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SENATE

SELECT COMMITTEE ON AGRICULTURAL AND RELATED
INDUSTRIES

Reference: Pricing and supply arrangements in chemical and fertiliser markets

TUESDAY, 11 NOVEMBER 2008

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**SENATE SELECT COMMITTEE ON
AGRICULTURAL AND RELATED INDUSTRIES**

Tuesday, 11 November 2008

Members: Senator Heffernan (*Chair*), Senator Farrell (*Deputy Chair*) and Senators Fisher, Milne, Nash and Sterle

Participating members: Senators Abetz, Adams, Arbib, Barnett, Bernardi, Bilyk, Birmingham, Mark Bishop, Boswell, Boyce, Brandis, Carol Brown, Bushby, Cameron, Cash, Colbeck, Jacinta Collins, Coonan, Cormann, Crossin, Eggleston, Ellison, Feeney, Ferguson, Fielding, Fierravanti-Wells, Fifield, Forshaw, Furner, Hogg, Humphries, Hurley, Hutchins, Johnston, Joyce, Kroger, Lundy, Ian Macdonald, Marshall, Mason, McEwen, McGauran, McLucas, Minchin, Moore, Parry, Payne, Polley, Pratt, Ronaldson, Ryan, Scullion, Siewert, Stephens, Troeth, Trood, Williams, Wortley and Xenophon

Senators in attendance: Senators Farrell, Fisher, Heffernan, Nash and Sterle

Terms of reference for the inquiry:

To inquire into and report on:

The pricing and supply arrangements in the Australian and global chemical and fertiliser markets, the implications for Australian farmers of world chemical and fertiliser supply and pricing arrangements, monopolistic and cartel behaviour and related matters.

WITNESSES

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Committee met at 4.05 pm

CHAIR (Senator Heffernan)—I declare open this public hearing of the Senate Select Committee on Agricultural and Related Industries. The committee is hearing evidence on the committee's inquiry into the pricing and supply arrangements in the Australian and global fertiliser markets. I welcome you all here today. This is a public hearing, and a *Hansard* transcript of the proceedings is being made.

Before the committee starts taking evidence, I remind all witnesses that in giving evidence to the committee they are protected by parliamentary privilege. It is unlawful for anyone to threaten or disadvantage a witness on account of evidence given to the committee, and such action may be treated by the Senate as a contempt. It is also a contempt to give false or misleading evidence to a committee. The committee prefers all evidence to be given in public, but under the Senate's resolutions witnesses have the right to request to be heard in private session. It is important that witnesses give the committee notice if they intend to give evidence in camera. If a witness objects to answering a question, the witness should state the ground upon which the objection is taken and the committee will determine whether it will insist on an answer, having regard to the ground which is claimed. If the committee determines to insist on an answer, a witness may request that the answer be given in camera. Such a request may, of course, be made at any other time.

[4.07 pm]

STAPPER, Dr Maarten, Private capacity

CHAIR—Welcome. Do you have any comments on the capacity in which you appear today?

Dr Stapper—I am a private consultant working on biological farming.

CHAIR—Thank you. Would you like to make an opening statement before we go to questions?

Dr Stapper—Yes, thank you. I have worked on four continents. I was trained and worked in the Netherlands, and then I worked in the United States, in Texas, on a project for the United States Department of Agriculture. I worked in Canada on tobacco farms, and then I went to Syria, where I worked for one of the international research institutes, ICARDA, on agriculture in a Mediterranean climate. I worked in Iraq on an FAO irrigation project before coming to Australia. Here I worked for CSIRO from 1983 on wheat production systems. I worked to get wheat production efficiently using fertilisers, minimising chemicals and making best use of the rainfall. I was working in the south-eastern part of the country, also on irrigated wheat, in the Lachlan, Murrumbidgee and Murray valleys.

In that time, over 15 or 20 years, I came to the conclusion that I could not get the wheat production quantified with the nitrogen, water, sun, solar energy et cetera—something was missing. Then I discovered that it is soil biology that is the critical component for soil fertility. Of course, our carbon has been decimated since settlement. It is now less than one per cent. That is the official soil test average for the south-east of the country. At settlement, it would have been two or three per cent and in other places four or whatever. So it has been decimated. Our fertility is linked with the carbon in the soil.

So then I came to the point of starting to work on biological systems to help minimise the negatives, because our fertilisers are so salty and acid that they fry the living organisms, then we use the herbicides, fungicides and insecticides to kill target insects, target pests, but also all the beneficials. We had been doing that for five decades when I came to realise that. It is a generational change every time you get a bigger knock on the system, and if you do that over 50 years then the whole system can go bust. Then you need more fertilisers, more chemicals, to maintain productivity.

As a CSIRO scientist, I started to look at those biological systems and I started to work with farmers who were innovative and working on those new systems, with great success. But then I was told by my bosses that I was not allowed to work on biological farming because biological farming was not viable for the future and we had to feed the world. So I got the choice last year either to stay and be a good wheat agronomist in the current thinking or to be made redundant if I pursued biological farming. I went right to the top. I went to the CEO, Dr Geoff Garrett, to say: ‘I work for the taxpayer and the taxpayer wants this because it gives good food—the food quality goes up. It is better for the landscape. We get a diverse landscape because we do not overuse chemicals, we do not overuse fertilisers and we get the natural system going. And we

put carbon in the soil—we put all the CO₂ that we produce in the cities with the fossil fuels back in the soil with biological farming.’ The farmers I work with put one per cent of carbon back in the soil in three, four or five years, while the science world—the CSIRO expert in soil organic carbon—still tells the public that we can only get one per cent in 40 years. Our farmers do it in three, four or five years.

Those scientists in the CSIRO never wanted to discuss things with me; it was just a wall of silence, not wanting to know, and that has continued up to now. Also the DPIs in New South Wales and Victoria are actively campaigning against the biological solution, because they say: ‘These biofertilisers have not been proven scientifically. They are wrong. They are not available for the plants to take up.’ I was saying, ‘Well, we need the biology to make those minerals available to the plants.’ I was not allowed to quantify the biofertilisers in science because my colleagues said, ‘You can’t work with those products because we don’t favour companies to do the work for them; they have to pay.’ I said: ‘Well, you work for the big company’—I will not name names—‘to do the fertiliser trials with nitrogen and phosphorus. Is that not working for a company? I just want to work on the principle of biological farming. We as taxpayer funded scientists should work on the principles of biological farming, the biofertilisers becoming available for plants, and then we can see and talk about what is good.’

As I went to those properties, it was absolutely amazing to see the animal health improving there. Even for agisted cattle coming in, six weeks after that you did not recognise them because they had shiny coats and they were calm and collected, content with life. I thought, ‘Well, if we see with animals that they change so quickly if we start producing good food, good grass, for them, what if we humans ate the same food quality?’ It is the density of the chemicals, the mineral density of the produce, that is the key. Dairy farmers who change say, ‘Maarten, after I started, the cows after morning milk would only graze half the time that they used to do before,’ because animals eat for minerals; animals do not eat for bulk. Once they have enough minerals in their body, they stop.

Those farmers that practise those biological systems are productive and profitable. In the drought years in the last seasons they had higher yields than their neighbours, and in good years they have the same yield. Of course, in the top years, with lots of rainfall, they would have a lower yield, but the quality of that produce is far better. That is basically what I am still doing. I work with the grassroots as a private consultant, and I have now developed a three-day course that will be certified by TAFE Albury to train the landholders in the new thinking that the biological activity in the soil is paramount. We have to protect that and stimulate it and then feed the paddocks and balance the paddocks with biofertilisers in the right way, because we export all the time. As we export produce—wool, meat, grain—we have to look at how that affects the mineral balance in the soil to keep the productivity up. So that is my role in life at the moment.

