

Grain marketing and National Competition Policy: reform or reaction?[†]

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Grain marketing arrangements in Australia have been controversial for many years. Following an account of the historical background to grain marketing, this article concentrates on more recent debates. The most interesting technical economic argument concerns the validity of claims that statutory marketing authorities with export monopoly powers can obtain higher prices. The article also discusses how marketing in Australia has been affected by Commonwealth and State Government policies with respect to microeconomic reform and privatization. Although major changes appear to have been made in grain marketing and its institutions, there are inherent economic problems with the current approach to deregulation.

1. Introduction

The purpose of this article is to examine recent changes to grain marketing in Australia. Grain policy is contentious in Australia and other countries because of controversy over the role of government. Those arguments are even sharper today with the growing reluctance of governments to be involved in activities that could be undertaken by the private sector. The continuing importance of statutory marketing authorities (SMAs) in grain marketing became increasingly anomalous from the early 1990s once Australian governments began to withdraw from other traditional areas of government activity in transport, banking, telecommunications and public utilities. For political and economic reasons, restructuring of the Australian Wheat Board (AWB) and the Australian Barley Board (ABB) has proved more difficult than disposal of airlines, banks and public

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utilities. The AWB and ABB have been around for a long time and are accepted by many graingrowers. Furthermore, it is not obvious conceptually or pragmatically how trading entities like SMAs should be privatised.

Commentary on grain marketing is based on divergent criteria and assumptions in Australia and elsewhere. The 'single desk' or export monopoly powers of the AWB and state-based SMAs are central to the debate, given their significance to domestic and international marketing. Judging from support by graingrowers' organisations, the majority of Australian producers are convinced that the single desk is in their overall interest. The debate over the single desk is a mixture of arguments about questions of fact, economic theory and measurement, and value judgements. US critics often categorise grain marketing in Australia and Canada as 'state trading' (US General Accounting Office 1996). Australians and Canadians find characterisation of the AWB and Canadian Wheat Board (CWB) as state trading enterprises confusing. This applies to supporters and critics of marketing arrangements. Implicit in such criticism is the belief that single desk selling is beneficial, even if 'unfair' and disruptive. While supporters of single desk selling claim that export monopoly powers confer benefits on the wheat industry and national economies, this is disputed by domestic critics of the AWB and CWB who have emphasised the adverse effects of statutory marketing on marketing costs and business opportunities available to grain producers and grain users. The controversy over the single desk is discussed in detail below.

The role of the market is different in the determination of absolute grain prices and marketing margins (Watson 1996). Regulated grain markets may not provide assistance. Australian graingrowers have received negative assistance for significant periods. In contrast, the United States and the European Union have private enterprise grain marketing systems but government intervention in price determination confers substantial benefits on farmers. This is one reason Australian graingrowers find it hard to understand why the Australian wheat industry is criticised for state trading.

Agricultural policy is distinguished by conflicts over both content of policy and the process of its formation (Mauldon 1975, p. 70). The grain industry has been a test bed in Australia for innovations in institutional arrangements for agricultural policy advice and policy-making. The latest experiment has been the National Competition Policy (NCP) introduced following the Hilmer Report (1993). While it is fashionable to claim that microeconomic reform is proceeding apace in Australia, progress has arguably stalled in agricultural marketing. Reasons for this conclusion are discussed below.

2. The Australian debate over grain marketing

2.1 Rationale for government involvement

Domberger (1992, p. 165) summarised three arguments for government involvement in trading enterprises: market failure, social objectives and commanding heights. To which, Domberger added a fourth — nationalisation of private enterprises headed for bankruptcy. The fourth observation did not apply to grain marketing firms, although it was an accurate description of the situation of grain producers in the great depression when the push towards regulation of grain marketing was strongest. The plight of producers in the 1930s was largely the result of government actions in creating ill-judged soldier settlement schemes (Lake 1987). As pointed out by Carter and Wilson (1997, p. 88), wars and economic disasters often precipitate state ownership. The grain industry in Australia and Canada was part of that general pattern.

In Australia, wartime wheat pools were established under defence powers during two world wars in response to transport difficulties (Whitwell and Sydenham 1991). Given the 'free trade' or Section 92 clause of the Constitution, the power of the Commonwealth to regulate wheat marketing is limited in peacetime (Coper 1978). A solution was complementary legislation passed by the Commonwealth and states. Despite this, powers of the AWB were the subject of occasional legal disputes in the High Court of Australia. Involvement of the states politicised decision-making even further. Deregulation of the domestic market is again straining interstate alliances of governments and graingrowers. Tensions are emerging between the Commonwealth and the states over the NCP. The politics of grain has a substantial dose of interstate rivalry, arising from interstate differences in economic interests based on end-uses of grain, differences in the structure of farms and jockeying for position in national grain organisations. Similar to the international politics of grain, the unit of analysis in Australian grain policy is often a political unit. This is very different from analysis of the behaviour of firms, consumers and resource flows on which economists focus (Bryan 1991).

Market failure, especially that brought about by natural monopoly, provides a compelling case for government intervention. Political attitudes to wheat marketing have little in common with economists' views on market failure but economic factors have influenced the fervour with which growers' views are held. The possibility of natural monopoly and excessive market power in the grain trade is worth serious consideration. Natural monopoly occurs when a single firm can supply output more cheaply than a number of firms. Natural monopoly is a feature of public utilities like water supply and distribution. An example of natural monopoly significant to

grain is port terminals. Without access rules for terminals, graingrowers could be disadvantaged by privatisation of the ports. Similarly, access to grain handling facilities would become an important issue if the grain marketing system were deregulated. In Australia, Britain and New Zealand, the usual solution to natural monopoly was public ownership of public utilities. Some countries, notably the United States, handled problems of natural monopoly through regulation of privately owned utilities. Until recently there was bipartisan support in Australia for government ownership and operation of public utilities as government business enterprises (GBEs). This was not thought to be inconsistent with a market-oriented economy. The same political tolerance extended to SMAs for agricultural commodities. Natural monopoly occurs because of technical features of production. Natural monopoly also depends on the size of the market. Thus, existence or non-existence of natural monopoly is not fixed in time in an economic sense. For example, advances in technology have eliminated natural monopoly in some parts of modern telecommunications. This explains why Australian governments have begun to divest themselves of these utilities.

