railways, Bulk Handling Authorities and the Wheat Board have bombarded farmers with bumpf. I would not mind if those who plainly benefited from the monopolies had paid for the glossy two-colour circulars. As it is, money extracted from me, with taxes and charges that I think are excessive, has been used to protect the jobs of those who wrote and authorised the campaign. This political behaviour is on a par with the Federal Government's use of taxpayers' dollars to advertise tax reductions prior to the general election.

On the other hand, the case in favour of the Royal Commission's findings is to be found in one down-market publication, financed by a few growers. It has not yet reached all farmers---for want of finance it probably never will---and it contains a request for money for the campaign.

My advice to grain growers, for what it is worth is: make your cheques out to "Wheat Marketing Fund" and send them to Arthur Anderson & Co, 12 Creek St, Brisbane. Write to Minister Kerin to tell him that you do not like being taxed $10 per tonne for nothing. Tell him all you ask is a choice. If the statutory authorities are as good as they claim, they will still have your custom. You will not be struck by lightning or catch AIDS merely by writing to a Labor Minister who, in any case, is less of a socialist than the bulk handler with whom you correspond every year.

Question all the advice you receive, asking: "Who benefits?" Remember you are in the fuzzy world of politics where people sometimes dissemble. You are in a world where a narrowly held vested interest may prevail over wider interests, because, being concentrated, it can organise its

political resources. For instance, it is easier for the Country Hour to report a grower politician than a struggling cocky busy getting his crop in. Ask whether Jim McColl would benefit most from an accurate finding or a false one.

If you let the bulk handlers, the railways, the port authorities and the trade unions get away with their special pleading this time, when you could do something to stop them, don't ever come complaining to this columnist again about the excessive price of motor vehicles, clothing, air travel, coastal shipping, spare parts or farm machinery. Don't complain the next time a union strikes, because by protecting the employer from competition you gave the union the chance to pass the cost of the strike on to you. In fact, don't ever complain about anything, because you have allowed yourselves to be snowed by an all-too-common political process that has already made Australians less wealthy than the Japanese, and will, if it is not stopped, see many other countries pass our standard of living.

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