Internationally, of course, it is also being certified as good thinking—like by the FAO—because we cannot use chemicals or fertilisers to feed the world because the logistics in many parts of the world are still so feeble that you cannot get all the chemicals and fertilisers there at the right time. If we start working with composting and recycling of city waste et cetera then we bring the natural fertility cycle back for good production. The FAO recognised that, and of course last year the IAASTD project, the International Assessment of Agricultural Science and Technology for Development study that was done under the auspices of the United Nations and

UNESCO, produced the same kind of scientific report. Four hundred world-leading scientists were involved in that.

One of their statements was also that we do not need GM is not the solution to our problems. That has been my statement in CSIRO during that time as well. I was always questioning GM for 10 years and I never got the scientific proof that GM was good. In the international literature there are no studies that show a multi-generational animal feeding study, like four generations of mice fed with GM corn, GM soya bean or whatever, that shows that those are healthy, happy and fertile. Those studies have not been done. Why? They can be done, and I have worked in the United States for a university and all those big universities in the United States would love to have money to train students in animal feeding studies and test GM produce but they do not get the money so they cannot do it. The official doctrine in GM issues is that you are not allowed to do any research with that seed unless approved by the company. It is the same here in our country.

CHAIR—That is something I am familiar with.

Dr Stapper—All those issues are linked because with all the gene issues I have seen amazing results on farms now. Bee farmers in South Australia and the Western District of Victoria use Hunter Valley lucerne as the most productive lucerne on their property, and Hunter Valley lucerne was developed in the early 1950s. It went out with the Russian aphid in the 1980s. With biological farming, we make plants resistant to insects and diseases. So Hunter Valley lucerne is not eaten by aphids; the aphids fly over and go to the neighbour. It is the most productive lucerne. One lucerne seed company has test strips on one of the properties and the modern hybrids cannot tip to the Hunter Valley. So in all our thinking on the farm we go back to genes that were very good in the past but were superseded by genes fed by chemicals and fertilisers. We can go back to the good genes and then the expression of those genes becomes completely different when we have the soil biologically active. Whenever I go to other properties, I am always amazed what can be done. But it was ridiculed. Now it is no longer ridiculed; it is now opposed by the official powers.

Senator STERLE—And that would be CSIRO?

Dr Stapper—Yes. All the kerfuffle was front-page news on the *Canberra Times*, which also quoted Senator Christine Milne saying that what I was doing was good. Then the next day the boss had an interview and he said, ‘Biological organic farming is not viable for the future.’ Two days later he had a correction and he said: ‘It was a slip of the tongue. I didn’t mean it.’

Senator NASH—I thought it was supposed to be a research organisation.

Dr Stapper—Exactly.

CHAIR—Is that on the record somewhere where they interfered with what you were about?

Dr Stapper—Yes.

CHAIR—What was the name of the boss who said it was—

Dr Stapper—It was the chief of Plant Industry, Dr Jeremy Burdon. I went right up to the top to Dr Geoff Garrett, the CEO, and I told him that this was wrong because it needs to be done. He then said, ‘This is not our priority.’

CHAIR—I guess that is a legitimate answer for them as a way out. It might not be their priority but it might be feeding the world’s priority. Have you finished your opening statement?

Dr Stapper—Yes.

Senator STERLE—If there is any proof on the record to what the original Doc Marten itself—I used to have a pair of Doc Marten shoes. I was a teenager.

Dr Stapper—Do you still have them?

Senator STERLE—Wish I did. I wish I had the jeans that went with them too.

CHAIR—You wish you would fit into the jeans.

Senator STERLE—If you have the information on where you were virtually blocked, and if it is not personal, would it be possible to supply that to the committee? Can I seek your guidance on that, Chair?

CHAIR—Even if it is, I have to say that obviously you are under privilege here. I would remind you that, if you are in any way intimidated by anyone on evidence that you give today, you should notify this committee, and we can deal with that intimidation.

Dr Stapper—I have always stood up, because I am a bloody Dutchman! They keep standing up. I have never been intimidated. I just ask questions, because everything goes back to the truth. I have found witnesses that, in May 2006, I was told by my boss, ‘From 1 July, you’re not allowed to talk about biological farming in public.’

CHAIR—That is amazing.

Dr Stapper—I had to rearrange. I was already talking for the Organic Federation of Australia at a conference in Sydney, and they knew that, and also a symposium in Victoria about biological farming, where I was a keynote speaker, and they knew that. But they were the only two I was allowed. Then I said, ‘I also promised the Corowa Landcare group to come and talk to them about it.’ Okay. Those three were the only ones I was allowed to do. Then I went to the Corowa Landcare group meeting, and there were 120 people. They had distributed the news to north-eastern Victoria and southern New South Wales. There were 120 people, because it was ‘the last time Dr Stapper is allowed to speak about biological farming’. So those are there in the farming community—that it was the last time I was allowed to speak about biological farming.

Senator NASH—When was that?

Dr Stapper—That meeting in Corowa was on 1 August 2006.

CHAIR—Do you have any documents that you could table for us today?

Dr Stapper—Yes. This is the ‘Soil fertility management towards sustainable farming systems and landscapes’ talk I gave to the organic conference in July 2006 in Sydney. That was also published in the Sustainability Network Update of the CSIRO, because the editor of that update was supporting me, so I asked her to review it. I said, ‘You have to send a message to my boss because I cannot publish it without approval.’ So then she sent a message to my boss saying: ‘This is an excellent statement of what CSIRO has to look at—look at the future, look at this, look at that. I approve it. This has to be done.’ And then she published it in her newsletter, and this is the document.

Now I have farmers reading that. It was published then, and it is available on the internet. Now I have farmers approaching me and saying: ‘Maarten, it is exactly the road I took. I started 10 years ago with biological farming, after the Americans came into the country to talk about less chemicals and fertilisers. I started with biological farming and now I am certified organic. Every year I made a profit. I just slowly adjusted my system to the natural farming system.’ And they say: ‘What you write in that document is exactly the road I took. Thank you, because now I can always read up and check what I have to look at, what I have to do.’

CHAIR—I think a couple of things have happened to farmers in the last 30 or 40 years. One was education about the soil and the environment on the farm, which was sort of triggered by the information provided by Landcare—

Dr Stapper—Yes.

CHAIR—because the farmers suddenly became interested in sustainability. I think in recent years, just in the last few years, people have been starting to understand that chemical farming with chemical fertiliser is locking up the soil—the phosphorus et cetera in the soil. We have had evidence here from BioAg—was that it?—from Leeton.

Dr Stapper—Yes, BioAg.

CHAIR—Do you know them?

Dr Stapper—Yes.

CHAIR—They potentially have a million tonnes of forward sales, they tell us, if they can get their plant up and running. They have got information this week. We may well hear from them that they have certain approvals underway there. They are about alternate fertilisers.

Dr Stapper—Yes, they are biological.

CHAIR—Would you say that that sort of approach to unlocking the soils and putting carbon back in is part of the mix of the future?

Dr Stapper—It is all driven by the biology—that company as well. It has liquids with spores of microbes. You can inoculate the seed of wheat crops with microbes, not just legumes with trisodium. We can inoculate all the seeds, and also for pastures, with microbes. Those microbes become active around the seed and start to feed the plant and protect the plant right from the start. So those plants, like canola crops sown with that inoculant, do not have red-legged earth

mite attacking the crop. That is the power with this technology. Right from the start, you minimise insect damage and fungicide damage. In the first year, you use the 70 per cent of the chemical fertilisers you used before with the inoculation of the soil biology. The next year, you can go to 50 per cent. Lots of farmers now operate at 20 per cent of what they used before and what the neighbours are using.

