**WHEAT MARKETING AND TRANSPORTA­TION BILL 1920**

**Legislative Council, 23 September 1920, pages 778-82**

Second reading

**The CHIEF SECRETARY (Hon. J. G. Bice)** —I rise to move the second reading of this Bill with some diffidence in view of so many statements on the subject having been made lately. Although I recognise that those opposed to this measure believe that they are acting entirely in the interests of the farmers, I am sure that they are taking a mistaken view. The matter has been so much before the country that it is not necessary for me to enlarge on it. We have been confronted with some solid opposition from one section of the community and from one corner of the State only. The fact is that wherever farmers have met for the consideration of the question—in conferences, bureau meetings, district councils in some cases, and in other ways—resolutions have been carried favoring a continuance of the Wheat Pool for another year. What has been known as the Farmers’ Committee has been investigating the question, and I have met the members of that committee in a deputation.

The Hon. A. A. Kirkpatrick—Some of them are not farmers at all.

The CHIEF SECRETARY—That is quite possible. Some of them may be scrip farmers, and some may not be interested in the wheat trade even to that extent. The way I put the matter to that committee was that before determining to continue the Pool the Government had been confronted by a problem, and had endeavored to discover what was the opinion of those who had handled the farmers’ wheat in the past. The Premier and myself had an opportunity of meeting representatives of the big wheat firms in Melbourne, and their opinion on the subject was most emphatic. Without the slightest hesitation they gave the assurance that they could not market or finance the coming wheat crop or distribute it under the existing conditions of shipping and freights.

The Hon. J Lewis—How are the Government going to do all this?

The CHIEF SECRETARY—I think it will be generally admitted that with the assistance of the Commonwealth Government and with the financial resources of the whole of Australia behind the organisation, there is a very much greater probability and possibility of the wheat being marketed in the best interests of the farmers and under such conditions as will give them all the year round a better return for their product. The emphatic words of one representative gentleman who is in the thick of the wheat- dealing business, and who is confidential adviser to one of the biggest firms in Australia, were:— “No one firm or no combination of firms, without the country behind it or them, could finance and deal with the enormous crop now maturing throughout Australia.”

The Hon. J. Lewis—Will you give US the name of that gentleman?

The CHIEF SECRETARY—I have not the slightest objection. It was Mr. Boehme, who has been one of the officers of the Wheat Scheme on behalf of Dalgety & Co. from its inception. At the same time Mr. Bell was there and, speaking for the firm of John Darling & Son, he indorsed the statement made by Mr. Boehme, and gave us the full assurance that in the existing circumstances they could not without having the assistance of the Commonwealth finance the marketing of the incoming crop.

The Hon. W. Hannaford—Was Mr. Lazry, of Dreyfus & Co., there?

The CHIEF SECRETARY—No; Dreyfus and Co. have been cut out so far as the Wheat Pool is concerned. The firms I have named are firms who have carried on this business for the farmers of Australia for a long period of years. The firm mentioned by Mr. Hannaford is not an Australian one, and, further, it is a firm dealing largely with Argentine and other products that must come into competition with the Australian crop. Firms that will come into competition with us as a selling agency and in securing trade are not firms that we can take into our inmost counsels. I think we have done a prudent thing. The problems have been most intricate, and we have endeavored to face them so as to secure a result that will be in the best interests of all the States. With the information we had before us and having sought the best advice we could, and having been cautious that nothing should be done in haste which we might afterwards regret, we could come to no other conclusion. I put to the deputation which contended that there was no necessity for a Pool, and if we wanted a Pool we should have a voluntary one, and if it was not a voluntary one it should be one for South Australia only, one question which they could not answer. I said, “What have you to propose? You have talked to me for an hour, and have said that we are wrong in everything we propose to do. What have you to offer in substitution for what we propose? We tell you that the firms who did this in the past have given us the assurance that they cannot do it again.” Here I wish to repudiate the unworthy assertion that these firms have come to this arrangement with us because they can get a profit. If they thought they were in a position to market the wheat they would do it. I say without the slightest hesitation that in paying for the services rendered by those agents who have taken over our wheat at the stations, handled it, and looked after it, l 3/4d. per bushel, of which the buying agents got a penny, we did not pay too much. And in paying the selling agents who have taken control of the wheat on the other side of the world, 3/8d. a bushel or 1 per cent., the Board in the past has not given an excessive remuneration for the work done. We are making a better bargain this year. I am now speaking of the bargain now made which is subject to legislative approval. We are terminating the arrangement which was made with two firms that have had the chartering of ships. That has not been altogether satisfactory.

