



30-08-2013

Matters of Economics. A letter from AWGA member, Ted O'Brien

G'day. We are still here, not having as much fun as we should. Live in hope.

I see WoolProducers are still running our industry at the call of our mortal enemies.

Firstly, a comment I made on another story. You commented on the same subject on another page.

This \$134 million will be just more waste if nothing is done to correct the fundamental faults in ag policy.

1. Unilateral trade reform - the notion that Australian ag can operate in a heavily corrupted world market with no support, and

2. The corruption (inflation) of our exchange rate with interest rates comparatively much higher than world rates, over the entire period since our \$Au was "floated", and by selling off capital items to pay current accounts.

Stopping the Graincorp takeover would send a clear message on the second front, countering the Arnotts takeover 20 years ago.

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You may not remember the Arnotts takeover. Campbells made an offer, shareholders were reluctant, then one day before the closure, it was revealed that Campbells had a hitherto secret agreement with the government to, if successful, make Australia their base for operations into Asia.

Whereupon AMP delivered sufficient shares to Campbells to give them control.

The institutional directors were over a barrel. No time for research, they might have found themselves challenged had they held out, and the Minister's intentions were clear.

The purpose of the intervention was to prevent normal market forces from devaluing the AU\$.

The takeover was completed a couple of years later.

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Another bit of useful history you may not know of.

We purchased Coggan Creek in 1969, intending to run cattle and develop the place with the money we made from wheat, working both Roscommon and Coggan Creek with Dad's existing farming plant. When fencing and water distribution permitted we would run Merino sheep too.



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The vendor's solicitors dawdled so long that we missed out on getting a crop in 1969. In 1970 we got no rain to sow, so, in the spring, I sowed 120 acres of grain sorghum intending to use it for grazing. We had had no satisfaction with the Sudan Grass type at Roscommon, but had once sown a paddock with grain sorghum, from which we got phenomenal grazing production after local grasshoppers ate us out in the grazing country.

As it turned out we had a wet summer, the sorghum grew well, and so did the grass, so we didn't need it for grazing.

We had never tried to grow sorghum for grain, because the price was too low. But that year a lot of people had sown sorghum, and the crops were good. The price was \$23 a tonne, with three merchants on the same price. Dalgetys, McQuorquodales and Bunge.

Up Quirindi way, a couple of enterprising blokes, Fred Pursehouse and Ian Hamparsum, with Don Barwick from Duri, a board member on the Wheat Board and one of the great men of Australian agriculture, involved, noted that this sorghum that they were offering \$23 a tonne for was being loaded onto ships at a price which would deliver \$39 a tonne at Quirindi. The trouble was that to get the \$39 you had to have a shipload.

So they and others formed a company called The Coarse Graingrowers Association, and canvassed growers to deliver their sorghum into their pool, with the expectation of \$39 at Quirindi. They leased off season wheat handling facilities from the Grain Elevators Board.

We committed. When harvest started there were rumours that the CGGA was broke and wouldn't be able to pay. Dalgetys raised their price to \$27. And guess where Dalgetys took delivery of their grain? Into the CGGA pool!

We got our \$39 at Merriwa, in staggered payments on the same system as with wheat.

And that was how Australia's grain sorghum industry got off the ground.

In later times state grain trading organisations got into trouble when volatile prices saw some growers renege on supply, and also when some operators punted on the futures. It was to prevent the renegeing and undercutting that the AWB was given a local monopoly.

At the meeting in Merriwa canvassing, Don Barwick spoke, telling us how the wheat was marketed, the problems you faced and so on. He told a story. One of the things you had to study is, where is your competition?

Our Northern hemisphere competitors were out of sync with us, which provided substantial benefits, because you could see their performance while making our decisions on sowing.

In the Southern hemisphere, our potential competitors were Africa and South America. Africa struggled to feed itself, but South America was a very different story.

He said that when God made the world, he made South America last. As the angels beavered away building vast plains with 40 ft of soil and mighty rivers running through them, they started saying: "Lord, Lord, you are not being fair to the rest of the world giving South America all these wonderful resources".



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To which He replied: "Aha, just wait till you see the people I give it".

Which, 43 years on, you could just about now say of Australia.

I have decided I should campaign ad nauseum against the NFF policy of Unilateral Trade Reform. I am surprised that so few people seem to understand what it is. I will also rabbit on about the "dirty float" of the exchange rate. It was called a dirty float at the outset, and has been for the entire period since, with high interest rates and constant stretching of foreign investment rules. The resulting losses for exporters and import competitors has been compounding all that time.

Wishing you all the best,

Ted O'Brien.
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