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**The Impact of Wheat Export Market Deregulation upon
Wheat Growers in Victoria's Western Wimmera**

Patrick O'Keeffe

RMIT University

Contributed paper prepared for presentation at the 58th AARES Annual Conference,
Port Macquarie, New South Wales, February 4-7, 2014

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**The Impact of Wheat Export Market Deregulation upon
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Abstract

This research seeks to understand the impacts of the deregulation of export wheat marketing in Victoria's western Wimmera. The dismantling of the single desk for wheat exports, operated by the Australian Wheat Board, was finalised in June 2008. In the five years since, no studies have specifically sought to understand from growers how they have been impacted by deregulation. This paper addresses this gap in the literature. To appreciate what these changes have meant, this research conducted semi-structured interviews with 23 wheat farmers based around the western Victorian town of Kaniva. Quantitative and qualitative analysis of these interviews revealed the growers were intensely opposed to the deregulation of the export wheat market. Fundamentally, this shift has resulted in growers having to market their own grain, ensuring that the success of their business was heavily reliant upon their effectiveness in an area in which they had no skills or experience. As a result, this research found that, firstly, growers cited financial costs as being the most significant impact of deregulation, and secondly, the impacts of deregulation were most intensely felt by farmers on properties of between 2,000 and 4,000 acres. In addition, participants in this study frequently described how this policy shift had left them politically disenfranchised.

1. Introduction

The dismantling of the single desk for wheat exports, operated by the Australian Wheat Board, was finalised in June 2008. In this study, I examine the impacts of this deregulation on farmers in Victoria's western Wimmera, an area highly dependent upon grain production. To inform the study, 23 wheat farmers were interviewed, with the focus being their experiences under the recently deregulated system. While there is a significant amount of literature on the projected, or real, costs and benefits of deregulation of the wheat industry (Chang, Martel and Berry 2003, Wait and Ahmadi-Esfahani 1996; Kingwell 2011; Watson 1999), only a handful of studies have actually sought the opinions of farmers directly (Head, Atchison, Gates and Muir 2011). Since the deregulation of the export wheat market, there have been no studies which have solely focused on the impact of this policy change, from the perspective of wheat farmers in Victoria.

1.1 The wheat industry in Australia

The Australian wheat industry began to expand considerably in the mid-1850s (Whitwell and Sydenham (1991, p.9). This expansion was made possible by technological developments such as the 'stripper' (created in the 1840s and represented the first shift towards mechanical harvesting), the 'stump-jump plough' (late 1870s) and the 'sunshine harvester' (early 1890s) (Whitwell and Sydenham 1991, pp.9-13). The development of key infrastructure such as railways and steam ships in the 1870s facilitated the further expansion of the wheat industry (Whitwell and Sydenham 1991, p.9). An economic force in rural Australia, the wheat industry has traditionally contributed significantly to employment and exports (Whitwell and Sydenham 1991).

Australian wheat production for export has been strong in recent years (ABARES 2012).

Figure (1.1) shows that in 2010-2011, the industry produced 27.4 million tonnes of wheat, increasing to 29.5 million tonnes in 2011-12 (ABARES 2012).

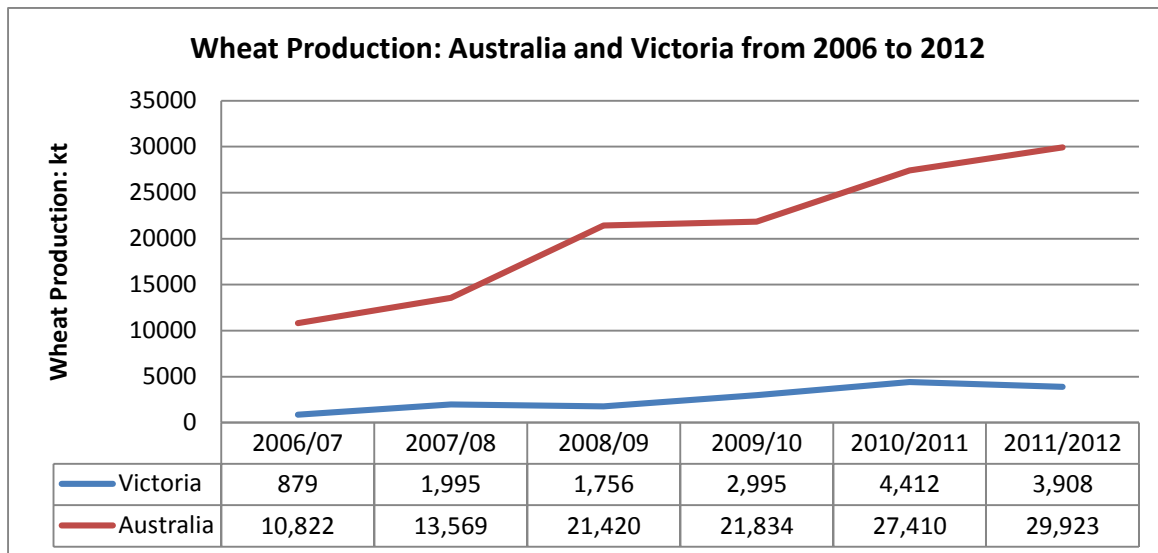


Figure 1.1: Wheat Production: Australia and Victoria from 2006 to 2012 (Source: Department of Agriculture, Fisheries and Forestry 2012. Data compiled from Excel spreadsheet entitled, ‘Agricultural Commodity Statistics 2012: Table 201 – Australian wheat area, yield and production, by state’).

