A WEEKLY COMMENTARY

ON TARGET

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The price of Freedom is eternal vigilance –

Print Post Publication Number 381667 00258

Vol.43, No.45 November 16th, 2007

THOUGHT FOR THE WEEK: While serving in the R.A.A.F. during WWII, Horton underwent a deep flirtation with the dominant religion of the day, International Communism, which had penetrated and undermined the Christian Church... Horton's squadron leader was responsible for recruiting him to the Communist cause, and on Horton's own testimony he succeeded in making Horton a fanatical follower. However, one day Horton asked his squadron leader: if he had any disagreement with The Party line, what was his course of action? The reaction of the squadron leader was violent and vehement: "The Party is always right, you never question The Party line, it comes direct from Moscow and is always right."

Read that reply against the function of party politics in Australia today. Senator Barnaby Joyce recently experienced the wrath of The Party when he threatened to cast a conscience vote in the Senate – but recanted when John Howard reminded him: "Your first loyalty is to this Party room."

Party politics has absolutely no affinity with the Christian Faith, a fact of spiritual certainty the Christian Church has yet to learn. Horton's response to his squadron leader was: *"My conscience is the voice of God speaking to me."* He promptly brought to an end his flirtation with Communism, and on demobilisation came in contact with Social Credit, and as Horton told me, he immediately knew Social Credit was "right" in every sense of his Christian faith. – In Memoriam: happy, joyous Horton Lewis Davies, by Edward Rock, October 2007

A RUINOUS GRAIN TRADING DEBACLE AND DUTY OF CARE by Patrick O'Shea: The vexing question for grain growers regarding the "duty of care" in grain trading has now come to the fore. This is about how grain trading is supposed to work. At this very moment there are thousands of grain growers throughout Australia trapped with grain trade contracts that have gone horribly wrong.

The first question that must be asked is: Is there such a thing as "duty of care" at all in the business world today? For instance, when a farmer signs a contract to sell grain and a trader arranges a sale – the trader considers he has now done his part. But is it as simple as that when so much can happen from that moment on?

The very complexity of this entire proposition needs explaining and the naïve sellers are certainly entering dangerous territory they do not adequately understand. Gambling with their crops is another way of looking at it – if there are not strict rules to follow and adhere to with what is referred to as 'washing out'.

The single desk pooling system allowed to be dismantled: The vulnerable, individual farmer – and this means a great percentage of them at this time – is raw and new to this 'forward selling' stunt. He has been thrown to the wolves because the single desk pooling-system, which he understood, was allowed to be dismantled. The farmer is now told: you are a grain trader now as well as a grain grower. Those who tell him this know full well that the average farmer is as green as grass in this grain trading business.

Futures trading and currency fluctuations can quickly distort the 'bottom line', as can the supply and demand factor along with big-fund speculators.

Things can start going the wrong way in a very short time for the grain-growing-now-trader farmer. In such circumstances, a farmer would need access to a 'red alert' warning every day to enable him to successfully negotiate the hurdles and monitor his position for his own benefit.

The farmer entered into 'forward selling' believing he was protecting his next year's income (a type of 'insurance'). Some 'forward sold' their anticipated crop even before the seed was sown.

Trading rules run somewhat along these lines: If the 'futures' price goes up the farmer becomes exposed and vulnerable – if the 'futures' price goes down he could sell the contract and make a financial profit. This is a simple explanation, but that's about what happens.

But how can the individual farmer keep a tab on all this daily cut and thrust in the grain-trading markets of the world without a mechanism to interpret the actual bottom line in dollars and cents, for him?

- Crops can suddenly fail on the other side of the world.
- Miscalculations on the hectares planted in some land the farmer has hardly heard spoken of – causing buyers to panic.
- Some trading organisations can issue very 'sloppy' information too.
- Big-fund speculators often move in and 'stir the pot'.

But, we are told this is merely 'market forces' at work.

Last August farmers saw grain trade prices go up to unprecedented levels in a very short time. Almost overnight prices went from roughly US$4.00 a bushel to US$9.70. Such words of 'advice' from traders as the following went out to the farmers: "This early price is above the ten-year average," etc. Some banks actually encouraged contracts to be made to guarantee the grain price, confident farmers would be able to service their loans with the banks.

The facts are, the grain traders could not care less just what their client's position is, they simply claim "a contract is a contract is a contract".

Suddenly drought conditions brought farmers to their knees: Suddenly, because of looming crop failures with the prolonged drought conditions, growers who had contracted out significant tonnages, found themselves facing horrendous financial liabilities ranging from $150,000-$200,000 to $400,000-$500,000 when they tried to 'wash out' their contracts. What it meant was the farmers would not be able to physically deliver the tonnages to which they were contracted. A termination of a contract is called 'a washout'. The contract is terminated when one or other of the party cannot fulfil their part of the agreement. A case could be made that the prices then claimed by the traders were somewhat fanciful. One distressed grower insisted the claimed price was not that of the prices being paid at actual physical sales at that very time.

But questions need to be asked

- Where was the concern from the Grain Traders for their clients' predicament then? There was none.

- What did the banks think about their clients' escalating exposure? Nothing.
- The banks simply offered to meet the new debt with further loans and were in denial of any responsibility for advice given beforehand. This is in the face of their chartered responsibility that they must care for their client's position equally to their own.

It could be said 'duty of care' is but a one-way street - for the Grain Traders and the Banks. Not only did the farmer have to face the 'washout' of his contract but additional fees over and above his contract suddenly materialised.