The Hon. J. Lewis—It was very satisfactory to the two companies. They got a com­mission.

The CHIEF SECRETARY—There was a commission connected with it, but when you take into account the difficulties of getting. shipping I do not know that it was an unfair commission. They had to do all the negotiations and everything necessary between the owners of the ships and the shipping agents on this side.

The Hon. J. Lewis—Did the State Government or the Commonwealth Government get part of the commission?

The CHIEF SECRETARY—No. We have made a better arrangement in regard to this matter. In the past the shipping agent arranged his own charters. That appears to me to be necessary, and that is the line on which we are going this time. We are going to establish our own chartering organisation. Of course, if a broker comes in it is an established custom of the trade that he will get l 1/4 per cent, of the 5 per cent. paid. We are going to be the selling organisation, and will have the benefit of the advice of the best experts in Australia, who will assist the Wheat Pool in obtaining ships for getting the wheat away. We are going to be our own chartering organisation, and such assistance as the experts can give us they will. We are giving to the selling agents only a small percentage for their assistance, and we will have the control of the whole business in our own hands. That is one of the things where an alteration will be made which will be of advantage. But the point I was making was that we adopted a certain line of action, that we took the best advice we could possibly get, that we had nothing before us with respect to any organisation which could handle the crop, and that we had to do the next best thing, which was to ask the farmers again to agree to the con­tinuation of the pooling system for another year. Victoria has already passed its Bill. This measure is a counterpart of the Victorian one, and its provisions are practically a re-enactment of existing legislation, with one or two slight alterations that do not interfere with the principles of the present Act. We have been told that because of the way the wheat business has been managed in the past a tremendous amount of money has been lost to the farmer, and that that is sufficient reason for discontinuing the pooling system. Certain figures and statements have been published broadcast, with the endeavor to mislead the people into the belief that the cost of management has risen to exorbitant figures. I hold a circular in my hand which shows the number of bushels placed in a certain Pool, the expenses paid, and the rate per bushel of those expenses. It is said that the expenses amounted in one year to 12 3/4d. per bushel. Although the expenses for that year were heavy it must be borne in mind that during the whole of the period the pooling system has been in operation the farmer has received an average of 5s. a bushel. You can take any similar period, or any period of double the length of time you like during the last 40 years, and it will be found that the farmers have not received nearly the price from private firms as they did from the pooling system.

The Hon. W. G. Duncan—Has the oversea price ever been as high as during the last five years?

The CHIEF SECRETARY—I am not making the point that Mr. Duncan is trying to twist my argument into. The point I am making is that, in spite of those people who say the cost of handling the wheat has been so excessively heavy, we have still been able to return better prices to the farmer than he ever before received. Even though oversea prices may have been somewhat higher, a set-off against that is the fact that difficulties have been experienced such as were never known before.

The Hon. J. Jelley—Without the Pool the farmer would have got a shilling a bushel for his wheat.

The CHIEF SECRETARY—I would not say that, but every member on the opposite side of the House knows that if it had not been for the pooling system ruin would have stared the agricultural and producing interests of Australia in the face in connection with wheat and wool. To show how people are led away into a line of reasoning by which they would sacrifice their business I know of one prominent producer who, with thousands of bushels of wheat, made a considerable fuss because a price was not taken which was much less than he subsequently got for his wheat. He was afraid of something happening, and that seems to be the trouble of members opposite. Although it did cost 13d. a bushel for handling the wheat in one Pool, that grain had to be held over for three seasons. On top of that was a mice plague such as we had never experienced before, and then came abnormal rains which caused great damage.

The Hon. J. Lewis—Does that 13d. take into consideration all wheat that was damaged!

The CHIEF SECRETARY—Everything considered.

The Hon. J. Jelley—I suppose that includes the sale by the Prime Minister of l 1/2 millions tons of wheat at 5s. 6d. a bushel when he should have got 7s. 4d. ?

