

Cargill, Inc. targets Australian wheat supply

by Robert Barwick and Allen Douglas

The free trade “restructuring” which has savaged Australia’s agricultural sector over the last 20 years, is accelerating under John Howard’s Liberal government, now in its second year in office. Howard’s minister for primary industries, John Anderson, has presided over a dismantling of the quarantine service, the abolition of sugar tariffs, and, most recently, a complete overhaul of the organizational and marketing structures of the wheat and meat industries, in particular the partial privatization of the Australian Wheat Board (AWB). The loudest applause for Anderson’s efforts comes from the international commodity cartels in Australia: Cargill, Inc. and ConAgra.

At stake in the AWB privatization is control of almost one-sixth of the world’s annual wheat exports. While Australia is expected to harvest 3.5% of the world’s total wheat supply in 1996-97 (20.2 million tons out of 573.2 million tons worldwide), its share of the world’s exports is much greater—an expected 13.2 million tons for 1996-97, or 16% of the total. It is the cartels’ control over the world’s export markets, which allow them to rig prices and control production worldwide.

On March 5, the Grains Council of Australia, made up of the grain grower organizations of each state, voted 4-1 to adopt a proposal for the privatization of the AWB, which was recommended by the Australian subsidiary of Bankers Trust of New York and the Australian law firm Mallesons, Stephen Jaques. Originally a statutory body that was the sole selling agent for all Australia’s wheat, the AWB’s privatization had been dictated by Anderson as part of his government’s strategy of “reducing government involvement in industry.” Anderson had given the Grains Council a deadline of March 5 to decide what sort of privatization model they “preferred.” At issue is the control of more than AUS \$550 million (\$385 million) in grower levies either already in hand, or to be collected by July 1, 1999, which is to be the capital base of the new organization. The new AWB will be a dual-class share model whereby each grower will be issued one A-class share, with an accompanying single vote, while B-class shares, with less voting rights, will be floated on the open market. The A-class shareowners will elect the majority of the seven members of the board of the new, privatized entity, while B-class owners will elect a minority.

These changes, according to Max Johnson of Western Australia’s Rural Action Movement, were opposed by the

majority of growers. “Most growers want the old AWB charter—single-desk, elected board,” Johnson told *EIR*. “However, the single desk has been dying under GATT [General Agreement on Tariffs and Trade].” Although the new structure is a compromise, the cartels will soon get what they want: deregulation. The single-desk nature of the AWB—its export monopoly—will be reviewed in the year 2000, at which time it is expected to be scrapped, and Cargill, Inc., the privately owned cartel, is poised to move in. Johnson pointed out that the original proposal to restructure the AWB came from the Cargill-dominated grain exporters association, Newco. Newco wanted a new AWB body to be a completely privatized, publicly listed company. Cargill’s chairman, Ernest Micek, told the Feb. 28 *Australian Financial Review*, “We would hope that the Australian producer would see that we are really an ally [!] and would welcome the opportunity to work together if the system becomes less regulated.”

An intense propaganda campaign to lure farmers to use the futures market for their sales has accompanied this AWB restructuring. Farmers have resisted this, but last year’s price drop, from a record high of \$240 per ton to \$170 per ton—the largest single drop in history—has convinced many producers to use futures, in an attempt to capitalize on all-too-scarce better prices. The role of Bankers Trust, a heavy player (and loser) in the derivatives market, as an “independent” adviser to the AWB, has obviously been key to this: Johnson also reports that the AWB itself is trading more than 90% of the wheat supply through the futures-dominated commodity markets, rather than directly to foreign buyers.

Export raw materials, Australians are told

Australian farmers, who have been driven off the land in record numbers in recent years because of high interest rates, falling prices, and drought, are angry at the AWB (ostensibly their organization) for its role in the privatization. In a resolution passed in the third week of March, the Merredin and Kondinen branches of the Western Australian Farmers Federation called for the resignation of AWB Chairman Trevor Flugge because he “misrepresented and ignored the instructions given to him by the vast majority of the wheat growers of Australia.” The WAFF growers, who produce 40% of Australia’s wheat, say they will ask Primary Industries Minister Anderson to dismiss Flugge “forthwith.”

Anderson is most unlikely to comply. He acknowledged his own role as a virtual puppet for the commodity cartels, in remarks to the *Weekend Australian* of Jan. 11-12: “Australia should focus more on improving its exports of raw materials rather than developing processing industries,” he said. While Anderson’s constituents—the producers of the “raw materials”—are reeling from the release of the latest Australian Bureau of Agricultural and Resource Economics forecasts, which predict yet another year of disastrous commodity prices, the cartels are in no such dilemma: Cargill, Inc.’s global operations pulled in \$56 billion last year.