



Deregulating Australia's Wheat Trade: from the Australian Wheat Board to AWB Limited

Geoff Cockfield

University of Southern Queensland

Linda Courtenay Botterill

The Australian National University

In 2006 in Australia there was an inquiry into allegations of kickbacks being paid to the former Iraqi regime by the grain trading company AWB Limited. The inquiry and its aftermath provided an opportunity for proponents of unregulated trade in wheat to press for the removal of the AWB's control of export sales. This article is a review of the history of the development and dismantling of wheat marketing regulation in Australia, treated as a case study to illustrate two things: the shift in the prevailing values in Australian agricultural policy over the last 35 years; and the way in which legislative cycles, reviews, institutional change and particular events provide opportunities for policy advocates to press for change, in this case over at least 40 years. It is argued here that the dominant paradigm for trading agricultural commodities shifted from one based on agrarian collectivism and sectoral stabilisation to a less regulated system with the focus on the values of efficiency and competitiveness.

In November 2005 the Australian Government established an inquiry with the powers of a Royal Commission headed by Terence Cole to investigate allegations that the corporation AWB Limited¹ (formerly the statutory authority Australian Wheat Board) had made payments to Saddam Hussein's regime in Iraq through a Jordanian-based transport company in order to secure wheat sales, accusations originally raised by the UN Oil-for-Food inquiry headed by Paul Volker. Initially journalists pursued themes such as 'trading with the enemy', 'sanction-busting', government cover-ups and ministerial responsibility. Another storyline became evident as those critical of the effective monopoly power of AWB over wheat exports were reported in the media. Legally, the export monopoly was held by the statutory Wheat Export Authority, but AWB Limited had effective veto power over the issuing of export licences. In light of the evidence emerging from the Cole Inquiry, a number of AWB Limited employees resigned, some faced prosecution, the Iraqi Government suspended wheat purchases from Australia, the US Government prevented AWB Limited from trading in the US and the power of veto over export wheat sales was transferred to the Federal Minister for Agriculture, Fisheries and Forestry as a temporary measure while the government considered the future of the export monopoly arrangements.

¹ In order to avoid confusion between the Statutory Authority and the privatised entity, this paper applies the following usage (except in quoted material in which the form of the original has been preserved). When referring to the pre-1999 Statutory authority, the terms 'the Australian Wheat Board' or 'the Wheat Board' will be employed. For the post-1999 situation 'AWB Limited' is used.

In spite of its international advocacy of free trade in agriculture — most notably since the commencement of the Uruguay Round of multilateral trade negotiations over twenty years ago — Australia has a history of government intervention in agricultural production and marketing which left few sectors unaffected. From the early 1960s, critics of Australia's agricultural policy settings became increasingly active in pointing out the cost and distortionary effects of subsidies, compulsory marketing systems underpinned by floor prices and other farmer support mechanisms. The wheat industry, along with the wool and dairy industries, had been one of the "most significant of the farm industries subject to price-fixing arrangements" (Hefford 1985:296) and these three were subject to particularly vigorous attack by market-oriented critics. Some minor changes to wheat marketing arrangements were evident in legislation passed in 1968, but it was the change of government in 1972 that provided an opportunity for a broader discussion of rural policy in general and agricultural support programs in particular. From 1972 agricultural protection, marketing and subsidy systems started to be deregulated (for a more detailed description of the pre-1972 situation see Botterill 2005) though the processes of deregulation were incremental and often involved offsetting government expenditure through various adjustment schemes (Cockfield and Botterill 2006). The processes of deregulation accelerated in the 1980s and 1990s, continuing into the current decade with the dismantling or diminution of statutory marketing arrangements for cotton, peanuts, dairy products, sugar and the domestic trade in wheat.

The rise and decline of the statutory marketing of wheat

The history of collective marketing of wheat in Australia since Federation can be categorised as four, sometimes overlapping, phases: temporary centralisation; entrenchment; challenge; and dismantling. Temporary centralisation occurred in two episodes, the first of which was a national war-time wheat Board established in 1914 which acquired and sold almost all wheat, including that bound for export. The Prime Minister of the time, Billy Hughes, had promised merchants that the Board was only temporary and its powers lapsed in 1920 despite grower support for a continuation of the arrangement (Whitwell 1993:27). In 1921 the state governments of Queensland and Western Australia opted to continue their own statutory marketing arrangements (Marriott and McLean 1991:35). A second 'temporary' Australian Wheat Board was constituted in 1939 with the war-time powers to acquire all wheat. In 1940 a stabilisation scheme with a guaranteed minimum price was proposed and agreed to by state premiers after some haggling over pricing (Marriott and McLean 1991:87). Wheat from individual growers was 'pooled' and sold in large batches, generally at a standard price or within a narrow price range.

This system continued until a more permanent scheme was instituted in 1948, the start of entrenchment of the national system. From 1948, wheat prices were fixed, based on an estimate of cost of production, with export income above that price used to build a 'stabilisation' fund to top up prices as required (Whitwell 1993:29). Domestic prices for consumers were effectively pegged to the guaranteed price for producers. The supporting legislation required regular reviews and renewals, usually at three year intervals. The system was strongly supported by government and the key industry organisation of the 1960s, the Australian Wheatgrowers Federation (AWF), regarded the wheat stabilisation scheme as an article of faith and vigorously lobbied for its retention on grounds of national interest (Whitwell 1993:34). With political support, a generally strong economy and little public concern about the economic transfers involved, the price stabilisation scheme was routinely renewed almost without serious question.