That is the power of biological farming. Organic farming is: ‘Don’t use this. Don’t use that.’ If you go cold turkey from current farming to organic, lots of farmers go broke then because you have three years of no income. But, if you use the biological farming to slowly adjust the whole system to production using biology, you are allowed to use chemicals and fertilisers in small amounts in a dry time and not overuse them. With the knockdown herbicides, we then promote using a buffer. That buffer is one litre per hectare of fulvic acid and three litres per hectare of molasses, and you lower the pH to below 4. Then you can use half the rate. Some farmers tell me they use one-third of the recommended rate of that herbicide with a perfect kill. Even resistant rye-grass plants, with three or four years of biological farming, become so weak that they can be killed with the resistant herbicide—we do not have to name names.

CHAIR—You can here.

Dr Stapper—I can?

CHAIR—That is absolutely under privilege.

Dr Stapper—That is the Roundup.

CHAIR—You are quite at the ease to—

Dr Stapper—And that whole Roundup Ready—of course, I was against stopping the moratorium about GM, because, again, you use a gene to solve problems in the field, but you still create the weed resistances. The same scientist who promotes Roundup Ready canola tells you in all the rural magazines, ‘We need it because then we can kill the weeds,’ and then the next day he says, ‘Oh, and now we have to be very careful to avoid the resistance to Roundup.’

CHAIR—Yes, that is exactly right.

Dr Stapper—He told me that as soon as you use Roundup 12 times on the same spot you get resistance.

Senator STERLE—Crikey, that’s done my driveway!

Dr Stapper—Exactly. On the drum of Roundup it should say, ‘This is most effective at a pH of 4.’ If you spread it like drain water, the chemical itself lowers the pH a bit, but it does not kill as effectively, so then they have to use it again.

CHAIR—Can I just take you back to the pH. You say that you put something on to lower the pH of the soil?

Dr Stapper—No, to lower the pH of the spray.

CHAIR—Sorry. I thought you were saying—

Dr Stapper—No, the pH of the Roundup spray has to be lowered to 4 to make it most effective.

CHAIR—I'll be damned! That is my lesson for the day. I thought you were talking about the soil—

Dr Stapper—No.

CHAIR—and 4 for soil is very acid. You would not grow lucerne or anything.

Dr Stapper—No.

CHAIR—So it is the—

Dr Stapper—Yes. It is the same with the phosphorus availability. In the science book, they say that with a 4-acid soil the phosphorus is better available. In biology, we do not say, 'We want this bug; we want that that bug, but we don't want this one.' We want as many species as possible in the biggest numbers in the soil, because then, in the life in the soil, the soil food web sorts out who is important and who drives the system. That regulates itself with droughts and wet conditions, hot or cold conditions. There are always some of the beneficials that stand up and protect the plant and feed the plant.

CHAIR—Now I am going to come to the more difficult questions for me. You have appeared here today as a witness. It is very interesting. Do you think the CSIRO were influenced by Incitec Pivot or anyone else in directing research one way and not the other?

Dr Stapper—That is always very difficult to say, of course, but I was also asking questions about GM all the time—and we know who drives the GM industry—and I was driving this biological-farming business. The first time that I talked in public about GM, I was gagged by my boss. I was not allowed to talk in public against GM because I was not a geneticist; I did not know anything about it. I said, 'Sorry, sir; I talk as a farming systems agronomist, and I tell the farmers the questions that they have to ask their advisers, their governments, because questions need to be asked.'

CHAIR—Yes, that is what you are here for.

Dr Stapper—I have asked those questions for 10 years and never got an answer.

Senator STERLE—So what is your answer, Dr Stepper?

Dr Stapper—My question is, show me the animal-feeding study to show that those animals can be up going to four or five generations.

Senator STERLE—Sorry, to Senator Heffernan's question.

Dr Stapper—People advised me that it is the companies that tell CSIRO to stop all this alternative business because it affects them.

Senator STERLE—What companies?

Dr Stapper—The fertiliser companies and the chemical companies. There are only two or three big ones—

Senator STERLE—Who tells you that?

Dr Stapper—That is what people have been telling me: farmers, consultants, other researchers from outside CSIRO.

Senator STERLE—Okay. To us sitting on this side of the table there is no hard-core proof. It is just talk in the paddock or—

Dr Stapper—I do not have a letter that says that they get the money. But I could see it in the body language, asking scientific questions, that the receivers of that question were always not at ease in body language. They are hooked on this research to get research dollars all the time from that direction. They do not work for farmers; they work for their scientific papers. The more scientific papers you can write the better a scientist you are. That is why with their scientific research they work on the symptoms of the problem and they create band-aids with the research, and a band-aid is very good because each time a band-aid falls apart they can do new research get a new band-aid.

CHAIR—Just so I get it into my head, because we here are looking at chemicals too, which we have not got to get, but we are looking at whether there is monopoly behaviour or cartel behaviour and whether there is activity around that. If I am hearing you correctly, you could be saying—I am not saying you are saying—that some research is being directed in a particular direction and away from another particular direction based on possible funding for research from corporate sources. Is that what you are saying?

Dr Stapper—Yes, that is one part, and it is certainly so with the bosses, and then colleagues at a lower level just follow the mainstream. Their ego is built on the current knowledge and to go the alternative way of that biology, the whole new thinking, the whole new paradigm, is too big a step for them, so they always try to stay in their own corner and do research there because they can get good scientific papers in that corner and they do not want to be seen to break that. They are not capable of breaking that because their mind is so entrenched in that current thinking that they cannot break out.

CHAIR—Have you got certifiable evidence that you as a person when you were at the CSIRO were directed in a particular direction away from another direction? Have you got any evidence of that other than hearsay?

Dr Stapper—I was not allowed to work on biological farming. I was not allowed to talk in public.

CHAIR—Is that written down anywhere?

Senator STERLE—Was it only verbal, so you cannot actually lay it on the table and prove it?

Dr Stapper—I think in my emails—

CHAIR—Could you do an email search? That is why I have never sent an email!

Senator STERLE—Not because you do not know how to.

Dr Stapper—The mid-Loddon Landcare group network west of Bendigo—

CHAIR—I know the Loddon catchment.

Dr Stapper—The mid-Loddon coordinator can be a witness. I went there when I was on recreation leave at the field day but I did not tell that story. There was a symposium in Victoria I was allowed to go to. I put in my travel requisition going two days earlier because there was an associated field day and that field day was with the mid-Loddon Landcare group and also another Landcare meeting. So I had it in the one trip. But on my travel requisition the boss said, 'No, this is not approved. We did not approve you talking at a Landcare field day. You are not allowed to do that.' I said, 'I will go as recreation leave.' 'I can't stop you doing that.' So then I went on recreation leave to a field day there. Judy and the whole community knew I was from CSIRO. So Judy at the introduction said, 'This is Maarten. He is speaking at our land group, and two days on recreation leave because he was not allowed to talk.'

Senator STERLE—Can I just come in there, Dr Stapper. For us on this side of the table, you could be a bitter ex-employee of CSIRO, with the greatest respect, unless we have hard-core proof and evidence. We have to deal with the facts, as you would know, being a scientist.

CHAIR—So, if you could provide us with any evidence, we would be grateful. Obviously, that is quite a serious matter. I think in the eyes of Australia's farmers it would be unforgivable if there were some monetary influence or corporate powered influence on a direction away from one—not so much to one but away from some—area of agricultural—

Dr Stapper—Yes, because now the fertiliser price, the price for DAP and MAP, is three times higher. There is no alternative that is proven by science, so the DPIs say, 'It is all snake oil,' and farmers are then forced to use the MAP and DAP at current prices. They cut back 30 per cent or 40 per cent in the first year, but you cannot keep doing that every year because then you do not have an alternative fertility.

