



**Australian Nuffield Farming  
Scholarship Association**

2001 Scholarship Report  
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By

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## **Executive Summary**

While investigating value-adding opportunities, throughout the course of my Nuffield study and following my return, I have come to the realisation that the mechanism for Australian grain farmers to become involved further along the supply chain already exists.

With all of our grain marketers and grain handlers coming into existence as co-operative structures under government legislation over sixty years ago, we have in recent times seen these bodies become corporate entities. They are public companies listed on the stock exchange with the vast majority of shareholders being those very farmers who contributed to the establishment and growth of the co-ops - all Australian grain farmers.

As these companies ventured into the corporate world – for a number of reasons, not the least being Federal Government policy regarding deregulation, they have become more attuned to the realities of a competitive world and have been actively seeking to expand their businesses. More often than not, this has been done by acquiring or establishing other businesses that reflect or compliment their own field.

This has resulted in the grain companies pursuing vertical integration. Australian farmers are majority owners of these companies and more importantly, all have incorporated structures within their management to preserve grower ownership.

Under these circumstances farmers can continue to do what we do best, produce high quality grain. As shareholders we can reap the benefits of our expanding businesses. In essence, we have ownership of our own industry, and that ownership is worth preserving.

## **Acknowledgements**

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To my parents, Wendy and Brian, and my two brothers, Michael and John and their respective families, for allowing me to pursue this opportunity and for holding the fort while I was away. Thank you.

I must acknowledge all those who assisted in the planning of our core study through SE Asia, the UK and Europe. John Foss who introduced us to Asia and the Nuffield way, my hosts in England, Guy and Julia Smith and all the UK and French scholars we met along the way.

Thanks to my fellow Nuffield travelling companions, Lynton Arney, Willy Ellison, Murray Gmeiner and Tim van Loon, along with Jim van der Poel, Oliver Glinec, Janush Negri and Doug Bruce for their friendship and guidance. Also to my referees Lyndon Masters and Max Wilksch.

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Finally, to the Australian Nuffield Farming Scholars Association for giving me such a wonderful opportunity and experience, and to my sponsors, the Grains Research and Development Corporation for their wonderful support of Nuffield.

Thank you.

## **Background**

I am a third generation farmer on South Australia's Eyre Peninsula. My grandfather originally came from the Mid-North (wheat country north of Adelaide), to work as a farmhand in the Yeelanna district in 1926. There were new farms being established in the mallee lands of Eyre Peninsula following the building of a narrow gauge railway north from Port Lincoln, beginning in 1907.

Dense virgin scrubland was available for clearing and farming, and in the southern portion of the Peninsula, rainfall was reliable and the soil productive, by Australian standards at least.

My grandfather eventually acquired some land and on that, my parents farmed and grew the business. In 1979 I began working on the family farm with my two brothers following shortly afterwards. Together we have farmed, share farmed and purchased more land on which we are now growing wheat, barley, canola and pulses. We also run sheep for wool and meat, and have some cattle. Currently the next generation of Treloars numbers nine, so we will need to continue to nurture this enterprise.

## **Aims and Objectives**

My original intention was to look at the value adding and niche marketing opportunities for Australian grain from a regional perspective. To form a basis for this study I needed to first gain an understanding of the grain industry as it exists now.

My travels showed me the huge populations and market potential of Asia, the government-regulated production of Europe, the vast wealth of the United States and finally, the resilience of the Canadian farmer.

Added to my aim was an interest in the social implications of government attitudes to agriculture. As a farmer, there was also a fair amount of practical agriculture. Farmers the world over want to know what you are doing and why.

## **Introduction**

As a grain producer, Australia is focused very much on exporting a bulk commodity on to the world market. With this in mind, two considerations in particular were made when formulating my study plan.