By the 1960s, however, agricultural marketing schemes, while still enjoying strong political and even public support, were being challenged. An agricultural economics society had been formed and an accompanying journal launched in the 1950s. These were to provide platforms for criticisms of government policies and government agencies, such as the Bureau of Agricultural Economics (BAE), which mainly enacted rather than examined policy (Gruen 1986:11). A 'ginger group' of agricultural economists, strongly influenced by free market thinking "assumed a crusading role — a role of exposing special interest provisions in various agricultural protection schemes" (Gruen 1986), making submissions to various inquiries into marketing schemes and contributing critical general and academic articles (see for example McKay 1967; Makeham and Bird 1969; Lloyd 1970; Campbell 1971; Lewis 1972). There were also some Federal Liberal Parliamentarians explicitly pressing for deregulation, notably grain growers Bert Kelly from South Australia (elected in 1958) and John Hyde from Western Australia (elected 1974). At Cabinet level, support for 'orderly' marketing was still strong but by the end of the 1960s, there were signs, albeit minor ones, of policy change.

Wheat marketing arrangements were revised in 1968, including an effective reduction in the guaranteed price, though it remained partially based on cost of production. In 1969 an oversupply of wheat led to the imposition of production quotas, coinciding with an expansion of the wheat belt in the north and west of the country. Historically-based quotas thus excluded 'new' growers moving into the 'frontier' regions, with some farmers effectively becoming dissidents, selling wheat either illegally or relying on an imaginative interpretation of the Australian Constitution which ostensibly protects free trade across state borders. Thus, by the end of the 1960s, there were challenges to the system based on advocacy for the general benefits of unregulated markets and a challenge to the omnipotence of the system as some growers operated outside it.

The challenge to the centralised marketing systems moved into key political institutions following the election of a new Government in 1972, which had few political ties to the agricultural lobby. A Green Paper on Rural Policy (Harris, Crawford *et al.* 1974) signalled that agricultural policy was to be interpreted more broadly — as rural policy, with consumers and non-farming stakeholders to be considered. In effect, this broader interpretation led to explicit discussion of the costs of subsidies on taxpayers and the costs of price floors on consumers. The Government also established the Industries Assistance Commission (IAC) as a mechanism to examine industry requests for government assistance. In reaction to the cosy arrangement that its predecessors had established with farm groups, the Government legislated to include agricultural industries in the ambit of the Commission. The IAC, staffed largely by economists, cast a critical eye over wheat marketing, producing three reports over the next 15 years, each essentially pressing for increased competition (Whitwell 1993:39, 41).

In 1974 the government proposed some modest changes to the wheat marketing legislation. The Bureau of Agricultural Economics — by now more critical of agricultural support mechanisms — had proposed that there should be a lower guaranteed price for wheat growers than had been the case (Whitwell 1993:195). The Australian Wheatgrowers Federation agreed to a guaranteed pricing formula based on a mix of the previous prices and current export and domestic prices which effectively eliminated rapid price fluctuations but over time the effect of low market prices would eventually tell. The Government would effectively carry finance costs. Other concessions were made to appease state governments and what Whitwell and Sydenham (1991) describe as the "chipping away at the stone" of the post-war wheat stabilisation scheme had begun. The dismantling phase was to start in earnest in the late 1970s.

By the late 1970s, the wheat marketing policy environment was becoming more open through forums such as the first IAC wheat inquiry (1977-8) and the review of the AWB conducted by the Senate Standing Committee on Finance and Government Operations. There was an increase in the use of professionals within the AWF during this period (Whitwell and Sydenham 1991:198). The IAC proposed that the domestic market should be deregulated and the 1979 *Wheat Marketing Bill* should include a guaranteed minimum price based on 95 percent of the expected returns for that season, announced before harvest. This proposal was not fully implemented but a system whereby producers could apply, under very limited circumstances, for licences to sell wheat privately was introduced. The pricing system was now based on an estimate of likely current prices, effectively removing a full floor price system and moving growers another step towards a market environment.

The Government continued to carry the cost of a guaranteed first payment and subsidised the final returns if they fell below the price estimate (Whitwell and Sydenham 1991:211). Price differentials for different grades (quality) of wheat were allowed to widen. This seemingly innocuous decision spelt the beginning of the end of pooling wheat of different quality. Wheat with high protein value, for example, was now segregated, with the producers of that premium wheat receiving a higher price. These changes established the principles of price exposure and differentiation of products, which were to gain primacy over time.