CHAIR—We have obviously taken evidence. I do not know whether we have heard from BioAg at Narrandera, have we, Peter? We certainly have correspondence.

Secretary—No, we haven't, Chair.

CHAIR—Are they proposing to give us evidence?

Secretary—No.

Senator STERLE—Mr Chair, can I ask a few questions before our time runs out?

CHAIR—You can.

Senator STERLE—I know that you will steer me in the right direction, but I want to just ask some questions about Dr Stapper's opening statement. I am sure you will pull me up, and I am not allowed to talk about previous inquiries, which is fair enough. But can I ask you further about the carbon soil sequestration?

Dr Stapper—Yes.

Senator STERLE—Can I go down that path?

CHAIR—Yes.

Senator STERLE—Great. I think, if I am not wrong—

CHAIR—This is that trip stuff?

Senator STERLE—Yes. So I should put it on the table that the standing committee formed a subcommittee and we had evidence about soil sequestration. We did two field trips, one to Warren—here we went to a property called Gemberg, I think it was—and one in Binu in Western Australia. So I am talking about pasture cropping and perennial grasses. Is that what you are talking about when you are talking about biosoils?

Dr Stapper—Yes.

Senator STERLE—We saw evidence of the roots in the perennial grasses going down some 1.2 metres into the soil. Once the shovel went in and came up you could tell it was very good—and I do a bit of gardening at home, so what do you want to know about agriculture! But, seriously, you could tell the difference from what we saw on the other side of the country in the carbon in the soil.

Dr Stapper—Pasture cropping, cell grazing and green manures are all part of the changed management practices that we have to start working with to get the carbon in the soil and to protect the soil surface, because the more green plants we have growing on a paddock, the more days per year, the better it is and the more we can regenerate new soil. There are farmers that get the new soil, and the new soil is then like the black stuff, humus. There are farmers that get half an inch or an inch of black layer in one year or two years, half an inch a year, and then the roots go down and you get this new fertility.

Senator STERLE—Yes, we witnessed that.

Dr Stapper—The whole principle of biological farming is to create new soil, a new topsoil, and it is all based on carbon, because the plants get the carbon from the sky with photosynthesis and they lock it up deep in the roots and the top growth, and then we have to convert that carbon into humus. Only microbes can do that for us, and worms are the big tillage machine in the soil to circulate that. Our current fertiliser and herbicide use, even in the no-till systems, especially in the no-till systems, is so big that carbon only goes up by 0.3 per cent after 15 years of no-till systems because the carbon is still being burnt by the nitrogen fertiliser and the bugs are killed

by the herbicide use, so there is no regeneration of capacity for the bugs to start working with that carbon to make humus. That is why, as soon as farmers go the biological way and you increase the biological health of the soil with all the different species in the soil, those species make the phosphorus available, because humus is a set quality of links—carbon, nitrogen, phosphorus, sulphur; the big molecules. So, when you want to make humus from carbon, you need to have the phosphorus and sulphur available as well to make the humus molecule. Those bugs in the soil make those minerals available to other bugs to make humus.

Senator STERLE—Right.

CHAIR—Could I just ask a question there. Where do livestock fit into that organic farming cycle? That sounds great if you don't eat it.

Dr Stapper—That is a good question, because that is a very critical part. Also, in my travels I went to India, where they have 700-millimetre rainfall and they need one cow per two acres to keep the fertility going around. Then they have the composting of all the dead materials—the whole fertility cycle. It is not the same here with the pasture cropping and the no-kill systems of cropping—sowing a crop in a pasture to keep the animals grazing all the time. Cell grazing is then the critical part—big numbers in smaller areas, and then changing them every two or three days to the next cell—because they are then eating all the grass. What we call weeds are no longer weeds because the animals eat them because what we call weeds are then in balance because they are fed by the soil biology. As soon as we have weeds that have phosphorus fertiliser and nitrogen fertiliser to grow on, they become unbalanced and animals do not like them anymore. But, as soon as they are grown in a healthy soil and fed by the soil biology, they are balanced and the animals eat them. So then we have the cells with the high numbers of cattle and sheep going around the property, and they eat all the grasses and herbs and forbs in the recovery, so they are only on one patch for five or six days per year.

CHAIR—Yes, I understand that.

Dr Stapper—The rest of the time, those plants are growing, growing, growing, so they make big root systems and they activate the soil biology. They grab nitrogen from the sky—because then there are organisms, bacteria, in the soil, the *Azotobacter* bacteria, that can grab nitrogen from the air and lock it up in the soil. So it is free nitrogen for the plants then, the next round, to grow.

CHAIR—We are sort of talking perennial—

Senator STERLE—Yes.

Dr Stapper—In those systems, perennial grasses become dominant and we get the native grasses back—kangaroo grass, wallaby grass, *Microlaena*, rat grass, plains grass and all sorts of natives come back.

CHAIR—I have one paddock at home like that. But we need our lucerne and things to do our lambs on.

Senator STERLE—If I can come back to the point where I pricked my ears up: it was the way that you have been talking about this now for X years. I think it was since 2003.

Dr Stapper—2000.

Senator STERLE—Okay. And CSIRO took offence to you going down that path—well, they did not take offence but just did not want to know about it. That was not your charter. Are you aware of Dr Christine Jones?

Dr Stapper—Yes.

Senator STERLE—Dr Jones has put numerous submissions to our committee, and that is how we got out there and looked. What interests me, Dr Stapper, is that she was treated exactly the same as you, and yet she has been out in the field, as we witnessed, for some 10 or 12 years and it is there for everyone to see.

Dr Stapper—Yes. I know—

Senator STERLE—Farmers are not dills—have you got that?

Senator NASH—Thank you, Senator Sterle! On the record too!

Senator STERLE—Most farmers are not dills; they are a respected part of Australia's economy, and they are nice people when you go to their farms. It is just when you put them in the Senate that they turn into devils!

Senator NASH—Are you referring to Bill or me?

Senator STERLE—No, not you, Senator Nash. So it does alarm me, because we have had CSIRO in Senate estimates, I think. As far as you people are concerned, they just did not want to go down that path: you have no idea, you are all mad, and they are the gatekeepers to all intelligence.

Dr Stapper—Yes. I had the privilege to be an adviser to Senator Lyn Allison, and Senator Allison was on that Senate estimates committee. I saw the *Hansard* of those committee meetings, and then I saw the people that gave answers. They did not have a clue about agriculture; they were just talking, talking, talking. Whenever I spoke in CSIRO, I was surrounded by the sound of silence because they did not want to discuss things with me because they could not defend themselves, or they did not want to rake up that mud. To me, that was a fairly critical part. It was negligence from the CSIRO to do it, because we see that it is so good for the innovative farmers that develop that on their own properties—like with Colin Seis with the pasture cropping—that it is dynamite. But it works. We then need the scientific backup to bring Colin's experiences in Gulgong in central New South Wales to all other properties in the country—and now he has 15 other properties in Australia that are following his pasture cropping. In that system we need to quantify some parameters to get some benchmarks to say how things can be best set up in other places. Now Colin does it all by himself and with the support of local consultants and local leading farmers. But there is always some scientific background necessary to extend it.

CHAIR—To take you back, do you think there is a bias in CSIRO and their research?

Dr Stapper—Yes. There is a strong bias, and that strong bias is not just in CSIRO but also in academia—professors and the way they are quoted.

CHAIR—We now know that we are locking up a whole lot of nutrients we cannot get at because of our chemical farming regime. We are—I am a farmer; I declare an interest—wondering what we are going to do about that.

Dr Stapper—In healthy soil, a bug becomes active that releases an enzyme that loosens the phosphorus from the clay and brings it to the plant. The farmers that do pasture cropping and cell grazing have increased phosphorus levels. The phosphorus test—Olsen or whatever—goes up and it stays at 30 to 40 ppm without any addition of single super.