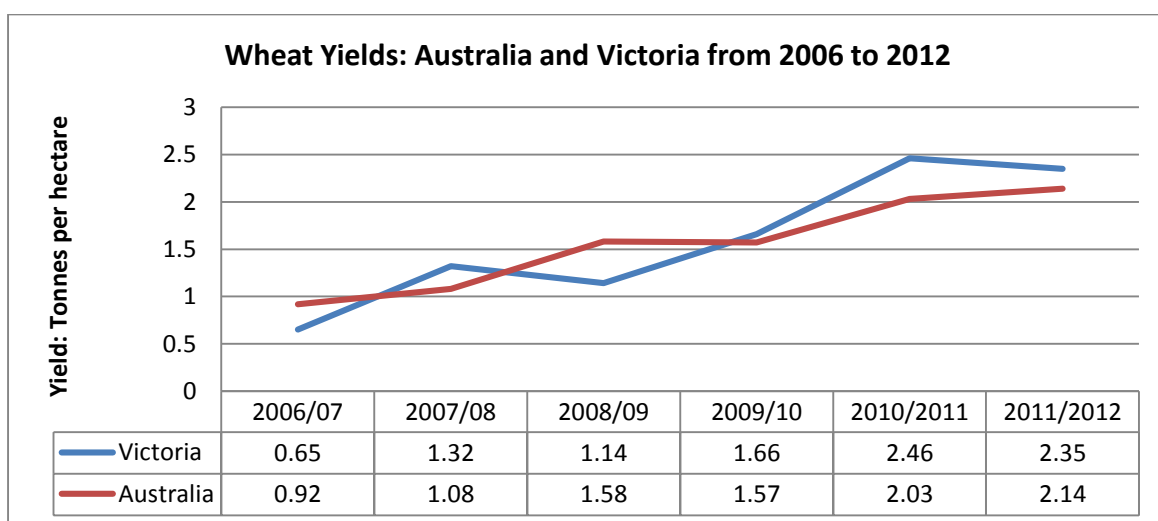


Figure 1.2: Wheat Yields: Australia and Victoria from 2006 to 2012 (Source: Department of Agriculture, Fisheries and Forestry 2012. Data compiled from Excel spreadsheet entitled, ‘Agricultural Commodity Statistics 2012: Table 201 – Australian wheat area, yield and production, by state’).

Figure 1.2 shows that in 2007 yield figures were very low, suggesting drought had a significant impact on the industry. Since then, both production and yield figures have increased markedly. The primary export destination for Australian wheat is Asia, with Indonesia, the Republic of Korea, China, Thailand and the Philippines all being major importers (ABS 2012a).

1.2 Introducing West Wimmera

The West Wimmera Shire was formed in 1995, with the amalgamation of the shires of Kaniva, Kowree and parts of the Arapiles and Glenelg shires (DPCD 2006). According to the DPCD (2006, p.5), the shire’s economy is almost entirely dependent upon agriculture, with more than 50 per cent of the shire’s workforce employed in agriculture-related businesses. The majority (21 out of 23) of growers who participated in this study live within the shire of West Wimmera.

The population of the West Wimmera shire had been on a steady decline; however the 2011 Census revealed a slight revival in shire numbers within the larger towns, as demonstrated by figure 1.3 (ABS 2012b,c,d,e).

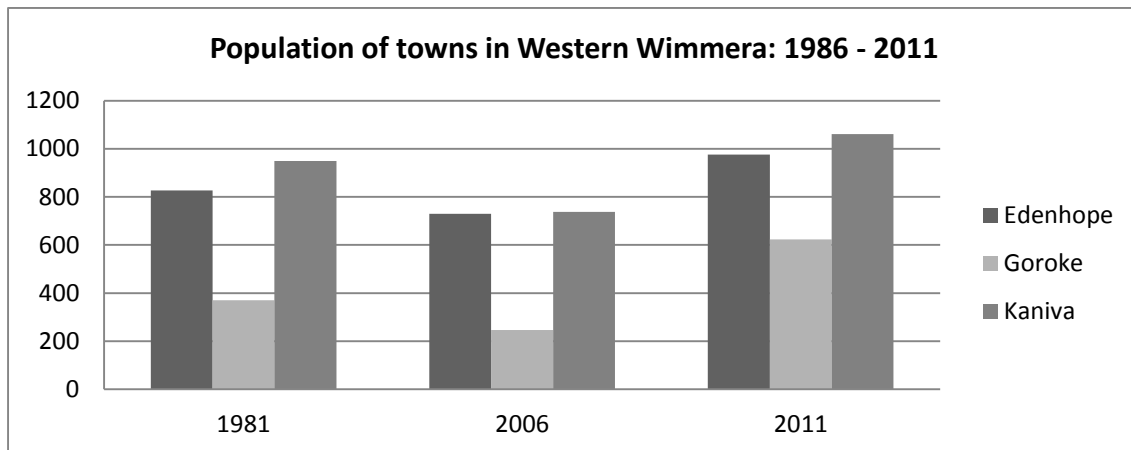


Figure 1.3: Population of towns in Western Wimmera: 1986 – 2011 (DPCD 2006, pp.1-5; ABS 2012b,c,d,e).

This paper is focused on farmers from the west Wimmera, chosen since the economy of this region is heavily reliant upon wheat production. The impacts of deregulation, whether good or bad, are likely to be experienced by wheat farmers in this region.

1.3 Global trends towards deregulation

The deregulation of the Australian wheat industry is not an independent occurrence. Within Australia, the wool, sheep and dairy industries have all been deregulated within the past three decades (Malcolm 1994; Cocklin and Dibden 2002; Coleman and Skogstad 1995). Neoliberal ideologies have underpinned agricultural reform globally within the same period, with Coleman and Skogstad (1995, p.243) stating “governments have taken increasing aim at changing policies that rest upon ideas opposed to neo-liberal principles”. This is evidenced through the deregulation programs undertaken within agricultural industries in New Zealand

(Cloke, Heron and Lowe 1998), South Africa (Van Zyl et al. 2001), Canada (Coleman and Skogstad 1995) and perhaps to a lesser extent, the United States (Skogstad 1998). A key exception is the European Union, which have maintained protectionist policies and sought to protect agricultural industries by re-regulating (Skogstad 1998).

A pivotal moment in the push for deregulation came in 2005, when the Howard Government investigated the alleged kickbacks paid by the Australian Wheat Board to a Jordanian transport company (Cockfield and Botterill 2007, p.44). As stated by Cockfield and Botterill (2007, p.44), “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.” As Botterill (2011, p.637) describes, “the government removed control of the single desk from AWB Limited and, in June 2008, legislation was passed by the newly elected Labor Government ending the single desk arrangement and replacing it with a system of accreditation”. The Productivity Commission called for the repealing of “Regulation 9AAA of the Customs (Prohibitive Exports) Regulations 1958, which prohibits bulk exports of wheat unless exported by an accredited wheat exporter.” This recommendation was adopted by the Gillard Government in 2012.

1.4 Impacts of a deregulated wheat market upon growers

The single desk maintained by the Australian Wheat Board had shielded growers from the volatility of world markets, reducing price risk (Brewin, Bielik and Oleson 2008; Carter and Wilson 1997; Ryan 1994). Botterill (2004, p.3) contends that the dependence of Australian growers on export markets ensures that this group is particularly vulnerable to the fluctuations of the global wheat price, while McCorrison and MacLaren (2007) argued that the removal of the single desk would actually benefit growers through increased competition

amongst buyers. Numerous studies have contended that the increased marketing options have allowed growers to obtain premium prices for their grain, while for small to medium growers their capacity to expand their business beyond the farm gate is strengthened (Pritchard 1998, p.7; Turner, Connell, Hooper and O'Donnell 2000; Watson 1999, p.439; Industries Commission 1991; Wait and Ahmadi-Esfahani 1996).

