

**Public Accounts
Committee**

Parliament of New South Wales

**Report on:
Wine Grapes Marketing
Board for the Shires
of Leeton, Griffith,
Carrathool and
Murrumbidgee;
and
Grain
Sorghum Marketing Board**

The New South Wales Public Accounts Committee is composed of five members of the Legislative Assembly of the New South Wales Parliament. Its functions and powers are defined in the Public Finance and Audit Act and its role generally is to serve as a Parliamentary watchdog of government expenditure to ensure that government organisations are implementing government policy as efficiently and effectively as possible.

1987-88
Parliament of New South Wales

Public Accounts Committee
of the
Forty-eighth Parliament

Thirty-fifth Report

Inquiry pursuant to Section 57 (1) of the Public Finance and Audit Act, 1983, concerning the Wine Grapes Marketing Board for the Shires of Leeton, Griffith, Carrathool and Murrumbidgee and the Grain Sorghum Marketing Board.

September 1987

MEMBERS OF THE PUBLIC ACCOUNTS COMMITTEE

The members of the Public Accounts Committee are:

Mr John Murray, M.P., Chairman

John Murray, formerly a teacher, was elected Member for Drummoyne in April, 1982. An Alderman on Drummoyne Council for three terms, John Murray was Mayor of the Council for five years and served four years as Councillor on Sydney County Council. He has served as a member of the Prostitution Committee and is currently a member of the House Committee.

Dr Andrew Refshauge, M.P., Vice-Chairman

Andrew Refshauge was elected as Member for Marrickville in October, 1983. He previously practised as a medical practitioner with the Aboriginal Medical Service and was a past President of the Doctors' Reform Society. He is currently a fellow of the Senate of the University of Sydney.

Mr Colin Fisher, M.P.

Colin Fisher was elected Member for Upper Hunter in February, 1970. Former Minister for Local Government (1975) and Minister for Lands and Forests (1976), in opposition Colin Fisher has served as National Party Spokesman on Local Government, on Planning and Environment, and on Energy.

Mr Phillip Smiles, M.P.

Phillip Smiles was elected Member for Mosman in March, 1984. A management and marketing consultant since 1974, Phillip Smiles has been involved with entrepreneurial business activities since his teens. Since entering Parliament he has been actively interested in the areas of small business, emergency services, welfare and financial analysis.

Mr Allan Walsh, M.P.

Allan Walsh was elected Member for Maitland in September, 1981. Following eight years as a Mirage fighter pilot with the RAAF, he was involved in business management. Allan Walsh has also taught industrial relations, management and history at technical colleges.



Committee Members. From left: Andrew Refshauge (Vice-Chairman), Phillip Smiles, Colin Fisher, John Murray (Chairman), Allan Walsh

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CHAIRMAN'S FOREWORD

The Committee began preliminary inquiries into the Wine Grapes Marketing Board as part of its follow-up of matters arising from the Auditor-General's 1985-86 Report. The Auditor-General's Report indicated a deteriorating financial position.

On the 9 March, 1987 the Committee received a reference from the Minister for Agriculture, the Hon. Jack Hallam M.L.C. The Minister requested the Committee inquire into the administration and operations of the Wine Grapes Marketing Board and other relevant matters which have and/or may affect the Board's efficiency, effectiveness, and accountability.

The reference by the Minister was welcomed by the Committee and presented the opportunity to examine a number of aspects of the organisation's operations.

The Wine Grapes Marketing Board was established in 1933 principally to promote orderly marketing and achieve economic return to growers of wine grapes in the area covered by the Board. For many years the Board has operated successfully, however in recent years the Board experienced difficulties due largely to its inability to exercise security of the grape crop once crushed.

The Committee's report recommends the Marketing of Primary Products Act be amended to assist the Board in exercising security, and that it adopt a more positive approach to marketing, utilising skilled advisors.

In the case of the Grain Sorghum Marketing Board the Committee's recent deliberations are the result of its policy of re-opening earlier enquiries to determine and report on the extent of the implementation of these recommendations.

