

In the Irish joke tradition: Have you heard the one about the farmer who wanted to get rich? He asked the government for a statutory marketing authority.

I have been reading a submission by four diverse interests to the "Inquiry into W.A. Government involvement in the meat industry". The interests are, Pastoralists and Graziers Association (growers), W.A. Meat Exporters Association (international traders), Meat and Allied Trades Association (butchers), and Coles and Woolworths (retailers). The submission itself was prepared by David Trebeck who was until recently the Deputy Director of the National Farmers Federation. The submission has a respectable lineage.

The W.A. Lamb Board ^{blatantly} shows the consequences of preferring a statutory monopoly to a free or even relatively free market, but its story is unlikely to be unique.

The Board has done nothing for the image of farmers as sagacious sons of the soil quietly and efficiently socialising losses and capitalising gains at the expense of consumers and taxpayers. Far from getting the best of all worlds, WA's farmers have reduced their own incomes.

At the end of the sixties wool prices were poor, farmers reduced their flocks by sending sheep and lambs to slaughter and, in W.A. at least, there was not enough abattoir capacity. In most districts 1969 was the worst season since 1914.

During the seventies West Australian farmers got more used to drought, but for all but the oldest farmers 1969 was a new and unpleasant experience. I won't forget cutting the throats of some six hundred wether lambs and a similar number of old ewes which could not pay their way to market and most farmers had similar experiences. To add insult to injury we were berated for waste when we killed stock we could neither feed nor sell.

In all the circumstances farmers became irascible and irrational. They looked about for someone to blame. They turned their anger on "the middle men" - the people who handled the stock from the time it left the farm until it was bought by the housewife - the agents, railways, carters, abattoirs, slaughtermen, wholesaler/exporters, and retail butchers. There was however only one they felt they could do without or whose job they felt they could do better themselves. He was the wholesale butcher and exporter. His job was financial and organisational.

The Primary Industry Association, the larger and more socialist of two producers' organisations, resolved in 1969 that "all livestock should be marketed by a grower controlled Statutory Marketing Board". Three years later a statutory authority started to acquire compulsorily all lambs destined for slaughter.

Without doubt the Board was popular with farmers then, and today. None the less it should have been questioned, even at the start, on two grounds. The first was one of principle. Farmers who would not have had their own businesses nationalised should not have demanded the nationalisation of wholesale butchers. The second was pragmatic. It was never explained how a monopoly wholesaler and exporter was to be more cost effective than the competing firms which had purchased lambs in the past. While it was generally presumed that the Board would act in the growers' interest, no thought was given to the discipline which would ensure that it did not instead pursue its own interests, or how other legitimate interests, in particular the consumers' interests, were to be reconciled with the growers' claims. Both the record and theory of monopolies should have sounded a warning.

That the Lamb Board prefers its own interest to that of farmers was evidenced by its refusal to hand over copies of its own public documents - annual reports, newsletters and schedules - to facilitate the research for this submission. No one should ever have expected anything different; Lamb Board officials are no less likely to pursue self interest than are the rest of us.

The Board's problem now is that by comparing it with the past and with other States, and other red meats with West Australian lamb, it is possible to see how costly this particular statutory authority is. Such comparisons are not always available.

The joint submission compares the prices at which lamb has been purchased from the growers in W.A., South Australia and Victoria over a period of nineteen years. Pre Lamb Board, and during the first six years of the Lamb Board, lamb prices were on average similar in all three States and followed similar trends - they went up together and down together. Lamb prices always were more variable in W.A. and remained so under the Board in spite of a period from 1973 to 1976 when the Board smoothed out some of the traditional differences between spring and autumn prices, discouraging lamb production over the difficult summer months and increasing production in the spring glut.

From 1980 through to 1983 growers' prices declined much more rapidly in W.A. than in the other two States.

Similar comparison of retail lamb prices shows that until 1980 retail prices in all States remained fairly close with Adelaide and Perth a little above Melbourne and Sydney. From 1980 Perth retail prices became markedly dearer - as much as 30% or a dollar per kilo dearer for the prime cuts.

Somehow, since 1980, the Lamb Board has managed to adjust prices to prejudice both the grower and the consumer; which is an extraordinary feat. Some of the difference between consumers' and growers' prices has gone to middlemen's margins. Since the advent of the Board these have escalated at a compound annual rate of 17%, which is rather more than inflation.

However, even rapacious middlemen could not account for such wide differentials. The Board has achieved them by exporting carcass lamb at uneconomic prices and pooling these prices with meat sold on a domestic market in which prices have been kept as high as they felt they could get away with.

The Board has not got away with either high retail prices or low grower prices. Western Australian lamb consumption is half what it was in pre Lamb Board days. Growers bypass the board by selling live to export, or holding lambs until they become mutton, and Eastern States growers are finding it profitable, notwithstanding the freight, to supply the W.A. market.

Lord please spare farmers from themselves.