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Kevin Rudd MP
LEADER OF THE OPPOSITION

Mr Darryl Kitto
"Goyura"
168 Frasers Lane
Beckom NSW 2665

8 February 2007

Dear Mr Kitto

Thank you for your correspondence regarding the Australian Labor Party's position on the retention of the 'single desk' for wheat exports.

The Australian Labor Party has supported the single desk wheat marketing arrangements for over 65 years since 1939. During that period Labor has been a strong supporter of the current single desk marketing arrangements and it remains Labor policy that the single desk should remain in place while ever these arrangements have support from the growers and the community as well as delivering a benefit to Australian wheat growers.

It is essential that the debate over the whether the single desk is the most appropriate arrangement for Australian wheat marketing is not overwhelmed by the wheat-for-weapons scandal and the revelations that came out of the Cole Inquiry.

A study by Econtech of the premium attributed to the single desk indicates that on the benchmark of Australian premium white grade of wheat, the single desk captures a premium of between \$15 and \$30 a tonne. The total annual value to Australian growers of this premium on Australian premium white is \$80 million. On all grades the average premium attributed to the single desk is \$13 a tonne and the total annual value of the premium on all grades is \$200 million.

While it is clear that the revelations of the 'wheat for weapons' scandal has damaged Australia's reputation overseas, it is also clear that the Wheat Export Authority put in place by the Howard Government has manifestly failed in its primary responsibilities. The Wheat Export Authority was established in 1998-99 to control the export of wheat from Australia and to

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monitor AWB's performance in relation to the export of wheat and examine and report on the benefits to growers that resulted from that performance.

The performance of the Wheat Export Authority in monitoring AWB has been the subject of criticism from both Labor and grower organisations for a number of years. The Wheat Export Authority completely missed the involvement of AWB in the wheat for weapons scandal, even though the potential impact on grower incomes was considerable. The incompetence of the organisation as it is currently staffed and structured was highlighted when it was revealed that it went through 2005 using the provisions of an out-of-date service agreement as the basis for monitoring AWB. It is important that the operation of the Wheat Export Authority be thoroughly reviewed as part of any process leading to improved arrangements for wheat marketing.

Labor is concerned that under the scrutiny of the WEA:

- AWB shareholders, many of them wheat growers, lost half the value of their investment;
- Trade with Iraq worth up to \$500 million a year was forfeited;
- AWB pool participants were potentially exposed to the impact of a number of Australian and International law suits;
- The AWB brand name was severely wounded; and
- The \$610 million that AWB inherited from the Wheat Industry Fund and the \$300 million it has captured as monopoly rent since privatisation have evaporated.

The WEA had the legislated powers to do the job it was required to do however it clearly lacked the will or resources. It is the Minister Warren Truss who had the responsibility for ensuring that the WEA undertook its primary roles and actually looked after the interests of wheat growers. Minister Truss and the Howard Government as a whole has failed completely in this regard.

Labor believes we must get it right when it comes to any proposals from the government that may change the single desk arrangements in the future. It is critical that the government through inadequate consultation on the future of the single desk does not further damage the interests of growers.

Australian wheat growers have been badly let down by the Howard Government through inaction that has led to Australia's export reputation becoming tarnished.

Labor's policy is to continue to support the single desk while we are convinced that there is strong economic value in the single desk for growers

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and the Australian economy and it retains the support of growers and the community.

Thank you for taking the time to contact Labor on this extremely important issue.

Yours sincerely



Kevin Rudd
Federal Labor Leader
Member for Griffith