Nor are attitudes to government involvement fixed in a political sense. Frustration at politicians and the bureaucracy at their inability to control GBEs and SMAs has been expressed. Accountability emerged as a serious issue for the AWB and other SMAs in the late 1970s (Watson 1983). A program of reform was pursued with some vigour. There is a problem in separating two questions: first, how well is an agency like the AWB performing its tasks?; and, second, should the AWB have those tasks in the first place? Failure to maintain this distinction has led to tension between analysts of grain marketing and those involved in day-to-day operations of SMAs. Criticism of marketing policy is not the same as criticising those working for SMAs. Rents associated with natural monopoly are often dissipated by public utilities and SMAs with favourable conditions for their workforces and special deals for customers. Featherbedding was rampant in grain handling and storage in some states. Arrangements between SMAs and millers and maltsters could not have stood up to close examination. Over time, public agencies depart from their original purposes. A characteristic of the public sector is its inability to manage contraction as effectively as private firms. Cashin (1986, p. 14), also writing in the context of the Australian wheat industry, described forces at work in public agencies as corresponding to 'a life-cycle theory of regulation, with the early years of an agency's life conforming with the public-interest view, the agency's performance declining thereafter as the legislature's attention, regulator enthusiasm and public concern all wane'.

The power of middlemen in agricultural markets has been of concern since

time immemorial. The strength of this conviction requires that market power is treated as an empirical question. It is debatable whether enough of the grain marketing system is (was?) characterised by natural monopoly and decreasing costs to justify wholesale government intervention. Setting rail freights for grain is an area where the economics of public utilities comes to the fore in grain marketing. Both the Australian and Canadian grain industries have been bedevilled by loss-making rail systems and disputes over grain transport. Other parts of grain marketing where natural monopoly is an issue are storage and provision of market information. There are economies of size in provision of storage — notably at the local level. This is why there is a worldwide tradition of cooperative ownership of storage by farmers. Statutory authorities were important in grain handling and storage in some Australian states until the early 1990s. The Australian system of grain handling and storage eventually came under increasing strain, culminating in a Royal Commission from 1986 to 1988 (Royal Commission into Grain Handling, Storage and Transport 1988). The Royal Commission was a turning point in the debate on grain marketing.

Natural monopoly in storage and abuse of market power were possibly an issue in the 1930s when grain deliveries were restricted to the nearest local silo (elevator) but improvements in road transport and cheap on-farm storage have reduced the significance of this source of natural monopoly. Similarly, developments in electronic communication have reduced costs of generation and transmission of information. Access to information is the key to competition in grain markets. Modern methods of communication have enhanced the possibilities of small-scale enterprise in grain marketing. While it may also have been true that market failure based on deficiencies in access to information was important when the AWB and ABB were created, that argument is no longer convincing.

2.2 Characteristics of grain marketing in Australia: the early period

Wheat is the dominant crop in Australia. Marketing arrangements for barley were similar to wheat but arrangements were state-based rather than national. In Western Australia and Queensland, there are statutory arrangements for minor crops.

The traditional system of wheat marketing in Australia had four main characteristics (Watson 1996):

1. The AWB was the exclusive marketer of wheat within Australia and for export.
2. A buffer fund operated to stabilise prices through taxes on exports at times of high prices with payments when prices were low.

3. There was differential pricing between domestic and export markets, and, within the domestic market, between wheat for human consumption and wheat for stock-feed.
4. An elaborate pool-payment system to disburse the net proceeds of sales on various markets, after allowance for marketing costs and stabilisation transactions.

The export monopoly of the AWB is the only major feature of this elaborate system that has survived. All agricultural marketing systems, public or private, have financial arrangements to distribute returns to farmers. A pool payment system is still operated by the AWB but in an attenuated form compared with earlier versions, which had substantial effects on growers' flow of funds. Greater flexibility is now permitted in methods of payment, with provision for cash sales. Most growers, however, elect to be paid the pool price.

The buffer fund was a serious attempt at stabilisation, at least in theory. Investigation of buffer fund and buffer stock approaches to price stabilisation has been pursued in extraordinary detail. Newbery and Stiglitz (1981) represent the apotheosis of an extensive theoretical genre. Australian interest in the economics of stabilisation has been dominated by the previous buffer fund for wheat and the collapse of the reserve price (buffer stock) scheme for wool in 1991. The eventual removal of government guarantees to AWB borrowing and establishment of the Wheat Industry Fund (WIF) to replace that concession can be linked to unwillingness by the Commonwealth Government to continue open-ended commitments to SMAs following the policy-induced debacle of the wool industry (Watson 1990). The wheat buffer fund also reflected a judgement that the banking system of the day did not provide adequate opportunities for savings, investment, borrowing and lending or that farmers were incapable of managing their own financial affairs. That judgement can no longer be applied to the Australian financial system. However, the whiff of paternalism associated with the buffer fund in the wheat industry persists in a different form in the WIF with the support of growers' organisations.

A major weakness of the buffer fund approach was that the objective was price stabilisation when yield variability had more significant effects on income variability. Money was also transferred between growers by the interaction of yield variations and timing of payments. The fund penalised specialist wheatgrowers — favouring farmers attracted to the wheat industry by higher prices when payments were made but able to shift to other enterprises when taxes were collected. Newbery (1993, p. 411) noted that the benefits of commodity price stabilisation are reduced when farms are diversified and produce several commodities. Multiple enterprise farms are

the norm in Australia. The interaction of pool payments and the buffer fund also destabilised farmers' incomes (Watson and Parish 1982). When world prices were high, payments from earlier pools were accelerated and vice versa. Stabilisation was stabilisation in name only. The buffer fund was abolished in 1979 and replaced by a guaranteed minimum price. Individual records of contributions by growers were introduced when the WIF was established in 1989 and this removed one problem of the buffer fund. Although the pool payment system has been simplified, financing arrangements for wheat have significant effects on farm financial organisation. The cumulative effects of the 2 per cent levy on gross receipts to create the WIF are substantial.

The traditional system of wheat marketing was characterised by pricing according to destination and end-use. This was a variant of the home consumption price scheme, the preferred method of price support in Australia (Mauldon 1990). Home consumption price schemes increase producer revenue by diverting supply from the less-elastic domestic market to the export market. The same result could be achieved by taxes on production to finance subsidies on exports. Fiscal methods of price support do not create legal problems and have been used for other agricultural industries. However, producers and governments prefer SMAs as the instrument of price discrimination because their activities are less open to public scrutiny.