During the 1980s, anti-protectionist and free market discourses became more evident in debates over agricultural policy. The Grains Council of Australia (the AWF until 1979), were providing market oriented submissions to the review processes. These policy positions were associated with a shift to a younger and in some cases better educated generation of agri-politicians (Whitwell and Sydenham 1991:217), some of whom were later to come under the Cole Inquiry spotlight in 2006. Farm organisations had been re-structured in the late 1970s to create the National Farmers Federation (NFF) which emerged as a strong advocate for deregulating the economy. This, it was argued, would reduce input costs for farmers but this position then made it difficult for the NFF to continue to argue for protection for agriculture. The Federal Government received the second IAC report on the wheat industry in 1984, urging more deregulation and the *Wheat Marketing Act 1984* contained some major changes, including opportunities for direct trading of wheat. Stock feed permits were issued to potential buyers, allowing them to directly approach growers and, though actual trading was only a small proportion of the total crop, it was probably rightly seen by growers as the “thin end of the wedge” of deregulation (Whitwell and Sydenham 1991:220). In addition, the system of separate wheat quality pools was expanded, increasing the degree of product differentiation.

In 1989, the Commonwealth government entirely removed the Australian Wheat Board's monopoly on wheat sales within Australia; removed the guaranteed minimum price; extended the Wheat Board's right to trade in grains other than wheat; and established a Wheat Industry Fund (WIF) to build up a capital base for financing harvest payments to growers (Watson 1999:438). The 1989 deregulation “occurred against the wishes of the organized grains industry” though it was later supported by a majority of growers (Watson 1999:439). The grains industry was, however, in the somewhat inconsistent position of supporting the Australian government's free trade agenda in the Uruguay Round of multilateral trade negotiations while continuing to support the retention of an export monopoly. Advocates of the single desk used the existence of US and European wheat export subsidies as part of their justification for retaining the arrangements but this did leave Australia open to criticism from its protagonists in the trade talks, as the US particularly saw

the Australian Wheat Board and Canadian Wheat Board arrangements as “state trading” (Watson 1999:430). As leader of the Cairns Group, Australia was active in the campaign to bring agriculture under the trade liberalisation agenda of the GATT and the export monopoly was a potential weakness in its position.

In 1991 the Grains Council of Australia (GCA), launched its *Grains 2000* project to plan future directions for the Australian grains industry following domestic deregulation. A tripartite Working Party comprising the Commonwealth Department of Primary Industries and Energy, the Australian Wheat Board and the GCA was formed and charged with considering the corporate and legal structure of the Australian Wheat Board into the future. In 1995, the Working Group proposed three options for consideration — the *status quo*, corporatisation, or privatisation. The proposals were mailed to growers in Australia, followed by a series of consultation meetings between producers and industry leaders. Meetings attracted between 40 and 250 self-selecting participants and were structured around a presentation outlining the problems with the *status quo* and proposing the two alternatives, with a presentation from the Board’s Chair, largely supportive of the privatisation option. Attendees at the meetings were overwhelmingly opposed to privatisation and supported the need to retain the single desk export monopoly, and the maintenance of grower control over any future Wheat Board structure. Attending growers were very concerned that a privatised body freely traded on the stock exchange would be more concerned with maximising returns to shareholders than to wheat growers.

With dissidents largely boycotting the process, the outcomes of the consultation were unsurprising with those defending the *status quo* more vocal in the debate. Despite this, in April 1997 the Grains Council endorsed a new structure for wheat marketing which was adopted by the government, whereby the Australian Wheat Board was privatised and established as a company operating under Corporations Law. Grower holdings in the Wheat Industry Fund were converted to ‘B class’ shares in the new company to provide the capital base for the business. In addition, ‘A class’ shares, which do not attract a dividend, were issued to growers under a structure that ensured that they effectively controlled the company. The legislation transformed the old statutory Australian Wheat Board into the Wheat Export Authority (WEA) with two functions: to control the export of wheat from Australia and to monitor the performance of the grower owned company which managed the pool. The grower owned company had an automatic right to export wheat through an exemption from the requirement to gain an export permit from the WEA. Requests to export by companies other than the grower body would be considered by the WEA “in consultation” with the grower company (Anderson 1998:3332), effectively giving the company the power of veto over competition.

The transition to the new structure was undertaken in two steps with amendments to the legislation in 1997 and 1998. In the Second Reading Speech, presented on behalf of the responsible Minister, John Anderson, Bruce Scott stated

Before outlining in detail the key elements of the bill, so there can be no doubt, let me make clear that the amendments contained in the bill in no way threaten the security of the export monopoly — it will continue to be enshrined in the legislation (Scott 1997:6475).

The 1997 legislation provided the structure for the industry for the period to 30 June 1999 with the final step to full grower ownership and control legislated in 1998. AWB Limited listed on the Australian Stock Exchange in August 2001 and the ‘B’ class shares became fully

tradeable. Although the mixed model of domestic free markets and *de facto* single desk exporting still attracted sporadic criticisms from dissident growers, US farm organisations and those of a libertarian mind, there was little will on the part of government to pull away this last statutory plank. The Iraqi scandal provided an opportunity, outside the legislative review process, for critics to demand it do so.

Arguing over the single desk

Watson has argued that “the debate over the single desk is a mixture of arguments about questions of fact, economic theory and measurement, and value judgements” (Watson 1999:430). The policy changes described above effectively shifted the balance of market power from producers more to buyers in the domestic market and the end of the single desk would see the same in international wheat markets. The values used to justify originally shifting market power to producers were economic and social stability (sectoral and national), fairness and to some extent egalitarianism, while those supporting deregulation cite the values of efficiency, transparency and accountability and a different interpretation of fairness, relating more to equal treatment than equal outcomes.