The first is that whilst about 80% of the Australian grain crop in any given year is exported with the remaining 20% used domestically, on the Eyre Peninsula we are probably as far from any domestic market access as any grain growing region in Australia. With an excellent deep-sea port facility within close proximity at Port Lincoln, the growers on Eyre Peninsula are almost entirely export focused.

The second is that in the heart of Lower Eyre Peninsula, at Cummins, there exists a flourmill. This mill was established in 1931 during the depths of the Depression when a group of local farmers came together with the intention of adding some value to the wheat they were producing.

By 2001, when I first became interested in the concept, the Cummins Milling Company was milling wheat into flour three days a week to supply a local bakery and producing stock feed for the local sheep farmers. In a new initiative, the company had purchased a second-hand pasta-making machine and was producing fish food for the burgeoning local aquaculture industry.

While initially intending to look at value adding opportunities, my study developed into understanding grain industries, their structures, logistical operations and fundamental driving forces within communities. Further to this, I began making observations of Australian industry structures and as a result gained a better understanding of our position in a global situation.

This coincided with an increasing personal involvement in the South Australian Agri-political scene, an interest that I am currently pursuing with greater experience and insight as a result of my Nuffield study.

## **Report**

### **Asia**

My tour began with what could possibly be the last organised Nuffield tour of Southeast Asia. We were travelling post September 11 and security issues were coming to the fore. As we all came to realise the world became a different place following the attack on the World Trade Centre. Our group went into a world that was both unsure and nervous.

Five Australians – Murray Gmeiner, Lynton Arney, Willy Ellison, Tim van Loon and myself set off for Asia and during the first week were kindly escorted by John Foss. John was an Australian scholar from the previous year who gave us valuable insights and some instruction in the ‘Nuffield’ way. The second week in Asia saw him return home and New Zealand scholar Jim van der Poel joined us.

During our time in Singapore, Malaysia and Thailand, we were confronted by the huge population and the demands that population makes on resources. The prospects are that these demands will continue to increase along with the population and improving economic standards.

In Malaysia there is still evidence of the British colonial influence with palm oil plantations the main agricultural land use. There are also many rubber and cocoa plantations and apart from some rice in the north of the country, very little of the agricultural land is devoted to food crops. Palm oil competes directly on the world market with the oil from soybean and canola, with the price of all three being directly related.

It was here that I encountered the term ‘industrialisation in agriculture’ and essentially what that means is to move farming from being part of the ‘old economy’ to being part of the ‘new economy’. Recognising that food is security, government policy is intent on progressing farming and it is worth noting some comparisons between ‘old’ and ‘new’.



Old – agriculture is synonymous with farming and the production of commodities.

New – agriculture is responsible for manufacturing food products and it represents the entire food production and distribution system.

Old – farmers produce staples.

New – farmers produce niche products.

Old – hard assets – land, machinery and money.

New – soft assets – people, skills and information.

Old – adversarial relationship between suppliers and purchasers.

New – vertical integration, partnerships between suppliers and purchasers.

Old – technical skills, core competencies.

New – communication, personal skills.

Essentially Malaysia is attempting to develop farmers with the knowledge necessary for them to operate successful and profitable businesses that benefit their families and contribute to society.

## **England**

Travelling from the hot and humid conditions of Southeast Asia, we found London in February rather bracing. My introduction to British agriculture came from Guy Smith, UK Nuffield, who along with his wife Julia, were my initial hosts.

Living and farming on the Essex coast, the Smiths occupy what is officially the driest farm in England. Growing wheat, barley, rape (canola) and beans in a 19-inch annual rainfall, I was sure I would find some similarities with our farming operation at home.

Crop types and rainfall were where the similarities ended. Farming practices obviously were very different and I was surprised to discover that the mouldboard plough remains the preferred implement for primary tillage. The plough is certainly the most effective method of dealing with heavy crop residues and weed seeds invariably have difficulty emerging from a depth of 11 inches. The yields achieved are very impressive to an Australian farmer, with Guy achieving a per acre yield comparable with what we harvest per hectare.