Home consumption prices for wheat were linked to costs, which inevitably moved out of line with world prices. Pooling of receipts from different markets meant that output decisions of growers were out of line with what would have been sensible from an economy-wide view. Wheat was different from the one-way assistance given to dairy products, eggs and dried vine fruits. The domestic price of wheat was sometimes below the world price and the wheat industry then received negative assistance. When domestic wheat prices were below world prices, intensive livestock industries had access to cheap wheat. Development of coarse grain industries was impeded by low domestic wheat prices. At other times, livestock industries were penalised by high prices. This was another example of unfortunate resource allocation consequences of a commodity-by-commodity approach to price policy within a multi-product agricultural system.

Negative assistance to the Australian wheat industry occurred in only a few years, but when it did happen, costs to wheatgrowers were substantial. On the more frequent occasions when positive assistance was given to graingrowers, the price differential between domestic and export prices was much smaller. This reflected the classic pattern of price variability in storable commodities with episodic 'spikes' associated with stockouts whereas price falls can be moderated by stock holding. Growers were thus bound to miss out from attempts to stabilise prices.

The Australian experience of differential pricing is an example of elaborate regulation not delivering the goods to producers. Apart from crying foul when consumer interests pointed out distributional effects of differential pricing, wheatgrowers' organisations appeared unconcerned that there were systematic reasons for the substantial costs borne by producers. Over many years, the reaction of the organised grain industry has been to defend the status quo whatever the consequences for growers.

The grain marketing system continues to damage Australia's intensive livestock industries. In their study of chicken meat, Larkin and Heilbron (1997, p. 29) partly attributed the higher cost of feed to AWB policies, arguing that the 'absolute cost of domestic feed in Australia is higher than might be expected for a prominent grain exporting country'. Their calculations suggest poultry feed is nearly \$A100 per tonne dearer in Australia than the United States. There are other reasons for this, notably the absence of corn and soya beans from local farming systems. It is not surprising that interests associated with intensive livestock industries are campaigning for changes to grain marketing. Consciously or unconsciously, astute graingrowers support the single desk because of market power on the Australian market not the world market, as their rhetoric would have it.

2.3 Pooling

The standard work on the AWB (Whitwell and Sydenham 1991) is entitled *A Shared Harvest*, a title reflecting the essence of the pooling principle that price risks and marketing costs are shared among producers. The way farmers manage production, marketing and financial risks is at the core of their individual business strategies and competition for resources amongst farmers. Pooling is designed to reduce this competition. Whatever the economic effects of pooling and statutory marketing, grower equality was paramount for its supporters. Their other concern was the behaviour of middlemen. Whitwell and Sydenham (*ibid.*, p. 286) described growers' ambitions for wheat marketing as involving 'three main principles, namely that the pool be compulsory, that the marketing organisation be granted monopoly powers and that it be grower-dominated'.

A minority of producers recognised that pooling restricted farmers' business opportunities. The only significant threat to orderly marketing was in the late 1960s and early 1970s, when some growers sought to take advantage of high domestic prices by selling wheat on the domestic market to avoid dilution of returns by low export prices. That possibility was restricted to growers located close to state borders who were tempted to exploit the ambiguity of the powers of the AWB to control interstate trade. These growers also had more to gain from direct sales because their freight costs to the seaboard were much higher.

Sieper (1982, p. 39) drew a distinction between pooling and equalisation, defining:

equalisation as the process by which returns to producers are averaged across markets when price discrimination is enforced among them, and pooling as the process by which returns from the sale of a commodity during some time period are averaged across participating producers.

Equalisation is an artefact of differential pricing. Equalisation results in economic costs because producer decisions are based on average prices rather than the marginal returns from additional production. Economic effects were serious in the early period of wheat stabilisation when export prices were much higher than domestic prices. Equalisation reduced Australian wheat output both directly and indirectly. The direct effect was the supply response arising from the lower profitability of wheat relative to other products. The indirect effect was lower investment and reduced productivity.

Sieper emphasised that pooling is not exclusive to statutory marketing. Pooling is an insurance contract whereby producers share inter-temporal price risks. Pooling also arises in private marketing arrangements due to economic limits to the frequency of price changes. Given uncertainty surrounding prices, some smoothing of prices is inevitable and desirable. Why pooling has to be compulsory is not obvious. Pooling was applied to receipts and costs. Pooling was practised for payment systems, grading, AWB selling expenses and costs of storage, transport and handling. There was a tendency for less pooling over time in recognition of its adverse effects.

The regulated marketing system had major effects on grading. Premiums and discounts for quality were previously unimportant in Australia. Most wheat was sold on a 'fair average quality' (faq) basis, later called Australian Standard White (ASW). The ability to grow wheats with certain quality characteristics depends on climate and soil type. The distribution of grades and premiums and discounts is regionally based. In a wheat marketing system dominated by pooling and so politicised, there was the opportunity for meddling with market-based premiums and discounts by arbitrary intervention designed to protect regional interests.

Until the late 1970s, there was national pooling of handling and storage and this produced bizarre results. Growers in established graingrowing states and regions subsidised investment in infrastructure in areas with increasing production. A substantial grain terminal was built in Western Australia cross-subsidised by other states. National pooling was replaced by statewide pooling after a report by the Industries Assistance Commission (1978). This report was the first public examination of wheat marketing since the 1930s

and heralded a change in approach by governments. In the application of pooling, there was always a leavening of political reality. Land transport costs were not pooled and growers paid rail freight according to distance from grain terminals. The land market already reflects distance from market and it would have been absurd to pool transport costs within a state, let alone Australia as a whole. Political reality also dictated that states were rewarded for their proximity to export markets.

The most serious effects of pooling were in transport, handling and storage. Rigid marketing arrangements tied growers to state government-owned railways — a political price paid for state governments passing complementary legislation. Handling and storage authorities were state-owned in the three eastern graingrowing states and owned by grower co-operatives in South Australia and Western Australia. These organisations recouped their 'costs' from wheatgrowers. It was a recipe for cost escalation with cost padding and slack administration, resulting in the Royal Commission into Grain Handling, Storage and Transport in the mid-1980s.

The Commission made far-reaching recommendations. The AWB was encouraged to seek alternative ways of handling grain and to override state transport authorities. State-owned handling and storage authorities have since moved into private ownership, usually by growers. The essential problem of pooling was that farmers were unable to make judgements based on costs of marketing and their estimates of its benefits. With pooling, a common service is offered which all must use. Evolution of the grain marketing system was retarded. As the flaws of Australian grain marketing arrangements became obvious to graingrowers and critics alike, change was inevitable.

