

AGRICULTURE WHITE PAPER SUBMISSION - APRIL 17, 2014

Blind Freddie's Answer to Agriculture's Problems – A FAIR PRICE FOR FARMERS

If you want food security you need to look after your farmers.

If you want a healthy rural sector and towns you need to look after your farmers.

If you want more food and fibre production you need to look after your farmers.

If you want a healthy environment you need to look after your farmers.

If you want a successful nation you need to look after your farmers.

How do you look after your farmers? You make sure they get a fair price in a competitive market for their output and are not overcharged for their inputs. Let them make a decent profit and thrive, not just survive.

Guess what? We don't do either. I suppose that's why the rural sector is on its knees, why all the next generation of farmers have fled the land and why we have a looming rural disaster on our hands. Not only will we be unable to increase production to take advantage of increasing Asian demand, but it will probably decline. Should be good for the balance of payments and our own fresh food supply!

The Government should not be misled by those who think corporate farming is the panacea. Look at Prime Ag. And AACo, plenty of money, "smart directors", great country and they couldn't make it work!!! The average Australian farmer is much smarter than high profile imports from the big end of town. The problem is not his capability or capacity for hard work. It is a structural market disadvantage enabled and promoted by dumb city bureaucrats and poor policy.

Australia, unlike most other developed nations and all its agricultural competitors has done next to nothing to help and a great deal to hinder its farmers with poor, urban centric policy decisions. We give no meaningful financial support to our farmers who have to compete with farmers in Europe, Japan and the US who get between 50 and 85 cents in the dollar of their income from their governments and are protected behind high trade barriers.

What is our response? We sign next to useless free trade agreements with them and burden our farmers with numerous, ineffective, bureaucratic obligations from which they derive no benefit but pay all the cost. NLIS is a prime example. Farmer pays, multinationals benefit. Good deal if you live in Minneapolis or Sao Paulo! Not so great if you live in Narromine or Roma or Dubbo or Holbrook or anywhere else in Australia. NLIS hasn't been of much use in Russia lately with our hormone tainted beef. We still lost that market despite the expensive NLIS scheme!

An anachronistic Australian constitution is killing off the farming sector by disenfranchising most rural voters and thus enabling poor rural policy decisions. It is absurd that 600,000, mainly urban Tasmanian's have more say over what happens in rural NSW than the 3,000,000 rural and regional residents of NSW! It is absurd that mainly urban South Australian voters can dictate water policy that badly damages Victorian and NSW farmers with no compensation.

Let me pose the following questions:-

It's OK for big business to consolidate and reduce competition on both the supply and buy side but farmers are not allowed to form co-ops. Why?

It's OK for developers to build dreadful, urban housing estates that require lots of electricity and have no trees but its not OK for farmers to make intelligent, sensitive adjustments to their own freehold land. Why?

It's OK for foreign multinationals to establish dominant control of our export chokepoints for beef and grain and commodify genuinely good products. Why?

It's OK for domestic supermarkets to establish a dominant position and force producers to be price takers, and destroy domestic food processors in the process. Why?

It's OK for seed and fertilizer suppliers to develop monopolistic positions and overcharge and unreasonably constrain Australian farmers with sterile hybrid seeds and overpriced fertilizer and herbicides. Why?

Its OK for foreign middlemen to shift vast profits overseas with clever transfer pricing strategies and overly complicated product specifications. Why?

It's OK for banks to over lend and put farmers on a debilitating debt treadmill. Why?

It's OK for urban property owners to benefit from Chinese buying power but not if you live in the country and want to sell your farm. Why?

It's OK for mining companies to damage aquifers and derive all the benefit of mining assets on freehold land yet here the landowner gets nothing but property damage and loss of amenity. Why? (American farmers get around 10% royalty payments for shale gas extraction on their land!)

It's OK to tax rural Australians at the same rate as urban dwellers but not deliver the same level of basic services like health and telecommunications. Why?

Lets face it, Government, on both sides of the aisle, is in the pocket of big business and pathetically scared of US multinationals to whom they are ceding ever more sovereignty. I can hardly wait to see the terms of the TPP! More to the point, the political calculus does not favor hard working rural constituents over the economically useless, but politically potent, urban latte set, who will eventually get what they deserve - expensive, chemically adulterated food from Asia. Maybe that will finally kill them off! Maybe they can then live on iPhone apps rather than beef or wheat!