UK agriculture was certainly flat in the winter of 2001/02, having endured an outbreak of Foot and Mouth, and BSE the previous year. Farmers were also coming off the back of a particularly wet growing season and were feeling the effects of a strong Pound. The UK is a net exporter of grain and the strength of their currency impacted on farmer's returns.

With the Common Agricultural Policy (CAP) being developed and administered from Brussels, and the UK no longer having a specific Minister for Agriculture in their own government, British farmers are certainly feeling that they are losing control of their own industry and destiny.

Agri-political groups are active and vocal, with organisations such as the National Farmers Union (NFU) having good support and some influence on policy direction. The pressure on farmers from environmental groups and the urban population is enormous. Working and farming within the legislative framework is becoming more and more difficult, especially considering that much of the legislation seems to be plucked out of the air. Once in place, the laws are difficult to rescind, even if they are impractical or unworkable.

## **Brussels**

Brussels is home to the European Parliament and one of the mightiest bureaucracies one will find anywhere – the Common Agricultural Policy.

With its foundation following World War 2 and its original intention to guarantee food security, the Common Market has evolved into the Common Agricultural Policy under a united Europe – the European Union (EU).

The CAP influences production and as a result has an effect on both markets and prices of agricultural goods. The Europeans are working within the framework of the World Trade Organisation (WTO), and as such, are able to justify subsidising agriculture, so long as it is not trade distorting.

The aim of the policy over the next few years will be to move from production based support to environmental based support. By doing this, Europe will be able to satisfy WTO requirements and also fulfil the role of multifunctional agriculture.

Multifunctionality concentrates not only on the economic aspects of farming, but also provides other services to society. It provides for the production of safe and high quality foodstuffs, keeps the rural population intact and maintains the environment.

It must be understood that in the UK and Europe the farmed landscape is regarded as the natural environment. Farmers are more and more being rewarded for keeping this landscape as the urban population would want it to be. This is to satisfy their perception of the natural world and have it made available to them to enjoy and appreciate.

The EU is currently grappling with 'enlargement', which is the process where by a further fifteen countries are to be admitted to the Union. These countries are essentially the old eastern block nations and their inclusion will go even further towards establishing a combined Europe.

There are many hurdles to be overcome in this process, not the least being how to fund the largely inefficient agricultural sector in the east, while absorbing the costs and production across the whole of Europe. A prime example of this

inefficiency is demonstrated by the Polish Dairy Industry where 800,000 dairy farmers run an average herd size of only four cows.

The total budget of the EU currently runs to about 90 billion Euros. This is just 1.6% of the Gross Domestic Product with the CAP consuming about 45% of this. These figures would indicate that subsidised agriculture is affordable for the Europeans and indeed is economically sustainable. The CAP has now become an entrenched and essential part of European social policy. The question is no longer whether to support agriculture or not, but rather how to do it.

With 30% of all farm income and probably 100% of farm profit coming from subsidies, it is necessary that this support remains and with an increasing environmental focus, it becomes easier to justify.

Subsidised agriculture has become a cost of society rather than a cost to society.

## **North America**

### **Essex County - Ontario**

Following my arrival in Los Angeles, my first impressions of the US were from the air. Flying overnight from Los Angeles to Toronto, Canada, I was confronted by two things in particular. Firstly, the number and density of lights below, and then as dawn was breaking, my view of the Great Lakes. As an Aussie farmer on water restrictions, I could only look at these huge inland bodies of fresh water in awe and contemplate – if only.

My first official stop for this leg was with Jim and Ruth Clark who farm 150 acres near the shores of Lake Erie. They enjoy a 36 inch rainfall and grow wheat, soybeans, corn and canola and are close enough to the lake for it to have a moderating effect on the climate. The Clarks' are diversifying into sweet potatoes – not only are they growing a small acreage, but are sorting, packing and selling the produce themselves.