2.4 Subsequent developments

The 1989 Wheat Marketing Act included six major changes:

1. Deregulation of the domestic market for wheat.
2. The sunset provision on the life of the AWB was removed.
3. The Guaranteed Minimum Price was changed to a government guarantee of AWB borrowings which was due to expire in June 1994.
4. Representation on the AWB was changed so that it no longer had a majority of grower members and so that board members are selected on the basis of their commercial expertise — including grower members.
5. The WIF was established as a capital base for financing payments to growers.
6. The AWB was allowed to trade in grains other than wheat.

The Act was amended in 1992 and government underwriting of AWB borrowings was extended to 1999. The AWB was given a charter to engage

in value-adding activities to complement its trading activities. In neither the 1989 Act nor the 1992 amendment was the export monopoly of the AWB varied. The changes in 1989 and 1992 set in train a chain of events that are still being worked through. Deregulation of the domestic market is now supported by a majority of farmers, even though domestic deregulation occurred against the wishes of the organised grain industry. This is a familiar pattern in wheat marketing in Australia: change does not seem so bad after the event.

Deregulation of the domestic market has differential effects on graingrowers according to location. In the eastern states where intensive livestock industries are concentrated, more graingrowers can market their own grain. Producers and grain users are able to avoid some of the effects of pooling — basing transactions on transport costs, quality requirements and timing. Domestic deregulation suits growers with small to medium-sized farms who wish to expand their business activities beyond the farm-gate. Domestic deregulation has therefore contributed to easing the small farm problem that besets the grain industry and has also neutralised complaints over AWB acquisition powers and interstate trade.

The benefits of domestic deregulation are limited for larger grain users. While the AWB has an export monopoly, it is impossible for large users to manage price risks. Nor is it feasible to manage production risks by establishing grain assembly and distribution networks because large livestock feeding firms need to deal with the AWB to ensure supply in bad seasons. The AWB thus has retained market power on the domestic market. For Western Australia and the Eyre Peninsula of South Australia, grain use is so small that domestic deregulation is irrelevant. However, the success of domestic deregulation in other parts of Australia has focused attention on the export monopoly powers of the AWB.

Removing the sunset provision on the AWB was insignificant except in one important respect. When the Wheat Marketing Act and earlier legislation had a fixed lifespan, legislation had to be reviewed every five years as a matter of course. There is no longer any automatic mechanism for review.

Changing underwriting to a government guarantee to AWB borrowings to finance payments to wheatgrowers at harvest rather than a supported price was a reaction to substantial payments made by the Commonwealth in the mid-1980s under the eighth wheat scheme. The Commonwealth Treasury has always been wary of commitments to the wheat industry because of the temptation for grower-dominated boards to accept less than the best possible price when world prices are below guaranteed prices. The wool fiasco rekindled official fears that SMAs would put agropolitical interests ahead of national interests (and even the interests of their own constituents).

Foreshadowing removal of the government guarantee in 1999 in the 1992 amendments was further evidence that government wanted to avoid responsibility for the economic actions of SMAs.

The 1989 changes in the Wheat Marketing Act struck another severe blow to traditionalists in the wheat industry. In principle, grower domination of the AWB ended. In practice, the method of selection allowed the Grains Council of Australia (GCA) significant influence over appointments to the AWB. The most pervasive long-run influence on grain marketing was removal of the government guarantee on AWB borrowings. The WIF was initially established as a capital base to replace the government guarantee. The WIF now has deposits of around \$A600 million. This is about 20 per cent of gross revenue from wheat in an average year or around half the annual cash operating surplus of farmers. With a run of good seasons, Western Australian growers have contributed over 40 per cent of the WIF. This is a source of tension in an industry where influence in peak organisations is based on state representation.

Consistent with the chequered history of wheat marketing, the role of the WIF has changed since its inception. Conceived as a capital base to support borrowing to finance producer payments, the WIF was targeted in the 1992 amendments to fund value-adding and off-farm activities. Most recently, WIF funds were redefined as the equity base for a corporatised/privatised AWB. The possibility that WIF funds should be returned to their owners was not considered. Fortunately, the WIF has not been used much for value-adding except for small investments in flour mills and similar ventures in emerging markets. To its credit, the AWB and GCA have resisted official enthusiasm for investment in so-called value-adding and only 2 per cent of the WIF has been invested in joint ventures (AWB Limited 1998, p. 21). Many Australian politicians believe profits are there for the taking in marketing and processing agricultural products. How these opportunities consistently escape the attention of the private sector is not explained. Fundamentally, adding value is also adding costs. It is not axiomatic that products should be processed close to the point of production rather than consumption; often, it is the contrary, once costs of inventory management are taken into account.

On face value, allowing the AWB to trade in grains other than wheat was an innocuous change to marketing arrangements. Mixed cargoes provide a logical and convenient service to customers. However, broadening the functions of the AWB brings it into competition with state-based SMAs. A report by the Centre for International Economics (CIE 1997) identified the AWB and private traders as competitors for a reconstituted Australian Barley Board (ABB) in the event of deregulation of the barley industry. The rules under which restructured SMAs would compete with private firms

and one another pose questions of political and trade practices. There are strong state-based SMAs in Queensland and Western Australia trading in grains other than wheat. It is unlikely that state politicians and state growers' organisations will react passively if the AWB invades the patch of state-based SMAs. If SMAs are allowed to compete with the AWB, why not private firms? Once SMAs compete with one another, the days of orderly marketing will be numbered.

3. Recent controversies

3.1 The single desk: albatross or salvation?

A persistent theme in the discussion of statutory marketing of agricultural products in many countries is that domination of export trade by private firms results in lower prices. Private exporters are alleged to be 'weak sellers', failing to obtain the best price for producers. This is an argument about competition in markets and marketing efficiency and the meaning of 'price' and its measurement.

Market prices have three dimensions:

- an underlying component reflecting current supply and demand — for storable products, expectations of future supply and demand are important;
- various margins around the underlying price reflecting quality, location, credit, delivery terms and goodwill;
- any premium or discount because of market power of buyers and sellers.