We either come for the grain – or the money: One trader initially wrote up 2000 Trade Agreements and when conditions worsened, and 'the balloon went up' a great number of growers did not exit quickly enough. Some were now facing near total crop failure.

Of the top 17% of Trade Agreements, these growers now owe $99 million as their short-fall and buyout cost. This is a devastating figure for those growers dealing with just the one trader and there are a dozen such traders now in Australia.

To a man, the traders have said, "we want this money on time and will not give consideration even if the farmers are totally cash-strapped at the moment. We either come for the grain or the money."

Is there another way for the future selling of our grain? Can the traders and the banks be made accountable under a "duty of care"?

Duty of care simply means that a trader or a bank must have the same concern for their client's position as for their own. A lot of squeals will go up in denial. But they haven't got a choice because if a breach of duty of care is established, a liability can then be examined and tested: what was the cause of the breach, what was the standard of care? Strict liability will eventually prevail. No farmer enters a trade agreement to lose money. A mechanism must be put in place that allows a farmer to monitor his exact position daily, using a stop loss order or the like. But his actual, daily position must be available to him. Modern technology is there to do this for him, along with a manageable washout fee that is not onerous.

What can Australian grain growers expect at Federal Government level? Only silence I am afraid - and continued nonsense. The Coalition intimated support for single desk marketing of wheat but with unrealistic conditions.

Senator Kerry O'Brien Shadow Minister for Agriculture has stated that the Labor Party has a plan regarding single desk and export arrangements having multiple traders. Now that is an inspired idea isn't it? He is not going to listen to farmers' arguments who overwhelmingly wanted to retain the single desk pooling system. But he said his party has a better plan which they will bring in if elected on the 24th November.

And what about the Coalition? The Cole Inquiry has been and gone exposing the 'kick-back' scandal which – amazingly – no one knew about and but a few wrists have been slapped. Farmers and the Australian public in general are still waiting for someone to be earnestly questioned and responsibility and blame placed – but not till after the federal elections, if then. But then according to the economic rationalist no one will be blamed because "free trade must rule".

It should have dawned on the farmers of this nation by now: the single desk marketing system has been destroyed as has been the objective all along. Why? To pander to the free trade protagonists of a one world corporate plan.

One last word: Duty of care goes right up the chain even to our political representatives who are elected to look after their constituencies.

HOARSE COMMENTARY from Lynn Stanfield: We simply had to publish the following. We badly need to have a laugh, because if we didn't laugh we would cry at what has happened to our wonderful Commonwealth of Australia.

Welcome Punters, to the running of the 2007 federal cup. The weather is awful, track is rough and there is not much hope for a fair or dinkum outcome.

However, we have endeavoured, over the past three years, to keep you up to speed with the animals we think are the only ones worth talking about. We've given you every detail, no matter how trivial, in an effort to help you pick the winner we wanted you to have.

Wearing the red colours with the purple and white V is Labor, riding "Krudd", a fresh young stud from the breeding stalls of Bankers and Toilers. Krudd was trained in international circles of fine china and high living.

Wearing the blue shirt and cap with brown markings is Little Johnny Libnat on "Hope out of Turmoil". Hope out of Turmoil is from the well known stables of Bankers and Law.

Little Johnny has been weighing in a bit light lately as well as fighting with his fellow jockeys and is carrying additional weight in his bulging saddle bags, the contents of which, he has been handing out around the track in hopes it would make him favourite again. Little Johnny was also trained in international circles of fine china and high living. So this year's race is very close; too close to call really.

But we have told you about both of them, over and over and over, so you should have no trouble picking our winner.

As they approach the barrier, we notice other starters are moving in to take their places in the stalls. Barrier position one, closest to the rails has been drawn by some CEC bloke; I can't quite see who has drawn other barriers; looks like Independent colours there; but no matter, we'll continue to cover the movements of our favourites Krudd and Hope out of Turmoil, those others are just to make up the numbers anyway.

They're Racing:----------- and the first to jump is Krudd, closely followed by Midnight Oil and Slick Jenny. Around the first turn with a thousand to go and it's still Krudd from Coward, sorry, Hope out of Turmoil.

Hope out of Turmoil is trying very hard to out-pace Krudd; Little Johnny is distributing as much weight from his bags as possible; hang on, that's money he's throwing – c'mon Johnny, c'mon. By crikey, he just might make it.

At the half-way now and it's still Krudd by a neck. Midnight Oil has stumbled a couple more times; Rabbit has made some slow moves which he is sorry for and Lab, on Krudd, keeps shouting "Me too – me too – We'll match you anytime – me too!"

Still not sure who those other contenders are; some appear to be making a nuisance of themselves; should be more restrictive rules on such entrants I reckon; don't know anything about them.

Into the home stretch and the punters are sluggish. More weight from Little Johnny's bag. More "Me too" from Lab; and now it's starting to get nasty, whips are drawn, the Jockeys are beating each other severely about the person, oh, I cannot imagine such a dirty, meaningless effort from these two, oh!, oh!, oh!

And there goes the winner ---------------------------- Beatle Bomb! (Good one Lynn!)

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"ON TARGET" is printed and published by The Australian League of Rights, 145 Russell St., Melbourne.
Postal Address: GPO Box 1052, Melbourne, 3001. Telephone: (03) 9650 9749, Fax: (03) 9650 9368.
Subscription $40.00 p.a.