It was here that I saw for the first time Roundup Ready soybeans. The beans had been sprayed post emergent with 1.0 L/ha of Roundup, followed up by another 1.0 L/ha several weeks later. As the weeds shrivelled and died, the beans continued to thrive. Jim's father (who was in his eighties) announced "that's the darndest thing I ever did see". Others obviously agreed as the majority of soybeans grown in Essex County, were Roundup Ready.

Ontario is a very productive agricultural area, growing a large range of crops and also having proximity to large population centres providing demand. While a 'single desk' for marketing wheat had once existed, the reduced acreage given over to wheat along with a strong presence from US based grain trading companies, and lack of farmer unity, brought on the demise of this marketing system. Farmer co-operatives are in evidence as they are all across Canada and it is in this way that farmers attempt to position themselves so as to have some bargaining power when selling grain and also when purchasing inputs and services.

The Stony Point Co-op ran seven grain elevators across the county with a total of 700,000 bushels of storage and paid up farmer membership. As well as storing and selling grain, the Co-op sells chemicals, fertiliser and farm supplies. Farmers who are not members are still able to use the storage facility but pay a fee to do so.

Identity Preservation (IP) is becoming a feature of grain storage, but for farmers to take part in this requires the purchase of new seed each year, thus fulfilling the traceability requirements. It is also interesting to note that with GM soybeans being grown in the area, a test is available on-site to distinguish GM from non-GM.

Archer/Daniels/Midland (ADM), as one of the big grain trading and processing companies, is operating a crushing plant in Essex County. As a crusher, they do not distinguish between GM and non-GM grain. Crushing for stock feed means that canola at 36% protein and soybeans at 48% protein are interchangeable in feed formulas. As such, the composition of the feed will relate directly back to the price of grain, with canola being more volatile than soy.

## **Chicago Board Of Trade (CBOT)**

The CBOT remains an influencing factor in the pricing of many of the world's major agricultural products and a highlight of my study tour was to get onto the floor of the trading room for a morning's session. To see the hundreds of traders operating at a frenetic pace within the confines of the pits, taking instructions to buy or sell futures and options for bushels of grain that will be delivered sometime in the future is a sight to behold.

With speculation going on constantly about the relationship between supply and demand, and the physical factors that may influence that relationship, it was sobering indeed to have one young trader admit to me that he had never actually seen a bushel of corn – even though he traded corn on a daily basis.

The AWB is in fact the single largest entity operating on the CBOT and annually hedges approximately 20% of the Australian wheat crop. The total quantity of wheat hedged by AWB is at the discretion of the CBOT. For this reason, the total rarely moves above that 20% figure.

## **St Louis – Missouri**

The on-going and polarised debate regarding genetically modified organisms (GMO's), and their place in modern agriculture prompted my visit to the headquarters of Monsanto. This is where the technology that has resulted in BT cotton and corn, Roundup Ready canola, corn and soybeans has been developed. Ninety percent of all cotton currently grown in the US is GM, along with about 70% of the corn and soybeans. Fifty percent of the Canadian canola crop is GM, and although the release of these crops has been surrounded by much controversy, they all seem to have been readily accepted by North American farmers and in fact, the rate of up-take has been nothing short of phenomenal.

Roundup Ready wheat has recently been developed by Monsanto but its release will be influenced by consumer sentiment, far more than the feed grains were. It

would appear that it will be available for commercial release around the middle of this, the first decade of the 21<sup>st</sup> century.

Protocols are being developed with regard to storage and handling, identity preservation, traceability and quality assurance. These protocols will go a long way towards assuring consumers that they know exactly what they are getting.

It is my opinion that many of these crops have a better agronomic fit into the North American farming systems than they would have here in Australia. Given that we are already exhibiting weed populations resistant to Glyphosate (roundup), the failure to manage the use of this chemical by Australian farmers will result in the loss of the single most important tool in our current farming system.