The CHIEF SECRETARY—You are quite misinformed with respect to that. During the past year the cost of management has been under 1d. a bushel. Where the circular I have mentioned is so unfair is that it does not mention that in the 13d. were such items as railage and other expenses necessary to get the wheat from the farm into the ship’s hold. It is most misleading to disseminate such incorrect information to the people. The circular intended to convey to the farmers that 13d. was the cost of management only. Why, look at the reconditioning there was to do.

The Hon. J. Jelley—Did you provide your plants out of that 13d. a bushel?

The CHIEF SECRETARY—The whole cost is given for handling the wheat of that one Pool, and I suppose the reconditioning plants would have to be paid for, because their cost had to be borne by the Pool for which they were used.

The Hon. J. Jelley—Will you answer thie point Mr. Gordon put up that the Prime Minister lost £7,000,000 by his bungling?

The Hon. D. J. Gordon—I never put that up. Mr. Jelley said that.

The CHIEF SECRETARY—With respect to that I had the pleasure of reading a very illuminating article that appeared a short time ago in the “Liberal Leader.” It was evidently written by someone who knew, and it was stated that the sale by the Prime Minister was one of the best ever made in Australia. There are a lot of people saying "Didn’t I tell you so?”, and who are very wise after the event. At that time 5s. 6d. was. the full market value of the wheat, and our advisers thought it was a good sale at that figure.

The Hon. J. Jelley—Mr. Gordon did not know that when he made the statement-.

The Hon. D. J. Gordon—I did not make it.

The CHIEF SECRETARY—Those are the facts. with regard to that sale. At the time the sale was made we had an overdraft of something like £35,000,000, which it was

essential to reduce, not by sacrificing our wheat, but by making a sale under conditions that would enable the overdraft to be reduced and still do no harm to the farmers.

The Hon. J. Jelley—If the “Liberal Leader” says it was a good deal does that prove that it was?

The CHIEF SECRETARY—I will let Mr. Jelley answer that question himself, and if any question should arise as to the authenticity of any statements which appear in the “Daily Herald,” I will leave it to Mr. Gordon to vouch for them. I feel very strongly on an irresponsible statement which appeared in a section of our press to-day. It was taken from one of the Melbourne newspapers, and reads: —

The contract for sale of 300,000 tons of next season’s Australian wheat to Egypt at 10s. 6d. bushel f.o.b. will probably be signed in a few days. It is likely that practically all overseas sales of wheat next season will be on a c.i.f. basis. Negotiations are under way for the sale of several thousands of tons to various countries at a c.i.f. price, which will yield a slightly better return than the f.o.b. sale to Egypt.

I left the Wheat Board office yesterday at five minutes past 4, and at that time there was nothing that would give the slightest reason for saying that there was a probability of a sale taking place to Egypt at 10s. 6d. a bushel within the next few days. I have communicated with Mr. Pitt to-day, and he tells me that the statement is absolutely incorrect. We do not want it to be spread about that we are making a sale like that, involving 10 millions of money, without the gravest consideration and without looking at every aspect of the question. Furthermore, the paragraph states that the sale is for next season’s wheat. The old Pool only has power to deal with the wheat that is left over from the previous Pool. The new organisation cannot deal with the wheat that is yet in the paddocks, and into which a stripper has not yet been put. It is most unwise to disseminate a statement throughout the press that we are making a sale involving thousands of tons of freight. It will probably be wired all over the world, and may unduly interfere with the business of the Pool. I deprecate such action without first referring the matter to someone who could have told them sufficient about the position to have prevented publication. We have given the closest consideration during the last four or five weeks to the important question whether we shall make a big forward sale or not. If we do make such a sale on terms desirable and reasonable we may be able to steady our market over a considerable portion of the year, and it was most unwise, while such negotiations were going on, to make public such a statement.

The Hon. J. Lewis—Have you room for action against the paper for publishing it?

The CHIEF SECRETARY—No. I am only suggesting that publication was not in the interests of the producer and the country. The paper in question has only given what was published in another place, and the first sinner is the greatest sinner.

The Hon. J. Lewis—Cannot the Pool bring an action against those who first published a false statement?

The Hon. D. J. Gordon—It is no libel against, anyone.

The CHIEF SECRETARY—We might not be able to prove damage.

The Hon. J. Jelley-—Bring the lawyers in and you will get over that thirteen pence pretty quickly.