Only the third element is relevant to disputes concerning weak selling. The underlying price of grain depends on supply and demand in wheat exporting and importing countries, including the effects of market access. Market access is the outcome of political decisions. Similarly, the influence of weather on supply and import demand has little to do with SMAs. In principle, higher prices can be obtained by providing more marketing services. The Industry Commission (1991, p. 46) pointed out 'price premiums clearly can be obtained from market differentiation backed up services targeted on those markets'. The relevant question is the benefits and costs of providing those services. In their study of milling wheat for the GCA Strategic Planning Unit, Booz-Allen & Hamilton (1995) claimed that small positive premiums were obtained by the AWB. These were attributed to 'over-servicing' of markets but what over-servicing means is far from clear. Private firms also have to make commercial decisions concerning the amount of marketing services provided to customers.

The multi-dimensional nature of agricultural prices explains why empirical analyses of the single desk are so unrewarding. Trade data are not precise enough to distinguish premiums for 'market power' from other sources of price variations.

Piggott (1992) set out three reasons why it is difficult to evaluate single desk selling:

First, where a statutory authority has enjoyed single-desk status for a long time, as in the case of wheat and rice, there is no basis for comparisons with a situation of multiple Australian sellers. Second, the type of data one would wish to have to attempt a direct test of the argument (i.e. detailed data on prices received in various markets) would be regarded as being commercially confidential. Third, there is the problem of disentangling price premia that are attributable solely to market power from those that are due to other considerations such as quality and special conditions associated with a sale (e.g. credit arrangements).

Piggott used sensitivity analysis of own-price and cross-price elasticities of supply and demand to investigate 'how different parameters affect the degree of influence Australian exports have on price' (*ibid.*, p. 127). Piggott concluded it was unlikely the AWB could extract significant price premiums. Modelling methods were also used by the Centre for International Economics in their studies of barley marketing and grain marketing in Western Australia (CIE 1995; 1997).

Location provides the most convincing justification for market power in commodity trade. A single seller could exploit differences in transport costs by pricing grain just below the next best offer by another supplier. Not surprisingly, many of the countries (neighbours) to which Australia is freight-advantaged — New Zealand, Papua New Guinea and the Pacific Islands — are countries with which Australia has special trade, political and aid relationships. Market power exists in some markets because of restrictions on market access and/or single importing agencies. Japan is a frequently cited example. Multiple exporters would compete away those benefits. However, a single desk is not necessary to achieve the benefits of these restrictions. Any price premiums could be realised by auctioning off the right to export to those markets.

Finally, successful price discrimination depends on differences in price elasticities of demand and the ability to keep markets separate. Customers of SMAs are commercial firms and government buying agencies able to source wheat from wherever they please. For claims about the single desk to be true, customers would have to be ill-informed, passive or lack commercial acumen (or all three). This is not consistent with most experience of international trade in agricultural commodities.

3.2 Australian barley: a case study of the single desk

The barley industry has received conflicting advice on the value of the single desk in recent years. First, the GCA Strategic Planning Unit was given a generally negative assessment of the single desk by the Boston Consulting Group (BCG) (1995). In 1996, the Meyers Strategy Group (MSG 1997) made a more favourable assessment of the single desk. The work by MSG was followed by a paper by MacAulay and Richards (1997) that was more guarded in its support for the single desk.

The 'Australian' Barley Board is a misnomer because it is established under Victorian and South Australian legislation. In Queensland, barley is marketed by Grainco Co-operative Association Limited, a statutory authority formed from the former state wheat board, barley board, sorghum marketing board and state grain handling authority. Barley is prescribed under the Grain Marketing Act 1975 of Western Australia and is marketed by the Grain Pool of Western Australia (GPWA). In New South Wales, barley is marketed by the NSW Grains Board (NSWGB). These state-based SMAs for barley have all claimed benefits from the single desk. Any doubts about Australian market power based on Australia's share of the world barley market must apply *a fortiori* to state-based SMAs. The question also arises whether premiums attributed to the single desk are with respect to a notional 'world price' or prices obtained by other Australian states. In similar vein, the CWB also claims premiums in the world barley market. Are all these premiums cumulative? (The same confusion exists for wheat. The AWB and CWB have both claimed separate premiums from their single desks for wheat.)

The ABB was reviewed under the NCP in 1997 (see section 3.3). Grainco was also reviewed in 1997. The NSWGB was reviewed in 1998 and the GPWA is due for review in 1999. All the reviews have centred on the single desk. The spirit of the NCP is that competition provides efficient outcomes. Legislation should not restrict competition unless it can be demonstrated that restrictions provide net benefits to the community and the objectives of legislation can only be achieved by restricting competition. If SMAs have market power on export markets by virtue of a 'single desk', the aggregate income of Australians will be increased because the terms of trade have been turned in Australia's favour. This will provide 'net benefits to the (Australian) community', albeit at the expense of foreigners.

BCG was asked to evaluate a national single desk for barley along the lines of the AWB but the proposal was rejected by BCG for both pragmatic and economic reasons. State governments would be unsympathetic because of interstate rivalries and existing local support for state-based SMAs. A national board would have acute problems with competition policy. The negative views of BCG on statutory marketing were also based on considerations of industrial

organisation. BCG argued that the complexity of the modern Australian barley industry requires close relationships between growers, maltsters and brewers in an increasingly differentiated market. This favours contract-style relationships between growers and customers rather than the pooling and anonymity of statutory marketing. The advice from the BCG received a cool reception. The ABB then turned to MSG for further advice (Watson 1998).

The first pass by MSG in assessing the single desk was to compare prices with no adjustment for quality. The approach is valueless. MSG then undertook a quantitative study based on the idea of 'pricing to market' that had been applied to the Canadian barley industry by Carter (1993). Statistical methods were used to test whether the ABB could charge different prices in different export markets and increase returns to growers through price discrimination. Premiums were claimed to exist for Japan and the United Arab Emirates. How much the premiums were due to market power or provision of services like storage, grading and credit is impossible to determine from the analysis. The premium observed for Japan is likely to be the result of restrictions on market access. A single desk is not necessary to obtain the premium. MSG treated savings in borrowing costs from government guarantees as if it were a benefit to the marketing arrangements, without acknowledging the costs to other borrowers and depositors. Moreover, debt guarantees given by governments merely transfer financial risks from growers to taxpayers.

The most revealing part of the MSG analysis was the admission that premiums are extracted from domestic grain consumers. This is the single desk at work: not improving the welfare of Australians by obtaining higher world prices, but in its traditional guise as a home consumption pricing scheme. The CIE (1997) reached the same conclusion. Like wheat, maintaining market power on the Australian market is the real attraction of the single desk for barley. If allowed to maintain export monopoly powers, SMAs are able to extract rents from domestic grain users.