### **Manchester – Iowa**

A brief sojourn back into the world of practical farming took me to the heart of the Mid-West corn belt and the 320acre farm of Francis Childs. Francis is a champion corn grower and enters his corn crop in the annual state and national crop competitions. So successful is Francis, that he has won eleven of the last fifteen Iowa State competitions and the last five national competitions in a row.

Last year (2001) his winning crop yielded 408 bushels/acre. During the current growing season he is expecting to harvest 480 bushels/acre and indicated that he would be aiming for 500 bushels/acre in the near future. Francis' dry land crop last year was an unbelievable 85 bushels/acre better than the second placed farmer, who grew an irrigated crop.

Farming in a 32 inch rainfall on deep black soil makes the corn growers' task not too difficult, however, I felt that this particular farmer must be doing something right and that I should endeavour to find out what it was. Very simply, his philosophy is that "good root development results in less stress for the plant". In order to create the environment that gives good root development and thus high yields, Francis follows three simple rules. He uses a high seeding rate –

400lb/acre, has high rates of applied nitrogen – 1lb of N for every bushel of grain grown, and deep rips the soil to break up the hard pan.

No Australian farmer is ever going to grow 400bushels/acre under dryland cropping. However, I do feel that the farming techniques employed by Francis Childs could result in production increases on many Australian farms. It is certainly not rocket science, merely a combination of simple yet effective strategies.

### **Winnipeg - Manitoba**

Winnipeg is situated at the eastern focus of the vast prairie grain belt of western Canada. It is the home of the Canadian Wheat Board (CWB), the Canadian Grain Commission (CGC) and the Winnipeg Grain Exchange.

The CWB holds a single desk selling arrangement that is enshrined in legislation. This legislation requires that the Board sources and sells all wheat and barley grown in western Canada for both export and human consumption. As in Australia, the single desk has its detractors. With the CWB having control over domestic markets and its move towards a more corporate structure proceeding only slowly, my impression was that grower support for the CWB is less than that enjoyed by the AWB here in Australia.

A relatively recent introduction into the structure is that of elected grower directors. One farmer gets one vote in this electoral process, no matter the tonnage of grain he produces. This is in contrast to Australia where with an A and B class share structure, AWB has become a truly corporate body. With grower control retained through the A class shares, voting strength is directly proportional to the number of B class shares held.

The Grain Commission is the instrument that oversees the transfer of grain from the local elevators to the CWB. These elevators may be owned and operated by a co-operative body or by one of the large grain trading companies such as ADM, Cargill or Louis Dreyfuss. At the elevator a farmer may sell grain to whichever grain company he chooses and then the Grain Commission will oversee the logistics of transferring grain to the CWB.



## **Western Canada**

A real feature of Canadian grain farming is that in any given harvest, approximately 80% of the entire crop can be stored on farm. On farm storage is a large but necessary investment for Canadian farmers and has made it unnecessary for the grain handling companies to have capital tied up in large storage facilities of their own. Farmers tend to deliver grain to the elevators at their leisure, usually through winter, but are also able to get an advance on that grain which is stored on farm.

The CWB has in recent years developed a range of pool options available to farmers. Usually 75% of the estimated pool return will be made at the first advance, with the rest paid out within a 12-month period.

The single desk has come under much scrutiny and debate in recent years and my feeling is that if the Canadians are serious about the single desk for export and all the benefits that pooling brings, they will need to consider deregulating the domestic market in the near future.

It is interesting to note that the only time a load of grain is rejected at the elevator is if the moisture content is too high (as in Australia), but all grain is screened before being transferred to port. There are some advantages in doing this – only sound grain is loaded onto the train for the long haul to port giving freight savings, and the elevator - company is entitled to the earnings from the sale of the screenings. These companies also have the opportunity to blend grain to ensure that a bulk shipment comes within the specifications required.

Across the Canadian prairies, one finds a cropping regime and rural social structure very similar to that found in the Australian wheat belt. Wheat, barley, canola and pulses are grown in rotation, with co-operative structures the tradition.