Values and the Interpretation of Economic Theories

While war-time national interest was the trigger for a centralised system, there was a backdrop discourse casting producers as being unfairly disadvantaged by a lack of market power. In the early Federation period, according to Whitwell:

“(T)he market environment left the grower exposed to price and production instability, revealed the risks of being reliant on a single source of income and of being too heavily in debt, heightened his sensitivity to rising costs and left him reliant on and suspicious of middle men.” (Whitwell 1993:24).

It was the perceived behaviour of the middle men that was such a feature of early campaigns for collective marketing. One state parliamentarian railed in 1902 against the North American market system in which the farmer “has to contend single-handed against the generally superior skill and knowledge of the dealer or miller while his own strength of resistance is often weakened by the keen pressure of the need for cash” (cited in Marriott and McLean 1991:9–10). He then proposed that “what is wanted is to establish ... a market where buyers and sellers may meet on more even terms” (Marriott and McLean 1991:10).

Wheat-growers were especially vulnerable because they could not easily store a perishable commodity, their knowledge and understanding of grain markets was likely to be limited by education and communication systems and they were often under financial pressure. In some cases this financial pressure was initially due to policy decisions by governments, so there was a possible case for assistance as an offset to these. In particular, closer settlement and returned soldier (from the two world wars) settlement policies, enacted to develop a class of yeoman farmers for various political and social reasons (Connors 1970; Lake 1987), created economically undersized farms, often on land of marginal quality. Farmers were expected, and in some cases required, to grow grain, with land allocations and tied finance used to promote this end no matter the demand for grain (Whitwell and Sydenham 1991:33).

Producers were also disadvantaged by other government decisions. In one case in the 1930s, the Federal government tried to solve a macroeconomic problem by boosting wheat exports and so ran a “grow more wheat campaign” only to have the price collapse at the

harvest end of the season (Whitwell and Sydenham 1991:35-36). Furthermore, from the 1920s extensive protection of secondary industries developed and farmers could argue for similar treatment, especially since the industrial protections probably increased the cost of farm inputs. In addition, during the two world wars, the wheat industry was partly nationalised to serve the war efforts. Fairness was however not the only consideration. It has been argued that Australian industry and agricultural policy was based on an implicit acceptance of some trade-off of efficiency to increase social and economic stability, something essential for a new nation developing in a physically harsh and geographically isolated (from the Western World) land (White 1992).

With that came some acceptance of the benefits from collective action to spread risks. According to one wheat industry stalwart of the 1960s and 1970s, Sir Les Price:

“the very basis of successive wheat stabilisation has been orderly marketing by pooling ... with growers sharing the pluses and the minuses on a pro-rata basis. This implies that the cost of maintaining the infrastructure of the system should also be shared ... savings could be effected by some growers delivering direct to end users, but those savings must be shared by all growers, not just growers who happened to be geographically close to the end users.” (Whitwell 1993:45).

Apart from ‘equalising’ costs, wheat quality was also to a great extent equalised, with those with lower protein levels in their wheat being effectively cross-subsidised. Such ‘equalisation’ policies were in accord with a political and social culture, which while essentially capitalist, did not deify individualism.

Finally there was an argument that agriculture had an intrinsic cultural value. This is not unique to Australia and has long been part of Western culture (Montmarquet 1989). Indeed, it was a value still evident in 2005, when the Prime Minister, John Howard, arguing in favour of drought aid for farmers claimed that “we’re not only talking here about the economics of farming, we’re also talking about the maintenance of a critical mass of rural people, which is part of this country’s identity, and part of the character of this country” (ABC 2005). The long-term entrenchment of agrarian myths, actively promulgated by state and cultural elites and producer organisations, contributed to a climate of elevated expectations, amongst producers. Against this background, the state could be seen to have some obligation to either fulfil or change those expectations.

Some of the arguments for regulated marketing have, however, been undercut by technological and social change. Agriculture is no longer a dominant industry, though wheat remains a major export commodity. The wheat ‘frontier’ has in fact retracted as the limits of climate and fertility are acknowledged and costs of production are felt. Farmers can now store and preserve wheat on-farm, so centralised handling is not as important as it was and, with modern communications and education, farmers are expected to be as aware of market conditions as any other business person. Hence, state supported mechanisms to sustain market power can be seen as ‘unfair’, or at least inconsistent, in that the state would be favouring a particular industry. In 1934 one prescient economist, referring to arguments for the setting of a wheat price based on costs of production noted that “...a subsidy once gained in this way is likely to continue without criticism...(W)ith Governments, producers and money interests in an unholy alliance, criticism can be safely ‘dismissed’ as ‘academic’” (Giblin 1934: 13).

Using a competitive market model, price floors and direct and indirect subsidies can be seen as, respectively, impositions on consumers or taxpayers. According to Lewis in an article attacking dairy industry protection in Australia, a production activity that was even more extensively regulated than wheat growing, ‘there is an ultimate limit to government legislation for sectional good, especially when people become aware of the detrimental consequences such measures involve for the rest of the community’ (Lewis 1972). Specifically on the wheat industry in an oversupply situation in the late 1960s, Campbell wondered:

Why should Australian consumers continue to pay nearly twice as much for the wheat used to make their daily bread as it costs to produce it in the more favoured parts of the wheat belt? Why should stock be allowed to die in Queensland, while grain elevators in southern New South Wales are choked with wheat which is unsaleable at the high prices currently being maintained? (Campbell 1972:227–8)

It was estimated by the BAE in the late 1960s report series, *The Wheat Situation*, that the wheat marketing scheme from 1958 to 1968 ‘cost’ consumers \$73 million and taxpayers \$155.6 million (cited in Hefford 1985:205).