Pardon my cynicism but it's about time we started looking after rural Australia , especially if we would like to eat safe food. **Every successful nation in history** has had a healthy rural/ agricultural base. We lose ours at our peril.

Simon Trinca,



ATTACHMENT 1

THE ADM GRAINCORP TAKEOVER

(This submission opposing the takeover was sent to several relevant MPs and Ministers)

Just when Australia's grain and oilseed farmers finally stand to benefit from rising global demand our politicians want to cede the benefit to foreign corporations by allowing them a unique opportunity to own and control the critical logistics infrastructure which will ensure the Australian farmer remains an indentured servant to offshore interests and helpless price taker for decades to come. For Graincorp boss Alison Watkins globalization has obviously delivered much success and personal wealth in the form of obscenely inflated CEO pay. I doubt the Australian wheat farmer who sees prices still at 1970's levels would share her glee.

There has been a massive shift of wealth to half a dozen trading companies over the last decade. The Financial Times reported in an article on 14 April this year that international trading companies like Cargill, Glencore, Trafigura, Dreyfus, Noble Group and a few others reaped US\$250 billion in profits trading commodities like coal, wheat, copper and oil. According to Forbes, Ivan Glasenberg of Glencore and Claude Dauphin of Trafigura have increased their combined personal net worth to over \$10 billion. Now that agricultural commodities are likely at an inflexion point ADM and its management want to get their snouts in the Australian trough too.

It is not as though these trading companies have created anything especially useful like Henry Ford, Thomas Watson or Steve Jobs. They have rather extracted the major part of their earnings by controlling commodity flows at the expense, in most cases, of the host countries and their miners and farmers and the consumers in the customer countries. They do this by achieving monopoly or duopoly control of critical infrastructure as well as manipulating markets like Goldman Sachs with aluminum warehousing in the US or major banks rigging Libor rates in London. They are also pretty adept at avoiding tax with sophisticated transfer pricing and financing strategies that leave the ATO in the Zug dust.

ADM has a particularly egregious history of corporate malfeasance. It was caught rigging the price of the feed additive Lysine for which several of its senior executives were convicted of felonies and imprisoned in the US, which is generally loath to prosecute corporate offenders. Its highly profitable participation in the US ethanol market is subject of many enquiries and much suspicion. Its chairman Dwayne Andreas had a very cozy relationship with influential US senator Bob Dole when the ethanol mandates were being managed through congress. Similar in many ways to the relationship Minnesota based Cargill had with Minnesota senator Norm Coleman who was a strident critic of the AWB and single marketing wheat desk. Guess who benefited from our political cowardice there?

The ACCC's opinion is next to irrelevant and its comments should be ignored by any intelligent member of parliament. A regulatory body that allows a supermarket duopoly to exercise its excessive market power the way it does at the expense of dairy farmers, horticulturists and food processors and doesn't see anything untoward in the concentration of the beef processing sector where US based Cargill and Brazilian JBS Friboi, supported by BNDES and the Brazilian Government, have Australian beef farmers by the throat is neither credible nor qualified to comment. Beef sells for \$3.60/kg live weight in Ireland, \$3.10 in the US compared to \$1.80 / kg in Australia. Milk retails for \$1/litre in Australia and \$5/litre in China. Our neighbor who is a prominent Angus breeder now sells his best breeding cattle to Russia and Turkey. Australian dairy capacity and know how is shifting to China because the retailers have ruined the dairy business here. Guess which countries will have a viable agricultural industry in future? One thing for sure is it won't be Australia if the ACCC has anything to do with it. They are most definitely not doing the consumer any favors in the long term by enabling the destruction of our food sector.

The Graincorp infrastructure was built by and paid for by Australian farmers for precisely the reason it is still needed. It is difficult to deliver, store and ship a commodity like wheat. Especially given the multiplicity of product grades and stringent quality requirements which see individual truckloads of wheat with either a couple of frosted grains, a tad too much moisture, a few too many screenings, not quite enough protein, slightly reduced grain size etc. etc. etc. rejected and sent several hours to another receival site several hours away where it is purchased as cheaper feed wheat and then often blended and resold as higher priced milling wheat. Meanwhile the headers sit idle in the paddocks waiting for trucks to return. The additional harvesting and freight costs are of course borne by the farmer who is being screwed. The same goes for malting barley where it is an open joke amongst buyers who buy WML barley at feed prices. In trade parlance WML equals "will malt later", i.e. they blend and resell at the higher malt price.