Unsubsidised farmers have been faced with the same dilemmas that we have in Australia. Improved farming techniques and varieties have resulted in production increases.

This in turn has seen a reduction of real farm gate returns. Without the government-funded support that exists in the US and Europe, the smaller farms

are becoming unviable. Consolidation into bigger holdings occurs, with the resultant fall in rural populations.

Obviously this is a social problem rather than an economic problem; however, true first world nations find an economic solution to these issues. Europe, Japan and the US are keeping their rural populations and regional infrastructure intact through agricultural subsidies. Countries such as Canada, Australia and New Zealand have a different approach. Without a large industrial base, subsidised agriculture is not an option. What we have seen is that the quest for increased productivity becomes an integral part of the farm business surviving. The real challenge with this approach is to develop farming systems that are truly sustainable.

Environmental concerns and social issues must be dealt with and while pondering this, I recognised a great affinity between Canadian and Australian farmers. Tough climates, tough operating conditions and tough economic realities have resulted in common traits such as a positive attitude and remarkable resilience.

### **Indian Head - Saskatchewan**

My journey westward included several more investigations into practical farming, including a visit to Jim Halford's farm and workshop at Indian Head, Saskatchewan. Jim's farm exhibited many long-term trials (20 years plus), demonstrating the benefits of a no-till seeding system. The system has an increased reliance on chemical application, particularly knockdowns, but the enhanced soil health and stability is a major positive in fragile soils. Following my return, our family purchased one of Jim's Conserva-Pak seeding bars and zero tilled our entire crop for the first time.

Also at Indian Head is the renowned Agricultural Research Foundation Farm. As with most research centres, it is situated on prime agricultural land. The mission statement of the foundation is "the promotion of profitable and sustainable agriculture by facilitating research and technology transfer activities for the benefit of its members and the agricultural community at large".

## **Local Ventures**

At Elie in Manitoba, I visited a very new but small-scale flourmill supplying flour for the domestic market. The mill is state of the art and computer control allows milling to take place 24hs/day, 7days/week, producing 200 tonnes of flour/day. At a cost of approximately 5 million Canadian dollars to build, a dozen local investors, including the manager, were found to fund the project. The owners felt that the CWB was something of an impediment to their operation and their lives would be made much simpler in a deregulated domestic market.

Further west at Rosetown, Saskatchewan, I discovered a grower owned feed processing plant where things had gone terribly wrong. Despite the best of intentions, some poor financial decisions made by the manager, who was an employee rather than an investor, had seen the plant running at a loss. Although still operating, it was employing minimal staff, and processing only a small tonnage of grain in stock feed. Good management is just as crucial in a co-operative venture as it is in any other business.

## **Alberta**

As a guest of Glenn Tole, the Canadian Wheat Board field officer based at Airdrie, I gained more of an insight into the on ground functions of the CWB. The Board is not only charged with the responsibility of selling the Canadian crop, it also carries out Research and Development projects, including the breeding and trialling of new varieties.

With a substantial live stock industry in Alberta, mostly feed lotting cattle, many grain growers had real concerns regarding the regulated domestic grain market. It would appear that grower support for the CWB falls to about 50-60% of farmers in this province. Once again, they tend to look at the Australian situation with some envy.

Alberta is also the home of the Timothy Grass hay industry. The grass is cut, baled and processed before being exported to Japan. Timothy Grass is a rather innocuous plant but makes excellent quality hay for the Japanese thoroughbred industry. Alberta also exhibited an air of prosperity that did not exist in the other Prairie Provinces. The presence of oil and natural gas, and a substantial tourist industry, means Alberta is not totally reliant on agricultural production for its economic prosperity.

## **Portland – Oregon**

The AWB has its North American office situated on the West Coast for good reason. Arriving for work early in the morning allows the staff (four Australians, four Americans), to trade on the CBOT for the three and a half hours of trading. After lunch, the AWB head office in Melbourne has come online and that allows interaction between the two sides of the Pacific.