There are obvious reasons for doubting whether Australia has market power in the world barley market. Australia's share of world barley is small and variable, especially for feed barley which has to compete with coarse grains from the United States. The argument for the single desk is based on the premise that the international market is imperfectly competitive and markets can be segmented to prevent arbitrage. This is most unlikely for feed barley. If premiums are earned in markets for malting barley, this will be a product of quality and services provided by the seller not market power.

3.3 National Competition Policy (NCP) and the grain industry

The NCP adopted by state governments and the Commonwealth after the Hilmer Report of 1993 has the potential to be a major influence on grain

marketing in Australia. Recommendations of the Hilmer Report were incorporated in the Competition Policy Reform Act 1995. Coverage of the Trade Practices Act was widened to include all businesses including unincorporated businesses operating solely within a state. The 'Shield of the Crown' was removed from GBEs. A new competition watchdog was created, the National Competition Council (NCC), to increase surveillance and enforcement functions of the Australian Competition and Consumer Commission formed from the former Trade Practices Commission and Prices Surveillance Authority. The NCP process brought state-based SMAs into a formal review process for the first time. Wheat and other industries dependent on Commonwealth legislation had been examined by the Industries Assistance Commission and its successor, the Industry Commission, for twenty years. The Australian wheat industry had benefited substantially from these public inquiry procedures. Many changes introduced following these inquiries were subsequently praised by industry organisations. Carter and Loyns (1996) compared earlier Australian policy-making arrangements most favourably with Canada.

The NCC 'administers some aspects of the reforms, assesses governments' progress in implementing the reforms, advises on areas where more work is needed, and provides public information on the NCP process generally' (NCC 1997, p. 3). The cement that binds governments in this experiment in federalism is Commonwealth payments to the states conditional on implementation of the competition agenda. Payments were scheduled for 1 July 1997, 1999 and 2001. Payments have been made for the first 'tranche', despite misgivings by the NCC about progress by the states. A review of barley marketing was conducted in Queensland concluding in mid-1997 with a recommendation to stay with the status quo. The review of barley in Queensland was not clean. Grainco was included on the review panel and meetings were held in Grainco's offices! The Queensland government had shown its hand on barley by retaining the single desk for sugar following a NCP review. There is a ten-year moratorium on further review of arrangements for sugar. The NCC was critical of this decision and similar events in the New South Wales rice industry (NCC 1997, p. 11).

The ABB was reviewed by the CIE (1997) who prepared a report for the Victorian and South Australian governments. A review of wheat marketing is proposed for 1999 or 2000. In effect, the controversy over barley is a dry run for wheat. This was acknowledged on both sides. The most significant difference is that the AWB is national and regulated marketing of barley is state-based. The process in Victoria compared favourably with Queensland. The CIE report was thorough, independent, transparent and conducted at arm's-length. The ABB attempted to discredit the report in a special issue of the ABB Chairman's newsletter (Dingwall 1997, p. 2). Unfortunately, the

CIE left an opportunity for procrastination by a subtle and probably unintentional shift from 'shortest practicable transition period' in the recommendation to 'limited transition period' in the accompanying text. It is a pity the CIE strayed into giving tactical advice. How long is 'limited'? Weeks, months or years?

In the event, barley marketing legislation in Victoria and South Australia was amended in early 1999 so that the marketing responsibilities of the ABB were taken over by two grower-owned companies. The objectives of the legislation were to privatise the ABB and extend the single desk for exports to mid-2001. Support for the ABB and previous marketing arrangements was equivocal, especially by the Victorian government. The domestic market has been deregulated and permits are no longer required for domestic sales for stockfeed and malting in Australia. After lengthy negotiations, Victorian traders and farmer cooperatives were permitted to market grain overseas in bags and containers of up to 50 tonnes. In effect, the private companies have been given two years' grace to develop a business based on the trade connections of the ABB before the market is thrown open to other traders.

Difficulties in the application of the NCP to agricultural marketing policies are both conceptual and procedural. Costs of public administration and industry participation in NCP reviews are substantial. The Hilmer Report is not as robust in its economics as its reception suggests. There is an element of centralist wishful thinking in the way federal-state arrangements are set up. Professor Hilmer advocated removal of exemptions to trade practices and competition law previously given to SMAs, the professions and GBEs. Professor Hilmer found an obvious answer to an obvious question: 'Should SMAs be treated differently to other businesses'? Obvious answer: No. This is uncontroversial in urban eyes. However, the politics of statutory marketing are tortuous. Farmers do not see themselves as purchasers of marketing services from SMAs in the same way as marketing services or inputs purchased from private firms. Instead, farmers regard SMAs as operating on their behalf. A major reason for this difference in outlook is the historical role of SMAs as vehicles for delivering assistance. SMAs were a convenient way of operating home consumption price schemes because the cost of assistance was easily hidden from public gaze. The wheat industry was an exception because marketing arrangements delivered regulation but not much assistance. Creation of SMAs reflected fears in the farming community concerning the efficiency and conduct of agricultural marketing. The AWB and other SMAs cannot be thought of merely as marketing institutions.

There were serious problems in the economic approach adopted in the Hilmer Report. Kolsen (1995) warned that the Hilmer approach would lead

to expensive legal arguments, without necessarily improving microeconomic policy. Kolsen criticised the Hilmer Report on three main grounds:

1. Excessive legalism.
2. Neglect of the theoretical background to microeconomic policy, including second-best considerations, natural monopoly, externalities, distributional issues.
3. What Kolsen called 'one shoe fits all', failing to account for industry differences and rejection of the need for specific regulatory bodies with subject matter expertise.

Freebairn (1994) made many of the same points, emphasising the neglect by Hilmer of important debates over public utility pricing. Nahan (1995, p. 1) predicted that 'centralisation of economic reform . . . will . . . not only slow the pace of reform, but result in much less reform'. There are administrative problems in the process followed in the NCP. The NCP operates on a questionable fiscal principle: in effect, that states need to be rewarded for doing what is in the interests of their citizens. Improving economic efficiency should not require states to be bribed with their own money. The current approach to competition policy in Australia is analogous to the rhetoric of trade negotiations. Trade diplomacy is conducted as if gains from trade only exist for exports. Accepting benefits of trade liberalisation is painted as if this implies a sacrifice to those making 'concessions'.