From the 1970s, Australian political discourse and public policy became increasingly, though not consistently, influenced by neo-liberal thinking and the two major political parties and even some primary producer groups accepted a liberalised economy. The shift to market-based public policy during the 1980s in Australia, has been extensively discussed, both favourably (James, Jones *et al.* 1993; Kelly 1994) and critically (Sawer 1982; Pusey 1991; Schott 1991; Carroll and Manne 1992), and followed similar developments in the United Kingdom and New Zealand, though reforms were implemented more incrementally in Australia (Hazledine and Quiggin 2006). *The Australian* (2006) newspaper, generally a promoter of free market thinking, argued in an editorial that “(W)hat we know about competition is that it strips the fat from business and encourages innovation. Running under the heat of competition, the AWB would offer growers and its customers a more efficient service”. Other critics went further, alleging that monopoly powers led to at best a lack of accountability and at worst corruption. Wolfgang Kaspar (2006:83) argued that “(E)conomists have long known that business monopolies and the corrupt abuse of political power are inseparable twins”.

Former Head of the Australian Competition and Consumer Commission (ACCC), Professor Alan Fels, argued in a television interview that “this Iraq caper shows what a monopoly thinks it can get away with. It’s used to cover-up and ... people not knowing what’s going on” (ABC 2006). The salutary and curative benefits of competition are now widely accepted. The ACCC developed out of the 1993 Independent Committee of Inquiry into National Competition Policy (NCP) Report (Hilmer, Rayner *et al.* 1993) and NCP requires the review of all legislation to eliminate anti competitive arrangements that cannot be justified on the grounds of public interest. In its review by sectors and activity, the original Committee had examined agricultural statutory marketing arrangements and concluded that “(A)rrangements of this kind are often grossly inefficient, and effectively tax users and consumers” (Hilmer, Rayner *et al.* 1993:141). In spite of this criticism, the Grains Council of Australia managed, until the Iraq wheat scandal broke, to stave off scrutiny of the single desk and limit the impact of the national competition policy on wheat marketing legislation. The GCA had an explicit election strategy in the lead up to the 1996 election which succeeded in extracting a commitment from both side of politics that the *Wheat Marketing Act 1989* (and therefore the single desk) would not be subject to legislative review under the National Competition Policy until the end of the review cycle.

The accountability issue has also been pursued from the corporate governance perspective. In February 2006, the Australian Shareholder Association called for an overhaul of the Board structure arguing that:

The AWB board is riddled with conflicts of interest. Nine of the directors are elected by grower shareholders. Most of them are grain growers themselves. Grower shareholders receive no dividends on their shares so their interest is confined to the successful sales and marketing of their wheat crop (maximum tonnes at maximum price) and purchase of services. ... This is a massive conflict with the interest of the other shareholders who may have a greater interest in good governance. (ASA 2006).

The structure is a product of the two classes of shareholders described above which were established to meet the industry demand for grower control but it serves to insulate AWB Limited from both hostile takeover and shareholder scrutiny.

There were also continuing criticisms from within the industry that despite the domestic deregulation, the single desk was unfair in its impact on consumers, including some farmers. The Pastoralists and Graziers Association of Western Australia (PGA), the only significant state-based farm organisation to oppose the single desk has argued that when there are grain shortages, usually resulting from drought, an export price, held high by monopoly will inevitably draw stocks into that market and therefore raise domestic prices notably for farmers producing meat products (PGAWA 2005:3). The PGA also promotes another form of the fairness argument in that under the single desk, growers with a location advantage (in relation to export terminals) continue to subsidise those further from export outlets (PGAWA 2006). Finally, the continuation of the single desk has made Australian governments and producer organisations particularly vulnerable to accusations of hypocrisy, in that the single desk is counter to a general movement to global free trade, a move strongly supported by Australian Governments since the 1980s, as noted above. According to US Wheat Associates, an industry group seeking sanctions against AWB Limited as a result of the trading scandal, "... AWB Ltd's ... monopoly status has provided them a continuing ability to work outside the norms of global competition; and ... has used its unfair advantages for decades to undercut US wheat sales and hurt American farmers" (US Wheat Associates 2006).

The dismantling of the centralised domestic wheat marketing system reflected an acceptance of arguments for the efficiency and benefits to consumers of competition and the consistency and transparency of the state not playing favourites. Producers are expected to use storages, marketing information, some of which is state provided, and modern communications to survive as market power shifts more towards buyers. The pooling system is now seen as unfair because it penalises those capable of growing a better product. Efficiency and policy consistency have become more important than sectoral stability and the preservation of particular producer groups. Indeed, there has been since the 1970s at least an implicit acceptance of possible benefits from some structural adjustment in agriculture in Australia, including a reduction in the number of producers in the industries (Cockfield and Botterill 2006). There are also arguments for free global trade, based on claims of efficiency, and fairness both in terms of the 'level playing field' and providing opportunities for developing countries. The policy changes reflect a general ideological shift to market-based thinking in the Anglo-Australasian countries but in Australia the selection of processes for, and pace of, deregulation of agricultural schemes were determined by changes in the structure and influence of key institutions.