As Pritchard and Tonts (2011, p.35) contend, in some instances, increased competition and choice has actually resulted in “an increasing concentration of economic power amongst larger corporations.” Concerning the relationship between the buyer and the grower in a deregulated environment, Pritchard and Tonts (2011, p.35) argue that due to the “difference in economic scale and power,” farmers are in a position of vulnerability. In contrast to Watson (1999), Wait and Ahmadi-Esfahani (1996) and Turner et al. (2000), Head et al. (2011, pp.1095-1096) claim the expanded flexibility and choice provided by deregulation also carries an added impact of increased workload. This significant finding provides context that will be further examined by this study. In addition, the deregulation of wheat marketing in Australian has added to the complexity of wheat farming (Lyson 2002; Kingwell 2011; Head et al. 2011). An anticipated outcome of the study that I am conducting is that growers will feel that the occupation of farming is more complex, as a result of the additional responsibility of marketing.

In a quantitative study of Australian wheat farmers, Williams and Malcolm (2012, p.8) found that “growers were flexible, open to new selling-pricing ideas and attempted to minimise exposure to price and production risk.” Similarly, Lockie, Mead, Vanclay and Butler (1995, p.61), found risk minimisation, income stability and profitability to be of equal concern to growers. Williams and Malcolm (2012, p.2) refer to Bond and Wonder (1980) and Simmons and Rambaldi (1997), who found Australian growers to be risk averse, suggesting that

exposure to greater risk through deregulation (Head 2011) will not be welcomed by wheat farmers. Staley (2008) and Williams and Malcolm (2012) contend that hedging and futures can be used to minimise price risk, however this doesn't take into account the implications for growers if they do not meet the production requirements of their contracts. The study that I am conducting seeks to test whether such findings hold within the specific context of the western Wimmera.

The broad issues of cost, risk, insecurity and loss of control identified in the literature will form the key themes for coding my interviews, as I discuss further in the methodology section below.

2. Methodology

2.1 Research Design

2.1.1 Purpose of the study

The purpose of this research is to understand some of the impacts of deregulation of the wheat industry upon growers in the western Wimmera. I ask members of farming families and communities in west Wimmera to talk about how key policy changes relating to deregulation have impacted upon their farming businesses.

2.1.2 Rationale

A number of previous studies have engaged qualitative research in relation to Australian farming communities (Clarke and Morgan 2008; Pritchard et al. 2007). A study of tomato farmers conducted in Australia by Pritchard et al. (2007) adopted a qualitative approach, utilising semi-structured interviews with participants. This method was adopted to “allow farmers to explore with the researchers key issues regarding the social and economic construction of farming” (Pritchard et al. 2007, p.76). As mentioned by Bryman (2001, p.280), “keeping structure to a minimum is supposed to enhance the opportunity of genuinely revealing the perspectives of the people you are studying”. The decision to use a qualitative approach and conduct semi-structured interviews with farmers is necessary to meet a key aim of this study: to address the lack of existing research examining the views of wheat growers on the issue of deregulation.

2.2 Ethics

Ethics approval was sought from the RMIT University Human Research Ethics Application Committee, Design and Social Context Portfolio. This research project was approved at a meeting of the committee on May 24, 2013, classified as low risk. This project was funded by the researcher, who is a student of RMIT University.

2.3 Data Collection

2.3.1 Interviews

I was based in Kaniva for the fieldwork and interviews, which is a Victorian town of approximately 1,000 residents located 40km from the South Australian border. I conducted 15 interviews with 23 wheat farmers within the western Wimmera region, from June 21st to June 28th. In five of these interviews, couples who managed the farming business were interviewed together, while on three occasions, multiple farmers who each ran different farming businesses were interviewed at the same time. Interviews were generally conducted in the homes of the participants, with the exception of one interview that was conducted on a bench of the main street in Nhill. Notes were sparsely taken, with audio of the interviews recorded with the use of an Olympus WS-812 digital voice recorder. Interviews ranged from 45 to 90 minutes in length.

2.3.2 Sampling

I did not have any contacts in the area initially. Emails were sent to local councillors, organisations that were active in the area (including Landcare groups), representative bodies (such as the Grain Research Development Council) and local information centres. Those contacted then passed on information on the study to their contacts. At the conclusion of the

interviews, I asked participants to refer me to more farmers. The sampling of farmers was therefore based upon a mix of key informant and snowball techniques (Noy 2008, p.330). This introduces some limitations in terms of representativeness and bias – only farmers who felt they had been impacted were likely to come forward in response. The largest grower, who was also the most supportive of deregulation among the growers I interviewed, agreed to participate after the second time that I contacted them, as they liked my “persistence”. However, from the outset, this grower mentioned that they thought deregulation was a “dead issue”. Potentially, other larger growers who had heard of my study, elected to not participate as they held similar opinions.

The average farm size operated by participants in this research was 5,480 acres. This is similar to the Victorian average wheat farm size, which is 5,503 acres (ABS 2006). The farmers that I interviewed were family run and predominantly smaller operations. One participant operated a farm which exceeded 20,000 acres in size, which increased the average size of farms included in this survey by a considerable margin. However, that there were a large number of small to medium sized farms, with one very large farm is likely to be consistent throughout Victoria. As mentioned by the Department of Environment and Primary Industry (DEPI), “Victoria’s grain farms are primarily family run enterprises characterised by a large number of small farms and a small number of large farms” (DEPI 2013, p.1). A more detailed analysis of the characteristics of those participating in the study is included in the section below entitled ‘Use of Descriptors’.

2.3.3 Pilot interview

The first interview that was conducted was instructive, and informed the interviews to follow. Though not by design, it functioned as a pilot of the questions I would ask and the manner in

which I would extend the conversation on particular points. This interview went for 90 minutes, yet only one third of the set questions were asked. This informed interviews to follow, and led to significant modification of the research instrument, which is discussed below.

2.3.4 Research instrument

The questions included within the research instrument (see appendix) were based upon the literature on the deregulation of the wheat industry, and the impacts of farmer exits upon rural communities. Following the pilot interview, the research instrument was modified. From an initial list of 18 questions, many of these were discarded, except for 7 questions. This did not result in a significant shift from the project design, or the ethical implications of this project. This decision was made as it became clear that the practicalities and impacts of deregulation required significant discussion. Once participants started to answer questions, this triggered a number of different thoughts and ideas. An example of a question cut from the original research instrument included:

From your experience, how would you describe government attitudes towards smaller farmers?