Senator STERLE—For the record, why do you think CSIRO blocked you from continuing your studies down this path?

Dr Stapper—Vested interest. That was not the thinking that the research groups were doing, and for the bosses there was a vested interest to keep getting moneys from the big companies to keep doing their work and not upset that balance.

Senator STERLE—For the record, big companies in what?

Dr Stapper—Fertiliser and chemical companies like Monsanto and Incitec Pivot.

Senator STERLE—But you have no proof. That is just your belief.

Dr Stapper—I do not have proof.

Senator STERLE—I just want it clearly on the record that that is not something someone told you in a paddock but exactly what you think.

Dr Stapper—In the second round of interviews upon my being axed from CSIRO, my boss told a reporter: ‘We still do biological organic research. We don’t do it specifically but all our research is always applicable to the whole farming system.’ That was the biggest load of nonsense that I had ever heard. You cannot study those things when you use such amounts of fertilisers like urea and hydrous ammonia, which is still being used in the cotton industry. Hydrous ammonia makes a concrete pan of the soil and was discovered by the USA to make airstrips in the Pacific during the Second World War. They dumped 10, 20 or 100 tonnes of hydrous ammonia on the strip and then the next day they could land an airplane on it. After the Second World War, of course, it was put in fertilisers.

Many farmers come to me and say: ‘I have to use more fertilisers and chemicals all the time to get the same yields.’ Of course, with our variable climate that is very difficult statistically to really get at, but that is also supported by experiences in Southeast Asia, with the rise in green revolution wheat production. I went to India two years ago and visited villages that had become completely organic in their farming, and this is 30 years after they started green revolution farming. They said: ‘We had to use more and more fertiliser and chemicals to get the same

yields. Then we didn't have the money to buy more horsepower to cultivate our soil because the soil became so hard.' In that system with fertilisers and chemicals you kill the biology which makes the soil loose. If you kill the biology you get the hard soil. You cannot then deep-rip and apply lime or whatever to make it loose again because then after the third year it is concrete again so you have to rip again.

CHAIR—I can relate to that.

Dr Stapper—But it is still not accepted in the official science world or by the CSIRO.

CHAIR—We are obviously hearing a range of evidence, and some of the evidence we have received supports the proposition that you have put. Certainly, we are in touch with the bioag industry. We are grateful for your evidence, and if there is anything you could provide by email by way of written evidence, we would be happy to receive it.

Dr Stapper—Yes. Of course, now there is much demand for this knowledge. I go to many meetings now organised by local farmers talking about biological farming. The gross margins now are so favourable for biological farming that to go in the direction of biological farming is very profitable.

Senator STERLE—Just so that I am very clear, Dr Stapper: you were getting stonewalled from about the year 2000? Is that correct?

Dr Stapper—Yes—2001.

Senator STERLE—And would you know when Incitec Pivot became a company?

Dr Stapper—Incitec was already a company before that.

Senator STERLE—Was it already, by then?

Dr Stapper—Yes. In the nineties they were already established. But their monopoly became stronger and stronger, and then, of course, there came the connection between the fertiliser, the seeds and the chemicals—like, with new farm, new seed—so that they were proudly going around the farming community and saying, 'We are so good—now we can give you the seeds, the fertiliser and the chemical all in one package,' but they are all linked.

CHAIR—We are coming to that chemical side of things.

Senator STERLE—All right; that has clarified that for me.

Dr Stapper—And because they are linked, they profit all the time, and if the farmer has a problem, then they have to sell them the chemical to solve that problem, so they always win and the farmer always loses. It is a lose-lose situation for the farming community.

CHAIR—But the big concern really is the long-term, the agronomical, effect of chemicals, as you were saying.

Dr Stapper—Yes.

CHAIR—We are tuned in to that. And obviously the global food task is going to double in the next 40 years, so—

Senator NASH—And if the CSI is not exploring all avenues of research, that is a concern.

Dr Stapper—On the other part we talked about—where you referred to Christine Jones—to do with CSIRO: after the first soil audit was released in 2002, they found that so many million hectares will be affected by dryland salinity in 2050—15 million hectares or whatever. It is now at 5.8 million hectares and it will be 15 million or 20 million in the future in the Murray-Darling. I was always questioning that research, because another colleague, who was retired from the Soil Conservation Service of New South Wales and was operating in south-eastern New South Wales, here in the Yass Valley et cetera, had told me several times, ‘Maarten, dryland salinity has nothing to do with rising groundwater tables.’ And then I started to read also of the experiences of Harry Whittington in Western Australia where he discovered by himself, in Western Australia, that the dryland salinity on his property was not caused by a rising groundwater table. It all came back down to what Christine Jones was writing about: the loss of organic carbon creating poor infiltration, because all the fine material then goes into the topsoil and you get this layer of impermeable soil.

CHAIR—A pan.

Dr Stapper—Yes—a pan created by a lack of organic carbon, a lack of biology. So you get that pan underneath the surface, and when it rains the water goes over that pan and down to the valley; it washes all the salts with it, and then the valley is salinised. It is not the rising groundwater. But all the models of the CSIRO have been confirming that: ‘It is the rising groundwater. It is the rising groundwater table.’ I was talking against that all the time. Also, with the new flagships that started when Dr Geoff Garrett became the CEO—in 2001, the flagship discussion started—I proposed new research, for the healthy country flagship, to start on the paddocks, to work with the soil to make the soil better so that then the produce will be better and so on up the tree. But none of my colleagues could connect with that thinking. I was completely isolated and then ridiculed: ‘We are so good. We know what we are doing.’ I said: ‘No. You are on the wrong track. We have to start with the soil.’ In the end, the CSIRO could not make a flagship for a healthy country; it became the ‘Water for a Healthy Country Flagship’. The reductionist thinking, the single-minded expertise, was so narrow that they could not look at the country—they had to look at one issue, like water, and then they could have enough people to agree with it. That is the problem with reductionist science—it reduces all the problems to such a finite issue that it can be researched, so a specialist knows more and more about less and less. In our biological sciences, like agriculture and medicine, we cannot do that because we get worse. The diagnostics get so bad that we start to treat the wrong problems, both in the medical world and in the agricultural world. We need holistic thinking.

CHAIR—We are very grateful for your evidence. I remind you that, if some people are in a mood to intimidate you over what you have said today, you should let this committee know. I advise you to keep your counsel outside the committee. You are privileged here but not out that door, so I would be very wary about making remarks to media or whatever. Obviously you have given us something to think about, so thank you very much.

Dr Stapper—Thank you for the invitation and for the privilege. I have been lacking an audience at this power level.

CHAIR—Where are you based, just out of curiosity?

Dr Stapper—I am still based here, in Belconnen. It is easy to travel from the airport here to all the capital cities and then take a hire car and drive to places.

CHAIR—Thank you very much.

Proceedings suspended from 4.56 pm to 5.04 pm

KATTER, The Hon. Bob, Member for Kennedy, Commonwealth Parliament

CHAIR—Welcome. Are you familiar with your rights?

Mr Katter—Yes, Chair.

CHAIR—I invite you to make an opening statement. If you would then take a few questions we would be interested in your responses.

Mr Katter—I represent a fair slice of the Australian sugar industry and about seven per cent of the fruit and vegetable industry—almost all of Australia's bananas, for example, mangoes and also potatoes. I also represent a very substantial dairying industry. When I was elected to parliament, we had 240 dairymen and now we have 70, and we had 32 sugar mills and now we have 26. We are closing four mills every six years. Soon there will be no sugar industry in Australia and it has always been one of our 10 biggest export earners up until about seven or eight years ago. When Brazil moved seriously into ethanol about 10 years ago, we just could not compete. That really blasted us off the planet—that, plus the subsidies in Europe and in America, which were about 350 per cent and about 250 per cent respectively.