The Politics of Deregulation

The three major political institutional changes that facilitated the wheat board dismantling were the restructuring and modernisation of producer organisations in Australia; two periods of Labor Party government; and a power shift within the Coalition parties. In addition and related to those changes, specific market-oriented review and regulatory agencies were formed and came to exercise considerable influence. In the first two periods of the Australian Wheat Board development and entrenchment, the Country/National Party held up to 18 percent of Parliamentary seats, the Deputy Prime Ministership and key government portfolios, including agriculture and trade. The Party had a close relationship with farm organisations and controlled the policy development arenas through that relationship.

The election of a Labor Party Government in 1972 helped break open that policy community, paving the way for consideration of the impact of commodity support schemes on consumers and other sectors of the economy, as described above. The new Government was more market oriented, at least in regard to agriculture, than even the Liberal Party of the time, creating the IAC, developing rural rather than agricultural policies and starting to shift the wheat industry, amongst others, to market orientated positions. The subsequent Coalition Government did not substantially reverse or even halt these changes. Within the Coalition those in the Liberal Party opposed to agricultural support became more vocal. As Hefford (1985:189) notes, “towards the end of the sixties, there was an increasingly strong feeling within the ranks of the Liberal Party that its parliamentary members should have at least an equal voice in the shaping of farm policies”. The Chair of the 1979 Senate Standing Committee on Finance and Government Operations, Liberal Senator Peter Rae, castigated the Board for, amongst other things, lax accountability (Whitwell and Sydenham 1991:214), indicating that at least some Liberals did not see the marketing arrangements as sacrosanct. At the upper levels of both parties, however, key National Party figures remained influential.

In the Labor Government elected in 1983, senior figures were strongly influenced by the neo-liberalism of the time and a fear of being seen as economically irresponsible. There was early micro-economic and national financial deregulation, followed by a market-based blueprint for agricultural industries (Kerin and Cook 1988) and then National Competition Policy in the early 1990s. The Primary Industries Minister, John Kerin, had worked in the Australian Bureau of Agricultural and Resource Economics (formerly the BAE) — by now with a strong neo-liberal culture — while the influential Finance Minister Senator Peter Walsh, himself a wheat grower, was a vocal opponent of statutory marketing. Following the convening of the Iraqi wheat sales inquiry, though having retired from politics, he suggested that AWB Limited had behaved “like a mob of clowns” and proposed that the last of the single desk should go (Dodd 2006:6). The Liberal Party in opposition between 1983 and 1996 became “even more fervent supporters of economic rationalism” (Whitwell and Sydenham 1991:222).

When returned to government in 1996, the Liberal Party was committed to deregulation. This was less the case with its Coalition partner, the National Party, but the latter’s influence had declined, with support subsequently falling as low as 5.3 percent of the national vote and representation by House of Representative seats as low as eight percent. In addition, since the re-election of a Coalition Government in 1996, some Liberal members and notably those in regional and rural electorates have sought to be more assertive in relation

to rural policy and the power of the National Party within the Coalition. The Cole Inquiry provided an opportunity for some Liberal backbenchers to openly deride the National Party (Dodd 2006). Wilson Tuckey, from a large wheat-growing area, argued against the current system in 1997, describing it as “totally unworkable” and like the Shareholders Association, was critical of the creation of “a company that is run by its customers but which seeks over time to attract non-customer share capital” thus creating “a massive conflict of interest” (Tuckey 1997:9138). Even the Deputy Leader of the Liberal Party, and Treasurer, Peter Costello, who has been careful in stating his position, is seen by some political journalists as favouring full deregulation (see for example Grattan 2006). The single desk, while the subject of genuine differences in belief between members of the two Coalition partners is also a touchstone issue. National Party members want to retain their diminishing influence, while some Liberals want to relegate the junior partner to a position commensurate with its electoral support. The end of the single desk would remove one of the last symbols of National Party influence.

The decline of the National Party has also contributed to changes in the structure and operation of farm organisations. Both elected and employed personnel became more proficient at operating in open review processes and were more likely to be trained in, or accepting of, the ‘economic rationalist’ discourse. This was especially evident in the NFF, which sought to lead in the debates about deregulation of the economy, rather than just following. The difficulty was, and to some extent still is, that the peak organisation cannot easily argue for freeing up other markets so that the costs of farm inputs decline and new buyers of outputs are created, while supporting what can be seen as the maintenance of a market distortion. This dilemma is at least partly a function of the representative structure of Australian Farm organisations. Watson notes:

The politics of grain has a substantial dose of interstate rivalry, arising from interstate difference in economic interests based on end-uses of grain, difference in the structure of farms and jockeying for position in national grain organisations (Watson 1999:431).

Of particular relevance to this case is the fact that the Grains Council is a commodity council of the NFF and like the NFF does not have direct farmer membership. Grain farmers join their respective state farming organisations and then, through a grains committee or similar sub-body within the State organisation, elect two state representatives to sit on GCA Policy Council and one to sit on the organisation’s Board of Directors. The GCA, employs a small professional staff to work on national policy issues. In 2006, the Grains Council changed its corporate structure to become a company limited by guarantee, having the effect of changing the role of State delegates on the Board from State advocates to Directors with collective responsibility.