This question was superfluous, as by the time the impacts of deregulation had been discussed by growers, I was generally very clear on their position concerning the government. However, the following question resulted in very lengthy responses, which in hindsight is not surprising:

Since deregulation of domestic, then export wheat markets in Australia, how has the process of selling your wheat changed?

The first interview, in particular, gave me an indication that this question would lead to an extensive discussion, and became one of the key questions that I asked throughout the interviews.

2.4 Data Analysis

2.4.1 Analysis

Data gleaned from the interviews was analysed through quantitative and qualitative approaches. The interview data was first coded according to the scheme described below. Coded results were quantified to provide a picture of how frequently the impacts of deregulation are mentioned in the interviews. The qualitative analysis which followed allowed for a detailed analysis of how the impacts of deregulation affect growers.

2.4.2 Data coding

The interviews were analysed using the qualitative software program ‘Dedoose’, version 4.5.98, developed by SocioCultural Research Consultants. Full interview transcripts were entered into this program, with only data relating to deregulation coded. Each interview transcript was coded twice, to ensure that coding was as accurate as possible. This method is described by Baxter and Jack (2008, p.556), as an approach that can be utilised in order to increase the “trustworthiness” of the research. The literature, as described in the preceding section, indicated the types of impacts that are likely to arise from deregulation. This strongly influenced the development of the questions asked in the interview. As cited by Head et al. (2011) and Wallace (2011), farmers have reported an increase of *risk* associated with their business, resulting from deregulation, which financial *costs* and benefits from deregulation are strongly mentioned in Brennan (1995), Watson (1999) and Chang et al. (2003). *Insecurity* and *loss of control* were other impacts that studies predicted would emerge, with Head et al.

(2011) and Cockfield and Botterill (2007) indicating that growers had been disempowered by the process of deregulation, and were left with considerable insecurity as they had subsequently exposed to the global marketplace.

I identified key themes and codes which were frequently mentioned in the interviews, as demonstrated by figure 2.1.

Themes	Codes
Cost	Financial costs, stress, time
Risk	Contracts, not getting paid, debt, risk minimisation
Insecurity	Exposure to global markets, unstable price, limited marketing skills
Loss of Control	Disenfranchisement, access to infrastructure, growers undervalued

Figure 2.1: Themes and codes utilised in data analysis

The value of categorising codes is exemplified by the capacity to assess which broad impacts (as noted in early interviews) were most prominent as a result of deregulation. Furthermore, this allowed for the co-occurrence of these broad themes to be analysed. Code co-occurrence provides an indication as to what the key impacts of deregulation are, and how they interact with other impacts in the response of participants. This provides a strong framework for the

following qualitative analysis of the interviews. The definitions of the four key themes that I used were based upon the growers' interpretations of whether they were experiencing a "cost" or "risk". For example, the following quote is indicative of this:

Now, we have to do more active marketing, which costs us two things. It costs us money and time... There's money and time and there is also worry.

This led to the interpretation of cost to include financial costs, time costs and stress.

Similarly, growers were quite explicit when referring to risks, insecurity and loss of control.

With regard to risk, many growers used gambling metaphors, particularly with regard to horse racing:

You could just head to Flemington on the first Tuesday of November, stick \$250,000 on the horse of your choice and just see what happens, because that's sometimes what it's like.

Similar processes were followed with regard to insecurity and loss of control. Loss of control was interpreted as being the result of actions which led to decreased grower control of their industry, where growers referred to the impact of privatisation, reduced access to infrastructure or decreased political power. Insecurity was interpreted as the result of the exposure of growers to market forces, which followed from the dismantling of the single desk. This included the fluctuations in price during harvest time and vulnerability resulting from reliance on undeveloped marketing skills.

The following quote is an example of how transcript excerpts were coded:

In a political sense, deregulation was forced on us. Growers had virtually no say. Not heeded or taken any notice of by our political masters. Also, it was more of a political decision.

This excerpt is coded under 'growers feel disenfranchised', under the theme 'loss of control'.

Using the Dedoose software, I used the 'Code Application' tool, which provided a tally of the frequency with which codes were used in the interviews. Furthermore, I used the 'Code Co-

Occurrence Table’, which shows the frequency with which certain codes are mentioned in conjunction with each other. The following excerpt provides an example of co-occurring codes:

I wasn’t in a big enough way to forward sell a lot of grain. I did try it a couple of times. We ended up with a dry finish one year, and I lost a lot of sleep as to whether or not I was going to be able to fulfil me contract but I just made it.

This excerpt was coded as ‘contracts’ (theme: risk) and ‘stress’ (theme: cost). The benefit of coding data according with these themes, is that it can be seen that deregulation has created risk in grain marketing, which is related to elevated stress experienced by growers.

The data from these code applications and co-occurrences was quantified and analysed. The qualitative analysis was based on the quantified data.

2.4.3 Use of descriptors

When transcripts were entered into Dedoose, descriptors were used to allow for differentiation between the data. Descriptors used include: Farm size, Location and Status (active or retired). These descriptors seemed best able to characterise the differences between interviewees. Figure 2.2 explains how these descriptors were applied to the interviews, listed in accordance with the order in which they occurred:

Interview No.	No. of Participants	Location	Size of Operation (Acres)	Status
1	1	Central	2,000 – 4,000	Active
2	1	South	<1,000	Retired
3	3	North	2,000 – 4,000	Active
4	1	Central	2,000 – 4,000	Active
5	2	North West	6,000 – 10,000	Active

6	1	Central	6,000 – 10,000	Active
7	1	Central	6,000 – 10,000	Active
8	1	East	1,000 – 2,000	Retired
9	1	South	>20,000	Active
10	3	South	2,000 – 4,000	Active
11	2	South	2,000 – 4,000	Active
12	1	Central	1,000 – 2,000	Active
13	1	Central	2,000 – 4,000	Active
14	2	North	4,000 – 6,000	Active
15	2	North	4,000 – 6,000	Active

Figure 2.2: Application of descriptors to interview transcripts.

The ‘location’ descriptor reflects the location of the farming business – “Central” refers to the area surrounding Kaniva, which acts as a reference point to other locations specified.