The CHIEF SECRETARY—I am only protesting against the publication of a statement which is likely to create greater difficulties in the management of a very big affair, where sometimes trifling things turn the scale as between profit and loss. I hope that members have considered the subject, and are in a different frame of mind from what they were in when they spoke earlier. At a meeting on September 6 certain things were finalised in connection with the new Pool so far as we could finalise them in the absence of the legislation contained in this Bill, and it is absolutely necessary to deal with this measure with expedition. Ministers in conference agreed to uniformity of legislation, based as nearly as possible upon the legislation controlling the previous Pools. Then we decided to appoint a selling organisation to make such preliminary investigations as it could, again pending this new legislation. It was also decided to accept the resignation of the chartering agents and to appoint a chartering organisation within the Central Wheat Board. Elder, Smith, & Co., Limited, and Messrs. Gibbs, Bright, & Co., who were chartering agents for the Commonwealth Government, resigned their position some time ago, and their resignations were accepted. These firms have no connection with the chartering of vessels for the Australian Wheat Board. Instead, the chartering of vessels to convey the next crop will be in the hands of the London selling agency (Dalgety *&* Co., Limited, John Darling *&* Son, James Bell & Co., and Berry, Barclay, & Co.). This arrangement is similar to that which obtained in the wheat trade prior to the Pool, by which the sellers of wheat chartered the vessels to convey the wheat. This is a distinctly better arrangement than having one agency to sell the wheat and another to charter the vessels. We have had some difficulty in connection with insurances. We have paid a very big sum of money for marine insurance and we had one trouble. That was in connection with a vessel which took a cargo of wheat from Port Adelaide to America. There has been a loss and there is a difference. The companies were determined to get their pound of flesh from the Wheat Board, and we have determined to take advantage of every opportunity to deal with marine insurances by going into the best market, either in the Old Country or in Australia. Another matter of some importance which has been determined is that the price to be paid for wheat shall be world’s parity. This may involve important considerations of policy. Mr. Hughes, in his policy speech, recognised the principle, and positively stated that if the Commonwealth Government had anything to do with the handling of the next harvest, the farmer would be assured of world’s parity for his product. If we said that we were going to sell wheat at 7s. 8d. a bushel, so that Australians might have a cheap loaf, while we are able to get half as much again in the overseas market, we would be placing the burden on the farmer of carrying one-quarter or one-third the value of the loaf for the consumer. We have determined that the price to be paid shall be world’s parity on monthly fixation. We cannot change the price of wheat every day in the week. We shall fix the price at world’s parity on, say, the 7th of the month, and that price will continue in force until the 7th of the next month, whether in the meantime the market rises or falls. When we fixed the price at 7s. 8d. a bushel that was practically the world’s parity, leaving out of consideration some special markets, because there are markets where you can get 2s. a bushel more for wheat than is obtainable in other markets. After communication with the Old Country we found that 7s. 8d. was the world’s market price, which made our loaf 5d., and it was considered fair and reasonable to fix the price accordingly; but with world’s parity now ranging from 12s. 6d. to 13s. 6d. a bushel, it would be unfair to ask the farmer to continue to accept 7s. 8d. The first part of the Bill is only preliminary, and the second part down to clause 18, containing the marketing scheme, is practically the same as existing legislation.

The Hon. D. J. Gordon—I do not see any provision for the termination of the Act, simi­lar to what was in the last Act.

The CHIEF SECRETARY—I think that in the draft December 21 was the date fixed for the termination of the Act. Part 3 of the Bill contains special provisions with regard to stocks of flour derived from wheat sold to millers for gristing. Penalties are provided to see that the law is observed, and in Committee I shall explain the small alterations which have been made. Part 4 provides the necessary penalties for enforcing the provisions of the Act. There are practically no changes from the existing legislation. In spite of what has been said to the contrary, I contend that the pooling system has been absolutely in the interests of the producer under the conditions which have existed. Had those people who dealt with the wheat in the past been able to give us the assurance that they could carry on the work in respect to the coming crop I am sure there would have been no compulsory Pool again; but in view of the actual position, it would have been criminal on the part of the various Governments to have failed to undertake the responsibility resting upon them, and to have allowed disaster to overtake the farmer. I move the second reading.

The Hon. D. J. GORDON secured the adjournment of the debate until September 28