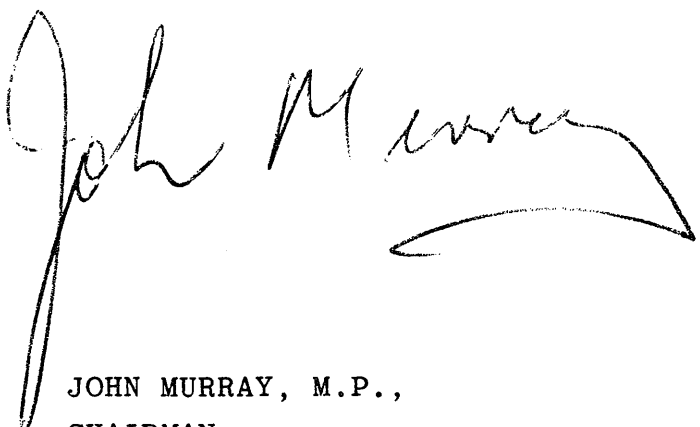
The Committee's initial report on the Grain Sorghum Marketing Board was tabled in November, 1983. At that time the Board was insolvent and its future in jeopardy, largely as a consequence of

the disastrous effect crop failures had had on its dabbling in "Futures Trading". As well as commenting on specific aspects and consequences of the Board's activities, the Report made a series of recommendations aimed at minimising the likelihood of other Boards finding themselves in a similar financial predicament.

The findings of this subsequent inquiry show that grower confidence and support has returned and the Board's financial position has improved. The Committee pays tribute to Board members and advisors.

The Committee is similarly pleased that the Minister for Agriculture has seen fit to adopt and implement its earlier recommendations.

The Committee is aware of some minor difficulties presently confronting the Grain Sorghum Board and notes or recommends remedial action. It also takes a special interest in the progress of a current Royal Commission into Grain Storage, Handling and Transport (planned for completion in January, 1988) and will be closely reviewing those recommendations relevant to New South Wales.

A handwritten signature in black ink, appearing to read "John Murray". The signature is fluid and cursive, with a long, sweeping underline that extends to the right.

JOHN MURRAY, M.P.,
CHAIRMAN

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SECTION 1: SUMMARY AND RECOMMENDATIONS

- 1.1. The Public Accounts Committee conducted inquiries into the Wine Grapes Marketing Board for the Shires of Leeton, Griffith, Carrathool and Murrumbidgee and the Grain Sorghum Marketing Board.
- 1.2. The inquiry into the Wine Board was initiated by the Committee following its statutory duty of reviewing the Auditor-General's 1985-86 Report and subsequently a reference was received from the Minister.
- 1.3. In relation to the Grain Sorghum Marketing Board the Committee's inquiries stem from its policy of re-opening earlier inquiries to determine the impact and extent of adoption of recommendations made. The Report on the Committee's original inquiry into the Grain Sorghum Marketing Board was tabled in November, 1983 (Eighth Report).

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Wine Grapes Marketing Board

1.4. The Committee's inquiry focused mainly on the financial position of the Board. It had incurred substantial operating loss in 1985-86 and had an excess of liabilities over assets.

1.5. This report of the Committee recommends:

. The Act be amended to provide that property in the wine, product of the wine grapes, remain with the Board, until moneys due in respect of the wine grapes delivered by or on behalf of the Board to a purchaser, have been paid, notwithstanding any manufacturing process, sale or blending with other product even where the other product has been produced from grapes not vested in the Board.

. Grapes prices be negotiated with wineries on an individual basis.

. The Board take a positive attitude towards promotion and take cognisance of the types of promotional activities undertaken in other grape/wine producing areas. Further the Board should seek professional advice and assistance in implementing this recommendation.

. The Board consider engaging on a contract basis the services of a suitably qualified person to act as a chief executive officer to advise, assist and negotiate on behalf of the Board; and the present position of executive

officer be redefined with responsibilities for day to day office administration either on a full or part-time basis as deemed necessary.

The Board undertake research into all aspects of the industry with a view to collating accurate and reliable industry statistics and data in order to assist the Board in its decision and policy making roles.