2.5 Conclusion

The key source of data for this study is the detailed, semi-structured interviews conducted with wheat growers in western Wimmera. Conducting detailed, qualitative interviews ensures that the perspectives of growers are the key aspect of this study, distinguishing it from many previous studies which have focused on deregulation. Quantification of the interview data is used to substantiate the key impacts of deregulation, as cited from literature on deregulation and by the growers. This ensures that the following qualitative analysis is not only grounded by a solid understanding of what the key impacts of deregulation are, but is also able to then determine how and why the different impacts of deregulation intersect.

3. Results

Results from the interviews are presented in two parts – quantitative results and qualitative results. The quantitative results demonstrate the number of times where impacts are cited as resulting from deregulation, the co-occurrence of these impacts and the intensity of impacts according to the growers’ location and size of operation. The qualitative results that follow provide a deeper understanding of how these impacts have affected growers.

3.1 Quantitative Results

The impacts of deregulation, as cited by the participants, were categorised under 4 themes: cost, insecurity, loss of control and risk. These codes were applied, as these themes were mentioned frequently, particularly in the early interviews. Figure 3.1 shows the frequency of occurrence of each code across all 15 interviews.

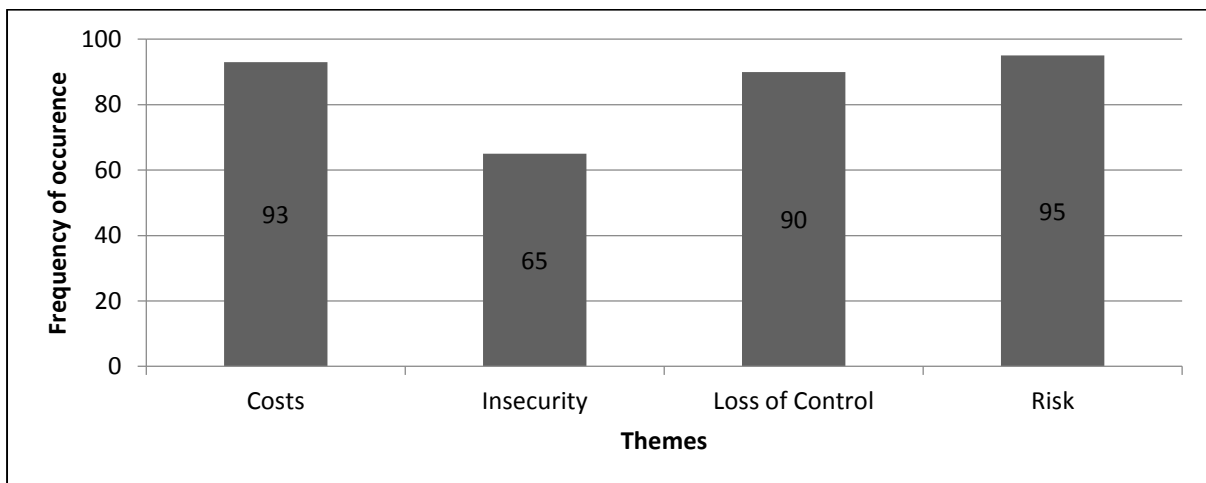


Figure 3.1: Theme Occurrence.

Figure 3.2 demonstrates the close association between risk and cost, as highlighted by participants. In contrast is the relatively low association of risk with loss of control and insecurity. The co-occurrence between risk and cost could be explained by the fact that the

risks that farmers refer to are largely financial. Furthermore, there is a strong correlation between these risks, and stress. This suggests a possible causal relationship, between risks and both financial costs and stress.

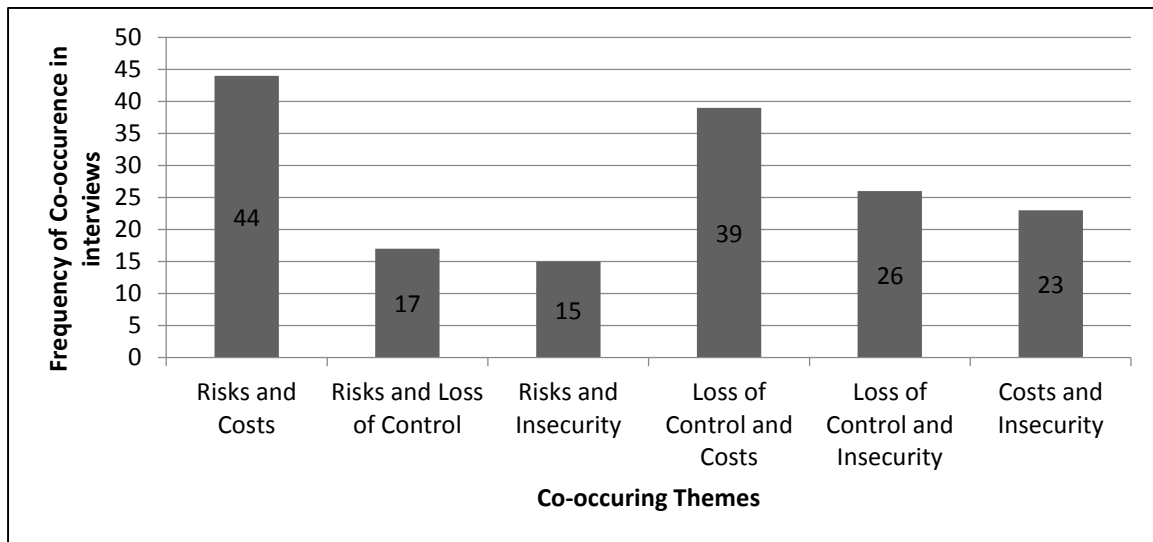


Figure 3.2: Theme Co-occurrence

3.1.1 Impacts of Deregulation

As figure 3.3 demonstrates, financial costs were mentioned considerably more than any other impact of deregulation. The surprising aspect of this finding is that it contrasts strongly with predicted outcomes of deregulation, with previous studies suggesting that growers would benefit through reduced costs and increased prices (Chang et al. 2003; Wait and Ahmadi-Esfahani 1996). Instead, results presented here suggest that growers have experienced the opposite – increased costs and insecure incomes.