As mentioned before, the AWB is the single biggest entity trading on the CBOT, and as such, puts in place significant trading and hedging strategies on behalf of the Australian wheat grower. I came away feeling that the Australian crop is in good hands. It is interesting to note that even the Americans on the staff (all experienced grain traders), felt that the single desk for export is a wonderful concept and can deliver real benefits to growers with their particular role being in risk management.

## **Added Commentary**

### **Subsidised Agriculture**

Despite some structural changes to the way farm subsidies are paid, true free trade is no closer now than at any time.

The richest of the first world nations, that is the United States, the European Union and Japan, have put in place a social system that has kept its rural population intact and manages production. The system is firmly entrenched and in fact is not a huge cost to society when spread over a large and wealthy taxpayer base – it is affordable.

The system is attempting to factor in the true cost of agriculture to the producer and the environment. It also supports the development of new technology and underpins social harmony and food security. For these reasons it is difficult for me to be too critical of supported agriculture. One needs to keep in perspective the reasons why the system has evolved.

In the US the figures are huge. The annual cost runs into billions of dollars but only a portion of this funding actually finds its way to the individual farmer. The US Farm Bill also supports food stamps for the poor, daily school lunches for every child and foreign aid to third world countries.

My feeling is that if agricultural subsidies were suddenly removed, which is highly unlikely, there would without a doubt be much social unrest but more importantly for us, production may actually increase. This would occur as those producers who are left, strive to remain viable while competing in the world market.

I believe that our government and farmer organisations, rather than be continually critical of farm subsidies, should put more effort into reducing tariff barriers and be less dismissive of agriculture in Australia. This could be done simply by demonstrating strong leadership and considering more carefully the legislation that defines our right to farm.

## **Genetically Modified Organisms (GMO's)**

The development of gene technology will undoubtedly be the next great revolution in agriculture, probably human history.

Every generation of farmers over the last one hundred and fifty years has been involved in at least one major production development. I believe that GMO's will prove to be just that for our generation. As physics was the science of the twentieth century, biology will be the science of the twenty first century. Like it or not, it is part of the inexorable march of human development.

In deference to many consumers, the uptake of this technology has been relatively slow in many parts of the world, including Australia. However, in other countries, in particular the US, producers have embraced the production benefits that GMO's can bring.

Ultimately, the developments in this field will bring more productive and more environmentally sustainable farming systems. Farmers will eventually have the opportunity to supply consumers with functional foods to their exact requirements.

As always, the dilemma will be that as we increase production, the farm gate price will fall in real terms. Apart from the occasional aberration, this deterioration is simply part of a long-term historical trend. Having recognised the continuation of this trend does not make it any easier for farmers in their quest to remain viable, or for governments to address the social implications.

## **Conclusion**

During the course of my study, I discovered that in those parts of the world I visited, the grain trade is dominated by multi-national grain trading companies along with farmer co-operatives attempting to have some impact on the market place. A feature of this system is a lack of trust and poor communication between the grower, the trader and the consumer. In fact it would seem that it is in the interest of the trading companies to keep the grower and the consumer as far apart as possible.

“Virtually every farmer has a tale of either real or perceived dubious trading practices by huge corporate bodies while indicating that they are struggling with low margins and over supply” (as quoted Bill Young, UK NSch Report, 2003).

While recognising that the middleman is entitled to some profit, it was not too difficult to come to the conclusion that moving farmers up the supply chain must be of advantage to the growers.

Alternatively, we can continue to focus on production, which we do very well, or establish a grower co-operative to give us strength in numbers. However, I do believe that these co-operatives have a finite life span and are in fact, a stage in business development on the way to a truly corporate structure.

In the Australian grain industry at present, we have a number of almost totally grower owned institutions. For South Australian farmers, companies such as AWB, ABBGrain and AUSBULK are providing us with the very thing we desire most. With ownership of our industry and a reasonably integrated supply chain, farmers have at least some control over the movement of their grain along this chain.