It is unlikely the Commonwealth government will penalise states for backing out of NCP commitments. Even if it took a hard line, payments would be lost in a maze of transactions between the Commonwealth and states. The Commonwealth has leverage in the federal system but it is unlikely to confront states for breaches of competition policy, particularly for agricultural marketing. The economic rewards are small and political penalties are large. It is far-fetched in the extreme to believe that delicate federal-state negotiations over issues like the Goods and Services Tax will be compromised by disputes over agricultural marketing. The NCP is more appropriate for reform of public utilities and infrastructure. It is possible that state governments will blame the NCP when they impose their preferred policies, using the threat of Commonwealth sanctions to convince reluctant electorates in the states. This is similar to trade diplomacy. Another weakness of the NCP is that its sanctions are one-sided. The agreement provides no discipline if the Commonwealth drags the chain on microeconomic reform.

3.4 Privatising SMAs?

In the last few years, there has been constant negotiation between graingrowers and the Commonwealth over the future of the AWB. In these

negotiations, there was controversy within the GCA over the future of grain marketing with serious differences between state affiliates. The need to restructure the AWB was triggered by removal of the government guarantee on AWB borrowings. However, the role of the AWB had been under challenge for many years. Differences within the GCA reflect conflicts of economic interests and ideology. The stakes have been raised by the money accumulated in the WIF. The inherent difficulties of privatising a trading entity like the AWB as a joint stock company have been swept under the carpet.

The initial response of successive Commonwealth governments dissatisfied with the performance of the AWB and other SMAs was to reform the organisations as they were constituted. Modern management methods, non-representational boards with appropriate expertise and professional management were introduced to break the earlier domination of the AWB by graingrowers' organisations. In the case of the AWB, these policies could be judged a relative success. However, 'managerialism' cannot eliminate difficulties of SMAs associated with deficiencies in their economic policies, as starkly demonstrated in the Australian wool industry. There is a limit to which an SMA can be made 'commercial' without suffering the fate of the Australian Wool Corporation where 'the institutional arrangements . . . were neither the fish of market discipline nor the fowl of Westminster responsibility and accountability' (Watson 1990, p. 12). Business decisions that are uncontroversial if made by private firms or cooperatives take on a different character if undertaken by entities backed by legislation enforcing compulsory participation.

The politics and economics of transition from plan to market are difficult territory. There are two approaches for governments wishing to divest themselves of GBEs or bodies like SMAs: first, dispose of the entity as a going concern; and, second, change the rules governing the organisation and allow other businesses to compete. In effect, the government has attempted to implement the first course of action with respect to the export operations of the AWB. The single desk has been preserved by creating AWB Limited owned by wheatgrower shareholders. The second course was chosen when the government deregulated the domestic industry. In that case, the AWB lost its statutory powers on the domestic market and other firms — including farmers — commenced business. The AWB responded by setting up a trading division to operate on the domestic market. The trading division was kept separate from the rest of AWB in a formal sense. Nevertheless, the trading division is advantaged by the export operations of the AWB because large grain users or traders on the domestic market are unable to manage price risks efficiently if they do not have the option of exporting grain.

Keeping the AWB more or less intact by transferring it to growers is not without complications. Despite these inherent difficulties, the option of reducing the powers of the AWB on the export market by allowing new firms to enter grain marketing was not contemplated for political reasons. Nor was the option of testing the market by issuing a prospectus in a new version of the AWB. Only then would graingrowers have had a clear choice between leaving their WIF equity in a new AWB or withdrawing their funds. Other investors could also have evaluated the proposal.

There are major differences between privatising a trading entity like the AWB and organisations with physical assets and/or defined markets for their services like the public utilities that have been successfully privatised in Australia and elsewhere, including grain handling and storage authorities in Victoria and New South Wales. There are many successful private grain trading firms and these are private and family companies, not joint stock companies. The principal assets of a trading organisation are information about markets and trade connections. The value of information is ephemeral; the value of trade connections is also ephemeral in a market characterised by fluctuating supply and import demand. There is no logical basis on which the value of the assets of a trading organisation can be calculated by those outside the organisation. It is likely that shares in a privatised AWB will not be readily negotiable. Nor do shares in the AWB fit logically in farmers' financial portfolios. It is doubtful that graingrowers would have invested voluntarily in a privatised AWB. This is because risk management will become more difficult once fluctuations in farm income are correlated with proceeds from marketing activities.

AWB Limited could suffer an acute version of the 'principal and agent' problem. Costs for farmers (principals) of monitoring salaried management (agents) will be prohibitive. This problem was anticipated in disputes over the two-class share plan proposed as the first stage of privatising AWB — the 'grower corporate model'. Although reported as if it were a dispute between states, the dispute is really over the control growers have over their own funds. The reluctant states have a higher proportion of growers adversely affected by the current proposal. Current plans for privatisation are modest. Pooling of receipts will continue as the main policy instrument of AWB Limited. By default, farmers are paying for the privilege of pooling through contributions to the WIF.

The plan that has now been adopted was outlined in the second reading speech introducing the Wheat Marketing Amendment Bill 1997. The arrangements for share ownership and control of AWB Limited are as follows (Anderson 1997, pp. 3–4):

From 1 July, 1999, wheat marketing will be undertaken not by the current statutory Australian Wheat Board but by a grower owned and controlled company operating under Corporations law. The company will assume responsibility for all commercial aspects of wheat marketing, including financing and operation of wheat pools.

The new organisation will comprise a holding company with two subsidiaries: a pooling subsidiary and a domestic trading subsidiary.

Shares in the holding company will be issued in two classes: One A-class share will be issued to each grower and the Wheat Industry Fund will be converted to B-class shares. B-class shares will be issued to Wheat Industry Fund equity holders on the basis of one share for every unit in the Wheat Industry Fund and will provide the company's capital base.

A-class shares will be issued only to wheat growers. They will be non-transferable and redeemed as growers leave the industry or fail to qualify as a wheat grower. A-class shares will confer voting rights to elect the majority of directors of the holding company, and hence control of the holding company. The A-class shares will not attract dividends or other returns.

As the providers of equity, B-class shareholders will have the right to elect a minority of directors. B-class shareholders will receive a commercial rate of return and B-class shares will only be tradeable amongst growers until the outcome of the National Competition Policy review of the export monopoly.

There are difficulties in the two-class share plan. Larger growers in Western Australia and elsewhere are compromised because it transfers power to smaller growers concentrated in Victoria and South Australia. There is a conflict of interest between A-class shareholders and B-class shareholders that will be difficult to resolve by the board of the new AWB. Interests of A-class shareholders are served by a high pool price with lower rates of return on B-class shares. The reverse applies to growers with substantial equity in the WIF. Election procedures are politicised. After a decade of efforts to make representation on the board of the AWB based on commercial expertise, the process is reversed.