The *Weekly Times* in Victoria this week said that, for the first time ever, Australian importation of fruit and vegetables in this quarter was greater than the production in Australia. Whether or not that figure is right, I do not know, but I was told that this morning. I would have serious doubts as to whether it is correct, but it is true that agricultural exports in the last five years have gone down and imports have increased by over 40 per cent. So we are going in that direction whether or not we arrive there quickly. Fertiliser price is one of our biggest cost input items, not only in the fruit and vegetable industry but also in the cattle industry. I had a very moderate cattle herd of about 2,000 head at my peak and we were probably spending \$6,000 or \$7,000 a year on urea. It would be many times that figure now.

I do not see how we can survive in the face of rising costs. Even without rising costs it is difficult to see how agriculture can survive in Australia. Our cattle numbers are down by 20 per cent, as you would be well aware, Chair. Our sheep numbers are down by 50 per cent. I said 19 per cent for dairying the other day but I was corrected as my figures were three years old. The current figure has dairying down by 31 per cent. I do not know anything about wheat so I will not comment on wheat. And sugar, as I have outlined to you, is closing down. So that is the picture for your five main agricultural items. People say, 'You've had drought conditions.' Those figures actually predate the drought. Those figures are about three or four years old so current figures are actually worse than that. And we have had no drought in Northern Australia—some patches of drought as always, but not overall.

The ACCC did an examination of fertiliser prices. It really is a most extraordinary document—and I heard Mr Samuel and saw him on the television. The second paragraph of the conclusions state:

The significant rises in fertilizer prices in Australia are mainly attributable to rapidly increasing global fertilizer prices.

This is his document, not mine, and they are not—if I show you his own graph in his own document. Doesn't he read his own document? It is true of DAP, but then almost all of our DAP is produced in Australia. I suppose they can argue that if they can get the international price, well why not. But, by the time they send the fertiliser here and to somewhere where it is going to be used, we should get some benefit on the transportation costs of DAP. Most of Australia's DAP is produced at Mount Isa, in my electorate.

I might add an important comment: while production is 1.2 million tonnes, Mr Gutnick's project, if it goes ahead, is to produce eight million tonnes. That would be the biggest producer of phosphate in the world. But we have none of the infrastructure we need. There is no capacity on the rail, there is no electricity and there is no water or land for putting workers into the Mount Isa-Cloncurry area.

But going to the graphs here, I say that, yes, it is a fair call with DAP. You can see the graph—and then it leaps up. If he says, 'The prices in Australia followed the international prices,' yes, they did with DAP, but they most certainly did not with urea. There is a movement from near enough to \$400 a tonne four years ago to about \$450 a tonne now, but the retail price is not \$450; the price is up here at \$770. What I am saying is: yes, with DAP, it did keep in line with international prices but then again 63 per cent of the DAP is Australian produced, and there has been no increase in costs in the production of DAP. It was a long-term, contractual arrangement for the supply of gas and a long-term contractual arrangement for the supply of electricity, and there has been no upward movement in wages. So there has not been one single cost input item that could justify the increase in DAP prices. Even if you say, 'They're entitled to the world price,' maybe they are but surely there has to be some allowance for transportation. That would be at least \$100 a tonne. What I am saying is that his comments were invalid and had to be made in complete ignorance of his own document or positively deceptive. I will be kind and say 'misleading', because the urea prices did not move; the retail price did.

The other curious thing in this document is that it has urea prices at June this year at \$720-\$730 a tonne. There is nowhere in North Queensland where you could buy urea for \$730 a tonne. We could not buy it under \$900 a tonne. I rang people in New South Wales and they said the same thing to me.

CHAIR—That is not US, is it?

Mr Katter—No, I assume they are Australian dollars. They do not say otherwise. They should have specified if it were US. But it does not really matter whether it was US or Australian; what I am saying is that the price of urea worldwide has not moved up much at all—it is down here—but the retail price has doubled, and there is not the remotest justification. The ACCC is supposed to be our watchdog but, as I have said before, it is the sort of watchdog that not only does not bark when the burglar comes but bites the foot of its owner, not the burglar. My case rests on that. The government keeps talking about infrastructure but we have seen no action. However, if we can get those infrastructure items—and Mr Gutnick has opened every mine he said he would open; he is quite a genuine person and a performer—there will be terrific competition internationally in the DAP market. But he cannot open that mine—and I do not want to take up the committee's time by going into why he cannot open the mine—unless the infrastructure items are provided. Up to date they have always been provided.

The railway line was originally built by corruptly providing shares to the then government, and it was rebuilt after shares were corruptly provided to the then government. It seems to me that the only way we can get any infrastructure in our area is by way of corruption. That seems to be the only way we can achieve anything, not that I am advocating this approach.

CHAIR—Could I just get you to define what you have just said. When you say it was ‘corruptly provided’ what year are you talking about?

Mr Katter—Back in the twenties was the first time; the next time—

CHAIR—That is a pretty bold statement.

Mr Katter—Well, in both cases it was divulged that large parcels of shares were given out to ministers of the day. It was fully documented and never refuted in either case. I am not trying to have a go at anyone about corruption. What I am trying to point out to you is—

CHAIR—You need infrastructure.

Mr Katter—we need infrastructure desperately badly.

CHAIR—I used to be the man to talk to about that.

Mr Katter—I know, and we very much regret that you are not in that position—and I would be representing almost everybody in my electorate in saying that to you. Gutnick is very crucial to these discussions. He started talking about 2 million tonnes and is now talking in terms of 8 million tonnes. What he can achieve will be very much based upon—

CHAIR—Obviously you have your finger on the pulse. When you have a company that has 70-odd per cent of the eastern Australia sales and a hundred per cent of the manufacture, how do you think the ACCC arrived at the position in their report where they do not think there is a monopoly?

Mr Katter—The chairman of the ACCC said that there was no problem with Woolworths and Coles—that their fruit, vegetable and food prices had kept pace with the income going to the farmers. Well, I simply went down and got four of the 24 items that are in the ACCC basket of goods. I could not get the farm price of two of the others, beef and bread, but I got it for potatoes, eggs, sugar and milk. I tried to pick items that every single Australian would use over the next two days: potatoes, eggs, milk and—

Senator STERLE—Bread?

Mr Katter—No, it was not that. I could not get it. It was sugar.

Senator STERLE—You should have gone soybeans, tofu—

Mr Katter—I went to the local Coles here at Manuka, bought those four items and rang up and found out what was the quoted price to the farmers of those four items. It was almost regularly around a 300 per cent mark-up. Unfortunately for Mr Samuel, three of those items—

sugar, eggs and milk—are all under statutory marketing arrangements, which meant there was a fairness test. When there was a fairness test, the mark-up was 80 per cent. When the fairness test and the tribunal were closed down, it went to 270 per cent—and Mr Samuel quoted a figure of 74 per cent of the market. Once again, he is either a very ignorant man or he is consciously misleading the public of Australia. He must know that the ACNielsen series had them at—although do not quote me on the figure—74 per cent six years ago. Woolworths and Coles claim that their market share has grown an average of 2½ per cent in the four years since, so unless we assume that Woolworths and Coles are lying in their annual reports—

CHAIR—This is getting a bit away from fertiliser. We have received evidence from Ayr—is Ayr in your electorate?

Mr Katter—No, but it is near enough to my electorate.

CHAIR—of a reseller passing on the costs on the 30-day account from the supplier to the reseller at 18 per cent interest not per annum but per month. Have you come across that sort of thing?