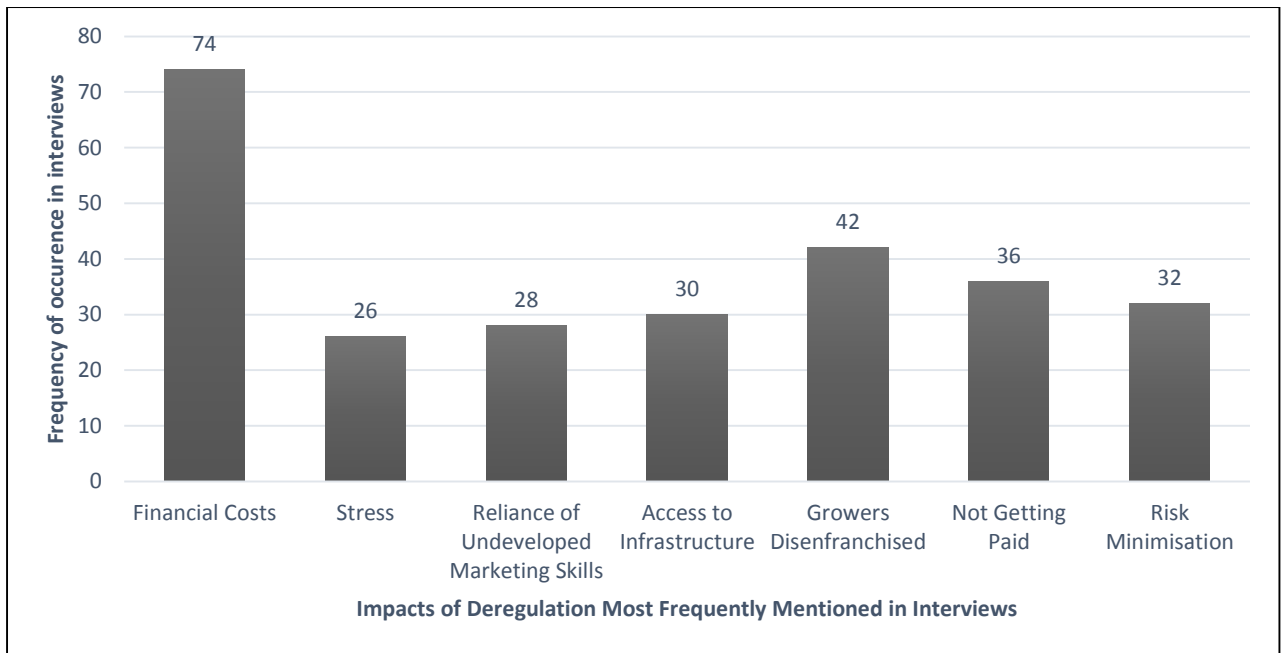


Figure 3.3: Impacts of Deregulation

3.1.2 Impacts According to Descriptors

Figures 3.4 demonstrate that it is the mid-sized farms (between 2,000 and 4,000 acres) for whom the impacts of deregulation appear to be expressed most strongly. That the largest farms are least impacted by deregulation is an important finding.

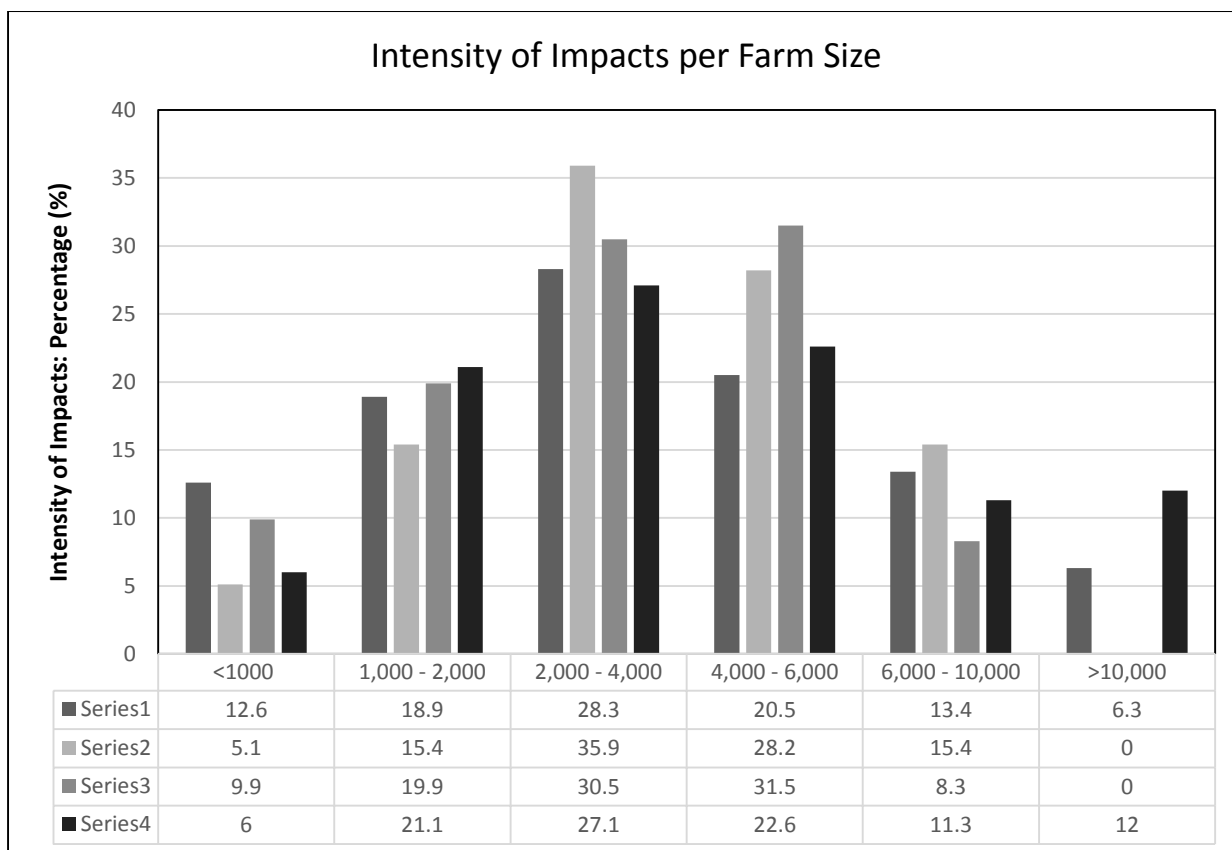


Figure 3.4: Descriptors by Code: Intensity of Impacts per Farm Size (Series 1: Costs, Series 2: Insecurity; Series 3: Loss of Control, Series 4: Risk).

Potentially, the impacts of deregulation feature most strongly for those farmers on 2,000 to 4,000 hectares, as they do not quite have the scale to take full advantage of the potential benefits that a deregulated wheat market provides.

