

GRIEVANCE DEBATE – 18/10/07 GRAIN MARKETING

Mr PEDERICK (Hammond): The matter of grain marketing has been high in the minds of farmers across South Australia. The argument about the Australian Barley Board's (ABB) and the Australian Wheat Board's single desk has been a major topic around the state's markets and pubs.

Permits for domestic sales of grain existed until the early 1990s. Several years ago, AusBulk merged with the ABB to take full control of the grain handling system at the state's ports. This year we saw the beginning of deregulation of the barley export market and the introduction of the Barley Exporting Bill, which caused much debate.

During this debate the ABB lobbied heavily to get part of the future deregulated wheat market. The proposed increases in storage and handling charges is the reason why the SAFF Grains Council did not support the A class redemption event. Growers should not have supported it either until there was some guarantee that ABB could not hike up charges. In hindsight, it was very foolish for growers to give up the only control they had left.

Because ABB was given monopoly control on storage and handling in this state without any regulation or control over its charging or behaviour, it will continue to use its position to its advantage to charge monopoly rent. It appears that silo-to-ship charges are proposed to increase by nearly 50 per cent.

The following might be some of the reasons why ABB has done this:

- Drought and increased costs will be its excuse, but why a 50 per cent increase in costs in an export state where we must use ABB?
- Perhaps it is using it to crush the competition. It costs a minimum of \$5,000 just to be a buyer and list your price. Small traders cannot afford this. To post cash prices at all sites means that buyers must pay \$25,000 to be an ABB client.
- Has the ABB sold forward with losses like growers? Is it trying to recoup this through the storage system?

ABB has lost the barley export monopoly so it is extracting profit from its remaining monopoly in storage rather than pools. If the storage system receives 4 million tonnes, an increase in charges of \$10 to \$15 a tonne equates to \$40 million to \$60 million of growers' money. These increases appear to be designed to make it virtually impossible economically for any competition to operate in the marketplace in this state. The trade will not absorb these costs and so will pass them on to growers, making it expensive to accumulate grain in this state compared to other states.

Western Australian costs have not risen like this. With \$10 cheaper 'free-on-board' cost in Western Australia, the market will chase the cheapest source of supply leaving South Australian growers at the mercy of ABB as they used to be.

With lessened competition in the marketplace a trader such as ABB with monopoly control of the storage system can allow prices to drift lower without competition. This will have the effect of lessening the price it pays to accumulate grain stocks, especially at non-strategic sites where there is a penalty to buyers.

ABB's 2007-08 storage and handling fees have only just been finalised. With harvest already started for some growers and the buyers not having had a storage agreement to sign it has been impossible until today for other traders to post prices. This is an anti-competitive practice, and growers are absolutely disgusted with this sort of behaviour.

This is why there is a need for regulation of the storage and handling system in this state. Not only do we need port access regulated but also regulated port costs which the monopoly cannot use to manipulate the whole system.

The only other way is to have competition duplicating the system, which we should not need to pay for again.

Building on-farm storage will not stop these costs for the grower as we are an export-dominant state and the domestic market will pay only slightly more than export. Export values will be depressed as these storage and handling costs go up, so all grain prices will diminish.

Victoria, under its Essential Services Commission, has regulation of its ports to stop any anti-competitive pricing behaviour.

In South Australia there are now over 30 fees described in schedule A of the ABB's 2007-08 handling and storage charges, which have only today been placed on its website.

As an example, a grower in Lameroo can now expect to pay up to \$70 a tonne in fees and charges to export his barley. Unfortunately, many growers are unaware or do not understand what has happened. That is why regulation of storage and handling pricing is the only way to protect growers against this type of voracious behaviour.