This wouldn't matter to the farmers if they owned Graincorp as they once did and should again. Whatever they lost on the delivery side they recouped as members of the co-op. When the corporate vultures persuaded enough venal and/or stupid farmers to allow Graincorp to be corporatized they introduced a massive conflict of interest between shareholders and suppliers. The corporate shareholders wanted to screw the lowest price out of the farmers which they have very successfully done; in part by abusing a quality and grading system that was designed for a co-op. Grain Trade Australia who are meant to police this grading system seem curiously friendly to the corporate interests and are introducing ever more stringent and complicated grading standards which are manna from heaven for the buyers and trading companies, who shamelessly exploit what are effectively discounting mechanisms, to the further detriment of the farmer. The recent increase in test weight (density) from 74 to 76 kg/hectoliter being the latest raid on grower's profits.

In the supply constrained world market that is emerging there will be little need for any third party, let alone a dubious foreign one, to sell our grain at a huge mark up. Good grain can be easily sold if it is physically available in port. The infrastructure to enable that already exists. The fact that Graincorp has been poorly managed is no reason to abandon its irreplaceable infrastructure, forever, to greedy foreign middlemen. If ADM want in to the Australian market let them build their own new infrastructure, create jobs and genuinely increase competition. Mr Pinner's self serving platitudes about wanting to add value to the chain and investing in the future of the Australian farmer are about as reliable as the assurances given by COFCO to the Tully cane farmers. All ADM wants is to buy a cheap monopsonist position that it will exploit to suit the interests of US management and shareholders for decades to come.

Unless they consider the interests of tens of thousands of Australian farmers, who have seen prices for cereals languish at 1970's levels whilst input costs have soared, to be less important than those of a bunch of greedy bankers, lobbyists and offshore shareholders the Government should block this deal. That will buy time and give growers the opportunity to organize a new co-op or for a genuine Australian buyer to emerge and seize this nationally important and potentially lucrative opportunity. Where are our tax advantaged super funds? Maybe some of their \$1.5 trillion could be usefully invested here. Where too is our government? Where is our version of BNDES?

If the Government fails to block this deal those responsible will have the dubious legacy of betraying tens of thousands of hard working, decent farmers and their families. The Nationals should then seriously consider leaving the coalition to fight separately for the interests of their rural constituents. Meantime they should drop their misguided opposition to land purchases and concentrate on what really matters - the trade choke points, most of which they have already given away to foreign interests, whose marketing strategies are often in conflict with the best interests of Australia and its farmers. Lets stop the rot!

ATTACHMENT 2

ACCC SUPERMARKET INVESTIGATION

(Letter of the Week published in The Land, headlined "SAMUEL'S STINKER")

Graeme Samuel and the ACCC have cost rural Australia billions of dollars by failing to properly examine and regulate the anti-competitive behaviour of highly concentrated suppliers like Incitec and oligopsonist buyers like Woolworths and Coles. He has condemned the next generation of farmers to a subsistence living standard as weak price takers confronting bullying buyers and sellers both of whom are making record profits.

To say that insufficient hard evidence of collusion or price fixing was submitted by farmers to justify action is disingenuous. In the USA, which is a far more competitive and efficient market than Australia, the burden of proof rests with those who hold or develop highly concentrated, dominant market positions to demonstrate that they do not impair competitive activity. It does not rest with the small, underfunded and fragmented consumer base to prove that they do.

It might be very useful for the NFF to engage competent lawyers familiar with US anti-trust law to investigate the behaviour and impact of Australian supermarket chains, fertilizer, chemical and seed suppliers on both growers and consumers and develop a case for submission to regulators to improve the competitive environment for the benefit of those who elect them rather than the lobbyists and their clients who pay them.

Wouldn't it be nice for Australia to emulate something good from America for once? Who knows, we might even see Woolies broken up like AT&T or Standard Oil and have a competitive, innovative marketplace rather than a sinecure for privileged shareholders and management provided by underpaid farmers and overcharged consumers.