Some of the state organisations were and still are, more steeped in the agrarian populism of the 1950s and remain strongly supportive of the single desk. This limits the scope of the national bodies to agree to policy changes. On the other hand, the state-based structure also creates some dissident factions. The Pastoralist and Graziers Association of Western Australia, in long standing opposition to the single desk, is not represented on the Grains Council, although it has members who are grain growers. Thus there is fragmentation within the farm organisation network, making consensus difficult. For those of a more liberal mind within farm organisations and government, the Cole inquiry was an opportunity to press for the jettisoning of the last plank of industry assistance, with ‘proof’ of the inevitability of monopoly corruption to those of inefficiency and inequity in costs and returns.

Conclusions

There were four broad stages to wheat marketing in Australia. There were two phases of temporary centralised marketing, though with some continuity between the two with the minor wheat-growing states maintaining their own compulsory systems. From 1948 compulsory acquisition, an effective floor price and government financial underwriting were entrenched. This entrenchment was not total, given three year sunset clauses in the enabling legislation, but the politics and strength of rural mythology and sectoral political power helped support the system. There was a period of challenge from the late 1960s into the 1970s, with agricultural economists pointing out the costs of centralised marketing on consumers and taxpayers and even on producers because of the incentive to oversupply wheat. The market-based critique, drawing on classical liberalism and microeconomic analysis, also became increasingly influential within the bureaucracy with the policy advisory agency, the BAE, moving from merely the enactor of policy to include roles as reviewer and sometime critic of existing policies. In effect, the challenging continued into the next phase and will continue until the single desk is no more.

Kingdon draws the analogy between the window of opportunity available for space shots and the windows that similarly open in policy systems when policy entrepreneurs can bring together their conception of problems and solutions in a receptive environment (Kingdon 1995:166). Such a fortuitous alignment of the policy planets presented itself to opponents of agricultural regulation in 1972, 1983 and, with the Cole Inquiry, in 2006. The conditions for the eventual dismantling of wheat marketing regulation originated with the election of a Labor Government in 1972. The change of government disrupted the agricultural policy network of the time and led to the creation of a review organisation and review processes that were eventually to have considerable impact on wheat marketing. Consumer and national interest were now to be considered and reviews were to become more public. Tariffs on industries, including agriculture were cut and subsidies wound back. The Government also instituted the IAC, which was to become an institutional carrier of neo-liberal ideas, as well as developing transparent industry review processes. The 1979 wheat marketing legislation introduced a modest opening of the domestic wheat market and a pricing system more closely linked to prevailing prices. The system smoothed price fluctuations rather than protecting against them.

With the election of another 'circuit-breaking' Labor Government in 1983, the pace of change accelerated, so that there was almost complete domestic deregulation by the end of the decade. The single desk remains, even as almost all other agricultural industries have been weaned off direct subsidies and marketing support. It is a remnant of a system, legacy of the former power of a rural political party and farm organisations and their capacity to effectively use agrarian populism and hard-headed political trading in combination. It is also a remnant of a time when the values of stability and fairness in markets for producers were more heavily weighted. The policy mood has shifted, not only in Australia, and the values of efficiency and fairness with regard to state treatment of sectors are now of greater importance.

This change has provided an opportunity for interests opposed to the single desk, including private grain traders, farm organisations in other countries and even some farmers and farm organisations within Australia to advance their case through the media and in Parliament. The agricultural policy environment is now more open than it was and the message that free markets may deliver better outcomes has gained ground, both within the sector and more generally. After 34 or more years of incremental change, the opponents of collectivism have achieved a piece-by-piece dismantling of the wheat marketing system. The Cole Commission may have provided an opportunity for pressing for the last element to be removed, though some farm organizations and National Party politicians continue with a rear guard action.

Bibliography

Anderson, John (1998) 'Wheat Marketing Legislation Amendment Bill 1998: Second Reading Speech', *House of Representatives Hansard*: 3331-2.

ABC — Australian Broadcasting Corporation (2005) 'Govt Unveils Extra \$250m in Drought Relief', 7.30 Report, May 30.

ABC (2006) 'Wheat Farmers Aghast at Oil-For-Food Revelations', 7.30 Report, January 19.

ASA — Australian Shareholders' Association (2006) 'ASA Calls for Restructure of AWB Board', Media Release, February 23.

Botterill, Linda (2005) 'Policy Change and Network Termination: the role of farm groups in agricultural policy making in Australia', *Australian Journal of Political Science* 40:2.

Campbell, Keith (1971) 'Rural Reconstruction', *Current Affairs Bulletin*, 48:3.

Campbell, Keith (1972) 'Problems of the Wheat Industry' in C. D. Throsby, ed., *Agricultural Policy*. Harmondsworth: Penguin Books,.

Carroll, John and Robert Manne, eds (1992) *Shutdown: the failure of economic rationalism and how to rescue Australia*. Melbourne: Text Publishing.

Cockfield, Geoff and Linda Botterill (2006) 'Rural Adjustment Schemes: juggling politics, welfare and markets', *Australian Journal of Public Administration* 65:2.