In the long run, the two-class share plan may not meet conditions for stock exchange listing. A reason why trading businesses like the private grain trading houses are seldom listed is that stock exchange rules require regular disclosure of information and this does not suit firms trading in volatile commodity markets. Fluctuations in profits of grain trading would be unattractive to institutional and other investors. These conceptual problems have not been considered seriously in the debate over privatising the AWB. It has been taken for granted that the AWB could be privatised in much the

same way as a public utility like the telephone system. The main instrument of risk management of the restructured AWB will be pooling of receipts. While this approach is followed, there should be little risk to growers' funds. The financial consequences will not be as devastating as the collapse of the buffer stock scheme for wool when the ethos of 'grower control' was carried to its illogical limit.

There are other problems in the current approach to privatisation of the AWB. The sequence followed is questionable. An NCP review of wheat marketing legislation is planned for 1999/2000. That review will focus on the value of the single desk, wrestling yet again with the intractable question of premiums available to a single seller. The long-term future of the export monopoly should have been decided before privatisation took place, not after. Whether the AWB maintains the export monopoly is critical to the future of the AWB and its value in the eyes of grower shareholders. There is still controversy over the taxation obligations of growers who dispose of their shares. Funds in the WIF are deferred income that should be brought to account. There might be a case for allowing growers to spread this income over several years for taxation purposes. However, there is no case for money withdrawn from the WIF to be treated differently for taxation purposes than taxpayers in similar situations, such as policy holders given shares following demutualisation of insurance companies. Once the AWB is fully privatised, growers should expect to be taxed on capital gains, in the happy circumstance that there are capital gains on share trading.

The approach of governments and the grain industry to the single desk is strategic not transcendental. The restructuring of the AWB gives the new grower company the exclusive right to export bulk wheat for five years. A small independent statutory body will manage the export monopoly on wheat from mid-1999. Immediate transfer of single desk powers of the AWB to a private entity could have created problems in trade with other countries and attracted the attention of Australian regulators. Like most compromises, the situation is unstable. Certainly, not as stable as would be hoped by exhausted negotiators.

Pressure on the single desk of AWB Limited will come from outside and within. First, from countries like the United States who regard state trading as damaging to their interests and/or inconsistent with reasonable rules for foreign trade. It is interesting to speculate how much the United States would be prepared to concede in bilateral trade negotiations in return for abolition of the single desk. For single desk sceptics, the opportunity may have at last presented itself for Australia to give up nothing for something. Second, corporatisation and privatisation of grain handling and storage authorities in Australia have created farmer-owned businesses with the incentive and capacity to trade in grains. For flexibility in marketing

operations and economies in grain handling and storage, it is sensible for grain traders to be vertically integrated. Present arrangements are illogical in economic terms. Differences in economic interests are also compounded by regional rivalries. Over time, AWB Limited will seek to control storage and handling facilities and grain handlers will wish to move into grain trading.

4. Conclusion

The function of agricultural markets is to coordinate production and consumption in space, time and form. The best way of thinking about agricultural markets is to concentrate on the economics of information and transactions costs. The operation of markets is costly and formation of organisations with central direction saves costs. The existence and size of marketing firms depend on costs of organising transactions within a firm or by markets. A contention in this article is that the capacity of markets to organise trade in Australian grain has increased because of falling costs of provision of marketing services, especially information. The economic situation of farmers today is much better and possibilities of competitive markets in the grain industry are far greater than when the Australian grain marketing system was established.

It is time to re-examine the assumptions on which Australian grain marketing was based. Intervention in the wheat and barley industry was based on the proposition that farmers were disadvantaged by lack of market power, exploitation by middlemen and excessive marketing costs. Collective action through SMAs was intended to offset these disadvantages. A marketing solution was sought to problems of low prices and incomes with other origins. In the folklore of the grain industry, it appears that low grain prices and deficiencies of grain marketing were responsible for the great depression of the 1930s rather than vice versa.

The 'orderly marketing' tradition that dominated the grain industry for fifty years was suspicious of middlemen and marketing. Farmers can eliminate middlemen at the cost and inconvenience of performing functions themselves. Market structure and industrial organisation have to be considered horizontally and vertically. The demand for marketing services, marketing costs and technology is not static. There is no single marketing system that suits all producers and consumers. Centralised marketing with pooling does not allow the marketing system to evolve, nor does it minimise marketing costs. The other objective of pooling was to manage inter-temporal price risks. In the process, a collective solution to risk management was imposed on growers. Pooling affects farm decision-making. Choices available to farmers for risk management, financial management and marketing are severely limited. Risk management provided collectively does

not suit individual needs. Farmers do not have identical interests; instead, farmers are in competition with one another for resources.

The distinction between economic theory and empirical evidence relevant to policy-making at the firm and industry levels is neglected in discussion of grain marketing in Australia. This is due to the nexus between the pooling concept and the politics of grain. Intrusion of politics into agricultural marketing is the direct result of compulsory participation of farmers in SMAs. The notion of a grain 'industry', reflecting collective interests of farmers and SMAs involved in marketing, is constantly invoked in discussions of grain marketing. Farmers and their organisations see SMAs as responsible to them and this is the legislative intent of government. The grain 'industry' is an ambiguous concept because of farmer differences in size, location and aspirations. Whose interests are of concern is not clear in discussions of grain marketing. There have been faltering steps towards deregulation of the Australian grain industry, but there is no evidence that the dilemma of compulsory participation in marketing has been resolved. Compulsory pooling of receipts and marketing costs will continue, based on a political concept of the grain industry rather than an economic concept recognising competition among farmers and marketing firms.

The second reading speech by the Minister for Primary Industries and Energy introducing the Wheat Marketing Amendment Bill 1997 made that clear in stating:

the restructure of the Australian Wheat Board brings to fruition a process . . . aimed at putting ownership and control of wheat marketing firmly in growers' hands. This will enable the industry to control its own future without the restrictions of government control and regulation. (Anderson 1997, p. 1)

Nor did Minister Anderson envisage any change to the export monopoly, stating at page 5 that 'the Amendments . . . in no way threaten the export monopoly — it will continue to be enshrined in the legislation. The export monopoly is a fundamental part of both National Party policy and Coalition policy.'

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