Mr Katter—One of the major retailers, if not the major retailer, in my area is still a farmer cooperative, so they would not be likely to do that sort of thing.

CHAIR—I thought you may have had complaints from constituents about what interest they are being charged on their accounts.

Mr Katter—No, I have not, but I would have taken probably a hundred calls over the fertiliser, and it is very rare to take a hundred calls on anything. In sugar, you would understand that we plant and then we keep cutting it for five or six years. We do not replant. Then at five or six years you decide whether you going to replant. If they have got to look at heavy fertilisation and a replanting regime then they will say, ‘We’re not going to do it. We will take the tree money for the tax dodge people and get out.’ The trees will not ever be harvested. It is a cyclonic area with massive cyclones and floods. We know the trees will not live but they are a good tax dodge in the meantime.

One thing I would like to mention in the cattle industry is a major distributor in Queensland—I cannot be any more specific than that. I cannot remember the prices now. I said, ‘Do you realise you can buy your urea ex Odessa for \$230 a tonne and you are paying \$600, arguably \$700 a tonne?’

Senator STERLE—Where is Odessa?

Mr Katter—This is some years ago. Odessa is on the Black Sea, Russia. It is one of the big sources of fertiliser urea. He said, ‘Yes.’ I said, ‘Aren’t you going to do anything about it?’ He said, ‘We have already done it. We got on to people in Odessa and we were made an offer and our supplier’—am I protected from defamation actions here?

CHAIR—You certainly are.

Mr Katter—The supplier was Incitec. They said, ‘All right, what do you want?’ He said, ‘Make me an offer.’ So they immediately offered him a \$150 cut on about \$600 in the wholesale price.

CHAIR—How long ago was this?

Mr Katter—About five or six years ago, I would say.

CHAIR—But the price of urea would not have been \$600 a tonne.

Mr Katter—I am not sure of the time or the relativities. I know it is anecdotal, Mr Chairman, but there was a huge difference.

CHAIR—There still is.

Mr Katter—It is a long time ago now but no-one has been game to try it since. You say the free market; well, this is your free market. When the cane growers tried to bring it in, ICI dropped the price to significantly lower than what these people could bring it in for and they were left with some \$13 million worth of product at the wharf and had to go on their bended knees to ICI to take it off them. No-one has been game to touch it since. Infinitely worse still, and this is going back about eight or nine years, when we attempted to bring it in, one of the blokes who was dealing with the Russians said, ‘Well, we can only bring in less than five per cent.’ Why? He said, ‘Because above that it triggers a dumping law.’ I said, ‘They are not dumping. The price in Russia is the price the farmers pay in Russia.’ He said, ‘I’ll give you the case. ICI carried out a dumping case against these importers and the dumping case was upheld’—this is all factual—‘on the basis that the cost of production in England was twice what the Russians were offering it for.’ I mean, you do not get urea from England. Sure, they have got some North Sea gas, but it sure ain’t cheap gas, and no-one in the world would go to England. And the wages in England at that time were four times those of Russia. Yet these people were prosecuted; ammonium nitrate was what they were bringing in. So people are scared because of what happened to the cane growers. People are scared of what happened with the ammonium nitrate importer. Their influence is very great. Dumping is actually defined in the WTO agreement as selling at a different price on the world market to what your farmers or consumers are consuming at in your home market. And they were the same price. They did not use that WTO criterion. They invented a new criterion which suited ICI. Guess who the manufacturer was in England? ICI.

CHAIR—We have actually received evidence—I am about to take advice from the secretary—I do not think it was in camera, or we have received correspondence—about difficulties of people in your neck of the woods.

Mr Katter—Who have attempted to bring it in.

CHAIR—This year, yes.

Mr Katter—We have been working on it for some considerable period of time but at the end of the day there is the quite rightful fear factor which we have been unable to overcome.

CHAIR—Well, these people have given me—I am unaware of whether we have the correspondence; the secretary tells me we have—of the intimidatory side of the attempt to import. At a saving of several hundred dollars a tonne now, the market may have readjusted itself for urea in recent weeks, to a point where it would not be feasible now because there is a fair bit of volatility that has appeared in the market.

Mr Katter—Mr Chairman, we are deeply appreciative of your hearings. You have a reputation. And people would be bringing those prices down and I would say, with a very great deal of confidence, that, once your hearings are over and swept under the carpet—or whatever else the government chooses to do—then those prices will go up. When the hearings were on for the milk, milk prices were reduced by three cents. Within an indecent two months of the ACCC finding that there was no problem, milk prices went through the roof.

Senator STERLE—So the previous government swept it under the carpet, did they?

Mr Katter—If you are saying to me, ‘Who was the government at the time?’ I am not trying to make a political point, and I am not too sure of the timing.

CHAIR—You will be pleased to know that this committee does not really give a rat’s arse who the government of the day is; if they are doing the wrong thing we are not going to play politics with people’s livelihoods.

Mr Katter—There is one other thing that I should mention. With that bloke that was supplying the cattle industry, I said, ‘Why didn’t you go for more?’ And he said, ‘I have got to stock a range of product, and I don’t want to press the issue because if they cut me off from a range of product I am dead in the water.’ That is a very pertinent point to note.

CHAIR—This is this intimidation from a lone supplier?

Mr Katter—Well, they did not come out and say it, but he said, ‘There would be no way in the world that I would be game to push them too much.’

CHAIR—We got plenty of that evidence.

Senator STERLE—Mr Katter, we were talking DAP, I think—I am sure we were talking DAP—and you said that there were some four-year fixed agreements in terms of electricity.

Mr Katter—Yes. The electricity agreements are long-term contractual agreements with all users of electricity. Why I am so up on this is because we need electricity desperately out there.

Senator STERLE—Sorry—just so that I am clear: who are we talking about?

Mr Katter—These are commercial-in-confidence. Incitec bought from BHP, who bought it from Western Mining Corporation, the Duchess phosphate deposits and their processing plant that produces DAP in Mount Isa. They are producing about 1.2 million tonnes and I think our consumption in Australia is about 2 million tonnes, so they are producing the substantial bulk of Australia’s DAP.

Senator STERLE—You did say that—about 63 per cent.

Mr Katter—Yes. These things are commercial-in-confidence. I cannot prove them. But it is my understanding that, for all of the current users of electricity and gas in that area—and there is a big gas pipeline that comes in—there are long-term contractual agreements.

Senator STERLE—This is what I am having trouble trying to get my head around: that someone can lock away a deal to supply gas or electricity—let alone review wages—for four years. I do not doubt you, but where do you find people like that? Because I am going to start a business tomorrow!

Mr Katter—No, hold on—that is not what I said on that. We can bid up the wages if the unions want to but, to my knowledge—please understand what I am saying—there has been no substantive increase in wages in that area in the last four years.

Senator STERLE—Okay. That is different from what you said in your opening statement.

Mr Katter—Well, I am sorry if I misled you there.

CHAIR—No—I did not interpret it in the way that you have.

Senator STERLE—Well, we can check the Hansard. We do not need to. We are all grown-ups. But you did say that there have been four-year gas supplies without any increases.

Mr Katter—It is commercial-in-confidence. They are not going to show me what the contractual arrangements are—

Senator STERLE—But, Mr Katter, you would appreciate—

Mr Katter—but my understanding—and I have to have an understanding because I am one of the blokes negotiating the transmission line to try to get electricity into the area—is this: the gas pipeline comes up from southern Queensland and it provides not only gas to Incitec for DAP production but also gas for the electricity. The contractual agreements on that gas for MIM ran out last year, but there has been no substantive movement in the gas prices because, if there were, MIM would not be discussing the transmission line. They would be sitting with their current gas prices. So we are assuming that gas prices have stayed pretty well what they have been. Everyone who has been negotiating on this—and there are some of the biggest players in electricity in Australia; Babcock and Brown being one of them—were working on the basis that the gas prices have not moved appreciably to Mount Isa.