Connors, Tom (1970) 'Closer Settlement Schemes', *Australian Quarterly* 42:1.

Dodd, Matthew (2006) 'Finger Pointed at US Farmers', *The Australian*, February 14, 6.

Giblin, L F (1934) 'The Home Price and the Export Industries', *Appendix A: Royal Commission on the Wheat, Flour and Bread Industries, Supplement to the First Report*. Canberra: Commonwealth Government,.

Grattan, Michelle (2006) 'Now, Look Who's Stalking', *The Age*, at <http://www.theage.com.au/news/opinion/now-look-whos-stalking/2006/10/26/1161749249634.html?page=2>, accessed December 15 2006.

Gruen, Fred (1986) *A Quarter of a Century of Australian Agricultural Economics: some personal reflection*. Canberra: Centre for Economic Policy Research, The Australian National University.

Harris, S F, J G Crawford, F H Gruen and N D Honan (1974) *The Principles of Rural Policy in Australia: a discussion paper. Report to the Prime Minister by a Working Group*. Canberra: AGPS.

Hazledine, Tim and John Quiggin (2006) 'No More Free Beer Tomorrow? Economic policy and outcomes in Australia and New Zealand since 1984', *Australian Journal of Political Science* 41:2.

Hefford, Ron (1985) *Farm Policy in Australia*. St. Lucia: University of Queensland Press.

Independent Committee of Inquiry into Competition Policy in Australia, 1993, *National Competition Policy: Report by the Independent Committee of Inquiry into Competition Policy in Australia*, Canberra: AGPS.

James, Chris, Chris Jones and Andrew Noprtion, eds (1993) *A Defence of Economic Rationalism*. St Leonards NSW: Allen & Unwin.

Kaspar, Wolfgang. (2006) 'Single-Desk Philosophy Reaps What it Sows'. *Australian Financial Review*, February 10.

Kelly, Paul. (1994) *The End of Certainty: power, politics and business in Australia*, St Leonards NSW: Allen & Unwin.

- Kerin, John and Peter Cook (1988) *Primary Industries and Resources: policies for growth*, Canberra: Commonwealth Department of Primary Industries and Energy,.
- Kingdon, John (1995) *Agendas, Alternatives and Public Policies*, New York: Longman.
- Lake, Marilyn (1987) *The Limits of Hope: soldier settlement in Victoria 1915–1938*, Melbourne: Oxford University Press.
- Lewis, Jack (1972) 'Milking the Australian Economy', in C. D. Throsby, ed., *Agricultural Policy: selected readings*. Ringwood: Penguin,.
- Lloyd, A G (1970) 'Some Current Policy Issues', *Australian Journal of Agricultural Economics* 14:2,.
- Makeham, Jack and J. G. Bird, eds, (1969) *Problems of Change in Australian Agriculture*. Armidale NSW: University of New England.
- Marriott, Richard. and Gus McLean (1991) *Going with the Grain: a history of Queensland's State Wheat Board*. Toowoomba Qld: State Wheat Board.
- McKay, D H (1967) 'The Small-Farm Problem in Australia', *Australian Journal of Agricultural Economics* 11:2.
- Montmarquet, James (1989) *The Idea of Agrarianism*. Moscow ID, University of Idaho Press.
- PGAWA — Pastoralists and Graziers Association of WA (2005) *Submission to the Productivity Commission Inquiry into the Australian Pigmeat Industry*, Perth, Pastoralists and Graziers Association of WA.
- PGAWA — (2006) 'WA Urges McGauran to Rethink AWB Monopoly', *Media Release*, Pastoralists and Graziers Association of WA, January 11.
- Pusey, Michael (1991) *Economic Rationalism in Canberra: a nation-building state changes its mind*. Cambridge: Cambridge University Press.
- Sawer, Marian. (1982) *Australia and the New Right*. St Leonards NSW: Allen and Unwin.
- Schott, Kerry (1991) 'Economic Rationalism in Canberra', *Current Affairs Bulletin* 68,.
- Scott, Bruce (1997) 'Wheat Marketing Amendment Bill 1997: Second Reading Speech', *House of Representatives Hansard*, 6473–6.
- The Australian (2006) 'Editorial: AWB is out of date', *The Australian*, February 10, 83.
- Tuckey, Wilson (1997) 'Wheat Marketing Amendment Bill 1997: Second Reading Debate'. *House of Representatives Hansard*, 9138–40.
- US Wheat Associates (2006) 'Trade Policy Statement: USW Resolution on AWB', February 4, <http://www.uswheat.org/tradePolicy/doc/3D0ED8DE253D3FBB8525710E004E4AC3?OpenDocument>, accessed November 10 2006
- Watson, A S (1999) 'Grain marketing and National Competition Policy: reform or reaction?' *Australian Journal of Agricultural and Resource Economics* 43:4,.
- White, Colin (1992) *Mastering Risk: environment, markets and politics in Australian economic history*, South Melbourne: Oxford University Press.
- Whitwell, Greg (1993) 'Regulation and Deregulation of the Australian Wheat Industry: the 'great debates' in historical perspective', *Australian Economic History Review* 33:1,.
- Whitwell, Greg and Diane Sydenham (1991) *A Shared Harvest* South Melbourne, Macmillan.