This was something of a revelation to me. So much so, that it seemed we had almost achieved a ‘profound simplicity’ through the very structure of our industry. We are, with the efforts of these grower owned companies, already involved in value adding. For example, AWB has flourmills in the Middle East and Southeast Asia, AUSBULK owns malting companies and sources grain for that venture, and ABBGrain have recently acquired an offshore agricultural trading company. We as farmers have a part in the ownership of these projects.

Having embarked on my Nuffield study tour with some serious doubts about the value of the Single-Desk marketing arrangements for both wheat and barley, I returned reassured that it does give us value, particularly in those parts of Australia which are export focused.

A quality product is imperative if we are to achieve premiums, and this is achievable in a bulk market via the overall control the Single-Desk marketing boards have over the entire crop. These boards are also attempting to deliver savings along the supply chain, but I do believe that in Australia this is being hijacked somewhat by the fact that, at this stage, there is very little competition in storage and handling. It is expensive in Australia when compared to other countries, such as Canada, where a number of elevator companies compete for grain.

A single-desk marketing board does exist in western Canada. Despite the fact that the Canadian Wheat Board has a monopoly over wheat and barley, I do not believe that as a company it has negotiated the transition from co-operative to corporate structure as successfully as similar bodies in Australia.

In the UK and the US, our single desk is viewed by grain growers with disbelief and envy. They are almost as incredulous about our marketing system as they are about the fact that we do not receive any direct subsidies. The growers there seem somewhat resentful of the marketing system they operate under and how little control or ownership they have over the grain trade.

Having decided that our marketing system is already delivering some benefits to us as growers, even to the point of involving us along the supply chain, where does this leave my original intention of looking at value adding at a regional level?

I should say that for production focused farmers, value adding is a rather vague notion that when talked about, gives everyone a warm fuzzy feeling inside. There is little understanding of how it can happen or any commitment to become involved. Ultimately however, the possibilities are really only limited by imagination and lack of enthusiasm.

There are some fundamental truths that must be recognised before a concept can get up and running. Firstly, the project needs leadership – a champion.



It is also imperative that farmers realise that by becoming involved, they do not necessarily have a ready-made outlet for their own crop, nor do they necessarily increase the value of that crop. The benefit they do get is from the success of the new business being totally removed from the farm.

Capital must be found to fund the venture and it is ironic that people usually look to become involved in off-farm activities during times of low commodity prices. This of course means that raising the required funds is all the more difficult. It is interesting to note that the investments farmers have traditionally made have either been to reduce the cost of production or increase total production – the net result being a more profitable farm business.

Although it would seem obvious, a venture must produce a product that the consumer wants at a price, which they are prepared to pay. Conversely, I believe that ultimately consumers should begin to pay more for their food not less so as to in some way reflect the true cost of production. In many countries around the world, including Australia, the environment is actually subsidising food production.

Part of this process will be when agriculture moves from being part of the old economy where it is synonymous with farming and the production of commodities, to being included in the new economy where it represents the entire food production and distribution system.

Finally we return to the flourmill in my hometown of Cummins. The third generation family business has been recently sold, not to a co-operative syndicate of farmers, but to a local business family. They intend to keep supplying local demand and hopefully develop the business to a point where it can place flour and stock feed products into the wider domestic market. With close proximity to the coast, I believe that the growth in aquaculture offers the best hope for this particular business to add value at a local level.

Australian farmers will continue to export high quality grain onto the world market. This quality will ensure that we retain a strong presence and may even provide premiums. We will strive to achieve sustainable farming systems in a fragile environment and will continue to increase production and productivity.

If we can retain ownership of our industry structures, continue to make substantial investments in research and development, and learn to be more market focused, then the Australian grain industry will continue to prosper and remain a significant contributor in modern Australia.