3.2 Conclusion

The surprising aspect of this study is the intensity of the negative financial impacts of deregulation, as experienced by growers in the west Wimmera. While this section has demonstrated the frequency at which impacts of deregulation were mentioned, as well as the correlations between certain impacts, the following section will turn to the comments of

growers arising from the interviews, which provide a more detailed description of how deregulation has been experienced by growers

3.3 Qualitative Results

The key themes emerging from the literature on deregulation of the Australian wheat industry, and in the quantitative analysis of the interviews informing this study – costs, insecurity, deregulation and risk – are described in greater detail here, using quotes from growers emerging from the interviews.

3.3.1 Complexity of farming

The challenges presented by grain marketing – added responsibility, increased complexity of farming and added workload and stress – add to the fact that, ironically, after all of the extra work and worry, growers do not feel that they are financially better off.

Growers expressed considerable insecurities with regard to marketing. As stated by one grower:

How can you expect a grain grower from Kaniva, to suddenly be a clever marketer, when he's never ever done it in his life?... Suddenly the grain growers were given the job of marketing. It was like me telling you 'In five years time you are going to fly to the moon, you had better start building your rocket.' Where would you start? It threw growers into all sorts of turmoil. I think that for some people it was just all too hard.

This quote exemplifies the pressures created by the addition of wheat marketing to the responsibilities of wheat farmers. Despite predictions of improved financial performance, 20 of the 23 growers who participated in the study felt that not only were their returns diminished under the deregulated system, they also took more risks and experienced more stress.

3.3.2 *Costs*

The costs of deregulation were cited by growers on 93 occasions throughout the interviews, who referred to three types: financial costs, stress and time. Financial costs arising from deregulation included increased costs of transport, storage and marketing. Growers felt strongly that the demise of the Australian Wheat Board had resulted in increased costs throughout a range of areas relating to their business. This finding counters the projected benefits of deregulation, that growers would experience a reduction in outgoing costs such as grain handling and transport (Wait and Ahmadi-Esfahani 1996; Chang et al. 2003). There is a perception among growers that the dismantling of the Australian Wheat Board (and accompanying privatisation of key infrastructure and services) had resulted in the shifting of costs towards the producers, as evidenced by this quote:

What does it cost us, as growers, to market our grain anyway? In terms of time and headaches and marketing advice and all the rest of it...all it did was shift the cost from being in AWB, to being in my business.

While the cost of marketing grain has been transferred from the Australian Wheat Board to growers, the cost of transporting grain has also risen sharply as a result of deregulation. The number of receival points has declined markedly, while the buyers operating from these receival points do not necessarily have to offer a price for grain. Fundamentally, this has resulted in increased transport costs for growers, as they have to cart their grain longer distances in order to find a buyer – and then hope the buyer will pay an acceptable price for their grain.

Whereas numerous authors have argued that growers will be able to secure niche markets due to the flexibility provided by deregulation. The data presented by this study finds that the small to medium sized growers have acutely experienced the negative impacts of

deregulation. As one grower explains, this may be due to the fact that their smaller size does not enable them to take full advantage of the potential benefits of deregulation:

I think that small farmers are at a disadvantage. For most of the traders or end users, it's economies of scale for them too. They don't want to buy a truck load from Joe Bloggs, and a truck load from Fred. They want to deal with customers that can deal 500 tonne of wheat. And it takes just as long on the telephone to organise a deal for one semi load of 25 tonne, as it does for 500 tonne. So those guys are looking to get large parcels, as it is just so much easier for them. And it puts all smaller farmers at a disadvantage, because they have trouble selling their product.

This comment clearly encapsulates how those who have the capacity to deliver larger quantities of wheat are more likely to find markets which pay premium prices. Clearly, for those growers on 2,000 to 4,000 acres, they are experiencing the negative impacts of deregulation, without the scope to benefit from the opportunities that deregulation provides.

3.3.3 Risks

The increased risks associated with wheat marketing were a strong theme in these interviews. Perception of risk appeared to play a strong role in how growers experienced this shift. For some, the risks associated with marketing were not a great cause for concern. However, the majority of growers included in the study felt that the added risks associated with wheat marketing had a significant impact upon them and their business. As one grower mentioned:

It is all risk. And it is all borne by the farmer. And it's in with them and nowhere else.

Similar statements were mentioned by a number of growers, highlighting the vulnerability and insecurity that a lot of growers experience within the deregulated environment.

Deregulation resulted in a large number of buyers entering the market for wheat in Australia.

An unexpected outcome of deregulation is the frequency with which buyers go broke, owing

growers significant sums of money. The associated dangers were emphasised by one grower, who stated:

We've only ever been caught once... (the truck driver) saw the best price and he has dumped it in there and sure enough, they didn't pay.

This creates a significant dilemma for growers – rather than selling their grain to the company offering the best price, many growers stated that in order to reduce risk, they had to sell to the companies they thought were least likely to go broke. This problem creates a number of issues with regard to deregulation. Rather than having freedom of choice, the choices available to growers are constrained. Growers are much more likely to prioritise selling to a stable company, which might be offering an average price. This suggests that growers rank security of income as being more essential than freedom of choice.

3.3.4 Insecurity

Fundamentally, deregulation places considerable strain on the limited marketing skills and knowledge of growers. Growers are unsettled by their vulnerability to market forces, as exemplified in this quote:

Last year, there was \$100 difference between where we started and where we finished up. It was huge. And then all of a sudden in July, because the funds managers got trading wheat futures, we got another \$100, and then after they finished making margins on the wheat futures, 'Oh, we'll get out of this now.' Bang, the price is gone. So, there's no stability.

Respondents felt that they are most exposed to fluctuations in the commodity price during harvest time. This was attributed by some growers to the relatively late harvest of the western Wimmera, due to seasonal and climactic conditions. The result of this is that by the time the western Wimmera growers have started harvesting, the demand for grain has dropped.

3.3.5 Loss of control

Prior to the initial push for deregulation in the 1970s, Australian agricultural producers were a very powerful group (Higgins 2002). The fundamental shift that occurred with the development of the Industries Assistance Commission in 1974, as well as the 1974 Green Paper on Rural Policy, changed the agricultural policy landscape (Cockfield and Botterill 2007, p.46; Whitwell 1993, pp.39-41, Warhurst 1982, p.32). Other conditions, such as the increased concentration of the Australian population in cities and regional centres, as well as the declining support of the Country Party, ensured that the power of farmers gradually ebbed away (Higgins 2001; Cockfield and Botterill 2007; Botterill 2012, pp.52-59).