Senator STERLE—That is different language from that of your opening statement. I am not taking you on but I just want to get it very, very clear for the record in case there is something you have to prove. With the greatest respect to everyone in this room and in previous hearings, this committee desperately tries to depoliticise our inquiries. It is what is best for Australia, and—

Mr Katter—I have not made a political statement here or anything that even remotely resembles it.

Senator STERLE—that is why this committee, I would say, is probably one of the best committees in the Senate system; there is no doubt about that. We have been saying in this inquiry—and I have said it on the record too—that if someone has done the wrong thing by the growers of Australia and if these accusations can be proved, they need to have their backsides tanned; there is no doubt about that. But we have had a lot of anecdotal evidence, and all we want to do is deal with the facts. So if there is hard-core proof that people can put across this table for the public record—I cannot speak; the Chair will speak—it certainly will not get shoved under the carpet. But I just struggle when we hear from so and so down the road who was at the pub last week. You did not say that, but your language is a bit different now from that of your opening statement, so I just wanted to clarify that.

Mr Katter—It was not meant to be.

CHAIR—That is fair enough.

Senator STERLE—You have corrected it.

Mr Katter—The message I am trying to put is very, very clear in my head, I can tell you. Let me just explain, for one second, the gas situation. Queensland has no LNG so it cannot sell the gas overseas. It has huge amounts of gas. The methane-coal drainage has given them massive amounts. A friend of mine owned all of that and sold it, 12 years ago, for virtually nothing. The companies that own that gas have now capitalised it at \$10,000 million. If the gas prices in Queensland do not move up, we will get the transmission line built, because they will not get their electricity from gas. So, if they move up, we will absolutely know that we will have no hope of having a transmission line built. But, if they do not move up, we will have a chance of getting a transmission line. There have been continuous meetings—with Roma O'Brien and Defiance, the people discussing the transmission line—which would indicate that there has been no upward movement in gas prices. I said to one of the people negotiating those contracts, 'Can't we use the increase in gas prices,' and he said, 'No, because there hasn't been any substantial movement in gas prices in Queensland, as in Western Australia, because they're going onto the world market.' We cannot get onto the world market until an LNG plant goes in.

Senator STERLE—What I was trying to link in is that you have the proof there. The graph shows that it has gone up, and from this distance across the table it looks very steep. There is no argument; we have heard a lot of reasons why that could be the case over the last two months we have been doing this inquiry—I understand that. But that has clarified it for me. You have clarified it. You have changed the wording, and I am comfortable with that. But to come back to the cane growers—and the standing committee has had the opportunity to meet with a lot of the growers from Queensland, or their representatives, and the *Hansard* will show it—there is a different view from different parts of Queensland but, clearly, in some parts it is a lot tougher than in others. I think I am on the right track there. Some of the grower representatives did tell us that, yes, the mills are closing et cetera. What also came out of it is that the rising cost of fuel is a huge impost on cane growers. Would I be right there?

Mr Katter—Yes, I suppose so. Harvesters take a lot of fuel.

Senator STERLE—Some people put that to us. They definitely mentioned that the price of fertiliser could tip them over. But is fertiliser coming down now?

Mr Katter—It is tipping them over. A lot of blokes have said to me that that is the final straw and that they will not plant next year. One of the mills in my area does not know it yet but its two biggest suppliers would supply about 20 per cent of its entire production. They will both pull the pin next year; they are not going to replant. They have both done their six years. They would have to replant the whole thousand hectares, or whatever it is, and they are not going to do it. So I imagine that that mill in my electorate will close next year. The price of DAP has gone up fairly steeply and the price in Australia has gone up similarly, but the price of urea has not gone up like that. The price of urea has only gone up a little bit, but the retail price of urea has gone up steeply. That is why the statement by the head of the ACCC is most extraordinary.

CHAIR—Anyhow, that is for us to deal with. I am pretty amazed at the ACCC's finding because of not anecdotal but physical evidence—I was there and saw it all happen—that we received a bit before this time last year. There was DAP and MAP fertiliser delivered to resellers sheds—and I can put my finger right on this; it is no good playing around with this—that could have been resold for, say, \$20 a tonne. The warehouse at the ports would request, 'Would you take 500 tonnes?' The reseller would say, 'Yep, we'll send the trucks,' and would have it by, say, September of last year. Then there was this inability to price and provide to the local farmers. The bloody shed would be full and the front-end loader would be stuck in the front of the shed. Someone would rock up and want 10 tonnes in case there was an early break to sow a bit of oats, and the reseller and some agents were not in a position to price and provide. Have you struck that? I can put my finger on this, because I am a part of it. What happened was that what could have been delivered to the farmer at \$720 to \$760 a tonne was withheld from the market till the market rose and then it came out at \$1,000, \$1,200 or \$1,400 later in the year and in the new year. Did you strike any evidence of people up there saying, 'It was in the shed but we couldn't get an order out of the shed'?

Mr Katter—I am reluctant to say anything that would indicate any of my retailers, because—

CHAIR—They are intimidated.

Mr Katter—They are definitely intimidated. I would not like to go beyond saying that there is an implied intimidation out there. None of them would divulge that because they have to rely for a range of products—

CHAIR—On a sole provider.

Mr Katter—Yes. There is no-one else in Australia who can provide that range of products, so if you want to be a single-stop shop then you better stay in with Incitec.

CHAIR—Is there any reason, to the best of your knowledge, why you cannot take a B-double or a road train into Mount Isa and get a load and why instead it has to go on the train to Townsville or wherever it goes? Is there a logistical reason why you cannot just back a truck in and take it up country or down country?

Mr Katter—No, but I would assume that Incitec have a fairly good deal with the railways or they would be carting by road transport themselves. I do not think you would get any good deal out of Incitec at Mount Isa. I have not looked recently, but going back about 15 years when I was minister we were most anxious to get that phosphate deposit up and running. There are only

about 12 or 13 major deposits in the world, and the north-west Queensland area has three of them. Gutnick has one, Incitec has one and the third one is across in the Northern Territory.

CHAIR—I dealt with the Northern Territory crowd couple of weeks ago. They are hoping to get a model up, but of course if there is a collapse in the price of fertiliser that may well change the dynamics of getting it up at the present time.

Senator FISHER—Mr Katter, I think you have essentially agreed with Senator Heffernan's suggestion about intimidation. To me that is a bit of an emotive term with which you may have intended to agree. Are you talking about intimidation or is it more what you would argue is the result of the enjoyment of a monopoly in the marketplace which carries with it certain market persuasion, perhaps.

Mr Katter—I did not intend the term to carry any pejorative value or pejorative twist. If you have got the sort of power in the marketplace that they have got, you would be a damn fool not to use it, in my opinion. But in the wire case the High Court of Australia decided that if you have a monopoly or a near monopoly then you are to act as if you are a company that does not have a monopoly or near monopoly. That is where the ACCC has got the power flowing from the wire case to be able to act against people that are producing urea. The urea prices have gone up 150 per cent or whatever it is but the world urea prices, in the ACCC's own document, have not moved much at all. They have gone from about \$380 to about \$420. But the price in Australia has gone up to \$1,000. It is classical, 'We've got the power and we're going to use it. We would be stupid if we didn't.' Woolworths and Coles are in a very similar sort of situation.

CHAIR—All right. Thank you very much.

Mr Katter—Thank you very much, Mr Chairman, and thank you very much to the committee for looking into this. We are very deeply appreciative. If there has been some pull-back on prices, it has been as a result of you calling this inquiry. There is no doubt in my mind about that.

Evidence was then taken in camera—

Committee adjourned at 6.23 pm