With regard to the privatisation of the Australian Wheat Board, an exchange involving two growers indicates how this shift further undermined the power of Australian growers:

F1 There is no power. When they were talked to us about selling the wheat board or the barley board to these conglomerates from overseas, they said that we as farmers would always retain a position on the board, the Aussie farmers... And that was alright in the Viterra days, then Viterra sold to Glencore. They paid every one of those shareholders out.

F2 There was no choice.

F1 No choice. No say. No choice.

Participants felt as though they had lost control of their own industry, and that deregulation of the export wheat industry was a further representation of this. The majority of growers were opposed to deregulation with regard to the consequences that this was having on their business. However, a majority of those interviewed were also particularly disenchanted with how this policy was introduced. There was a strong perception that deregulation was “dumped” on growers, who felt that they had little say about whether or not this policy was implemented. As one farmer mentioned:

Because we don't have the political voting power than can treat us like dirt and totally ignore our wishes and deregulate. So we have got to face the world market.

This raises the notion that while deregulation is essentially an economic policy, the political consequences are significant. In many ways, for growers deregulation has crystallised the perception that political leaders are disinterested in supporting them. This has led to a situation where a number of growers in the study indicated that they felt politically disenfranchised.

3.4 Conclusion

This section has provided further elaboration on the key impacts of deregulation, utilising quotes from semi-structured interviews with farmers from western Wimmera. The key findings of the results – both quantitative and qualitative - will now be raised in the discussion that follows.

4. Discussion

The intensity of negative attitudes towards deregulation, echoed by almost all growers interviewed, was a surprising finding of this study. This may be due to the limitations of the sampling method adopted, as growers who were opposed to deregulation may have been more likely to participate. However, the core finding of this study was that growers felt that they had been negatively impacted by deregulation in terms of reduced income, increased costs and increased stress. It should be noted that specific financial information was not sought from growers: this qualitative study captured grower perceptions of their experience under deregulation. This study was not designed to determine the specific financial gains or losses experienced by growers under deregulation, but to understand what farmers considered the key impacts of deregulation to be, and how these impacts intersect.

The interesting aspect of these discussions on deregulation was that although this is essentially an economic policy, it has far reaching political consequence. Of the 23 participants, 20 felt that they had been economically disadvantaged as a result of deregulation; this in turn resulted in political disenfranchisement of growers, who felt as though they had been cast adrift by policy makers.

Uncertainty caused by exposure to volatile commodity markets has resulted in growers feeling insecure and vulnerable, as the success of their business is now significantly dependent upon their capacity to market their grain effectively. The fundamental problem is that growers are not experienced marketers – their skill set has been developed to produce grain. Growers therefore lack the marketing experience and knowledge that would help them to extract the best price from the market. Consequently, rather than obtaining a premium

price, growers spoke extensively about the risks of significant financial losses as a result of deregulation.

Experience of either selling grain to buyers who have gone broke, or witnessing this occurring to others, has led growers to adopt a more conservative approach, frequently involving selling grain to established, large grain traders. In many cases, growers then must settle for an average rather than a good price. This is a core issue emerging from deregulation, supposedly intended to provide growers with increased options and choice. However, these options carry significant risks: either selling to dairy farmers or smaller grain companies could result in growers losing significant amounts of money, if these buyers go broke. Similarly, growers exercise caution with regard to contracts. This study has found that despite the increased options available to growers, the risks associated with the use of these options essentially act to constrain the choices available to growers, who instead seek to adopt risk minimisation strategies.

Overall, the predicted benefits of competition have clearly not filtered through to growers. The wheat industry is now dominated by a small number of big companies, with significant evidence emerging from the interviews to suggest that there was an adversarial relationship between growers and the grain companies. Participants expressed a considerable amount of distrust towards grain companies.

4.1 Pressure on Wheat Growers

The findings of this study demonstrate that the larger farmers are better equipped to benefit from deregulation, while the impacts on the small to medium sized growers are intense. This is highlighted by the result that, for growers on properties between 2,000 and 4,000 acres, the negative impacts of deregulation are felt most intensely. Significantly, this finding suggests

that deregulation has undermined the long term viability of small to mid-sized farms, and contradicts previous arguments that it is the smaller farms that will be the big winners from deregulation (Watson 1999, p.439). In the long run, it is plausible to see this as leading to smaller growers gradually exiting the industry, or at the very least, not being succeeded by their children and subsequently bought out by the larger growers. Ascertaining why exactly it is the smaller farmers, specifically, who have struggled as a result of deregulation is an area for further research. However these findings do demonstrate some possible reasons, such as the limited scope of smaller growers to take advantage of niche markets for wheat.

4.2 Implications

The harsher impacts of deregulation must be addressed to support the small-to-medium farming sector remaining in the industry, and helping to contribute to the social capital of their rural community. This is essential for the broader outlook of the country – not only to ensure that there are Australian farmers producing food for domestic consumption and export, and thereby addressing issues of food security, but also to reverse the decline in rural communities where possible. The disenfranchisement expressed so strongly by growers in this study must be addressed for this to happen. More broadly, the value of farming needs to be recognised by political leaders, as well as city-based consumers. Such recognition can be best demonstrated to farmers and their communities by developing policy which supports the capacities of small-to-medium sized farms to remain viable.

Growers feel that they are taking the necessary steps to stay in the industry, though government is not responding by rewarding growers. Participants felt as though they are being treated as expendable, a very poor reflection of the appreciation afforded to Australian

farmers. However, there are some possible short-term measures that could be considered to ease the burden experienced by many growers:

- Mentor support provided for small to mid-sized growers to assist with developing financial knowledge.
- Free grain marketing training provided to growers, on a regular basis.
- Minimum information levels provided by grain traders to growers. Specifically concerning - the long term financial security of grain traders.
- The development of measures which will ensure that growers receive partial-to-full re-imburement for commodity sold to buyers who become insolvent.

The type of policy remedies outlined above could serve to mitigate the worst excesses of deregulation, particularly on the more vulnerable small-to-medium wheat farming sector.

However, this research has suggested that for small to medium size growers to remain viable in a deregulated market place, creative solutions are required. This may involve the development of localised agricultural co-operatives. This is potential area of further study, to ascertain if growers are investigating options such as this, and how these co-operatives might be established.

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Interview Schedule

1. How long have you been farming for?
2. What is your nearest town? How long have you been a part of this community?
3. What is the size of your farm? (in hectares)
4. Can you describe how collective wheat bargaining worked in Australia, under the operation of the Australian Wheat Board?
5. Since deregulation of domestic, then export wheat markets in Australia, how has the process of selling your wheat changed?
6. In your time farming in the area, how do you think the composition of the local community changed?
7. Why is being a farmer important to you?