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- 1.7. Grain Sorghum Marketing Board
- 1.8. The Committee's concern over the Grain Sorghum Board also centred on the financial aspects.
- 1.9. The primary concerns of the Committee's 1983 inquiry have in the main been addressed. Although the speed of action could have been faster.
- 1.10. In follow-up action on recommendations made in its earlier Report the Committee became aware of a few areas in which the Board was currently experiencing difficulty and one area in which its own experience may be beneficial to other Boards.

The Committee's findings and recommendations are:

. The Committee recommends the continuation of the flat charge per tonne basis as a means of recouping administrative costs and the planned discharge of debts to creditors placed under the Scheme of Arrangement. Arguments for an alternative basis of imposing the administrative levy on grain sales were canvassed by the Committee but it saw no reason for change.

. The Board continue to seek out and take action against growers who have deliberately conspired to evade the administrative levy, but remain cognisant of genuine hardship cases and assist with relief through other available sources. In addition the Board continue to be mindful that the most effective means of eliminating any objection to the

administrative levy lies in securing markets and pruning costs to the point where Board offered net returns to growers are higher than growers can obtain by selling elsewhere.

That in view of benefit from the Sorghum Board's shared resources with the Oilseeds Board, the Minister investigate the feasibility of establishing a joint secretariat to service the administrative needs of course grain and oilseed marketing boards.

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SECTION 2: WINE GRAPES MARKETING BOARD FOR THE SHIRES OF LEETON,
GRIFFITH, CARRATHOOL AND MURRUMBIDGEE

2.1. Background

2.2. The Auditor-General's 1985-86 Report indicated that the Wine Grapes Marketing Board had incurred a substantial deficit and had an excess of liabilities over assets.

2.3. In line with its statutory duty of reviewing the Auditor-General's Report the Committee resolved to seek further information concerning the financial position of the Board.

2.4. Prior to this the Board had operated in a financially viable manner, and had not been the subject of adverse comment by the Auditor-General.

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2.5. A brief resume of the last five years trading is set out below:

	<u>Receipts</u>	<u>Payments</u>	Excess of Receipt over <u>Payments</u>	<u>Accumulated Funds</u>
	\$	\$	\$	\$
1981	48,165	34,090	14,075	89,569
1982	51,586	47,555	4,031	93,600
1983	35,475	63,044	(27,569)	66,031
*	<u>Income</u>	<u>Expenditure</u>	<u>Operating Surplus</u>	<u>Retained Earnings</u>
1984	101,105	113,165	(12,060)	64,367
1985	107,024	69,981	37,043	101,410
1986	188,804	1,186,688	(997,884)	(896,474)

*Note: From 1984 the Board changed its basis of financial statement preparation to historical cost accrual accounting.

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- 2.6. Shortly after the Committee's request for further information the Minister, the Hon. J.R. Hallam, M.L.C., Minister for Agriculture, received the Annual Report of the Director of Marketing, Department of Agriculture.
- 2.7. The Director of Marketing indicated severe financial problems were encountered due to the receivership of one winery and the trading difficulties of another.
- 2.8. Accordingly the Minister decided to give the Committee a reference to conduct an inquiry pursuant to Section 57 (1) (e) of the Public Finance and Audit Act, 1983.
- 2.9. Terms of Reference
- 2.10. The Public Accounts Committee received the reference from the Minister, the Hon. Jack Hallam, M.L.C., Minister for Agriculture on 9 March, 1987.
- 2.11. The Minister requested the Committee investigate and report on the Wine Grapes Marketing Board and in particular inquire into its administration operations and other relevant matters, which have and/or may affect the Board's efficiency, effectiveness and accountability. (Appendix 1).
- 2.12. Constitution and Structure
- 2.13. The Board was originally established in 1933 under the Marketing Of Primary Products Act, 1927. It now continues under the Marketing Of Primary Products Act, 1983.
- 2.14. Pursuant to the Act the Board consists of five (5) elected grower members and two (2) government nominated members.

2.15. The Board is not subject to Ministerial direction and control in respect of its day to day operation. The Director of Marketing, Department of Agriculture is responsible to the Minister for:

- (a) overseeing operations;
- (b) co-ordinating contact with the Minister, and
- (c) administration of the Act.

2.16. The position of Director Marketing was created with the introduction of the Marketing of Primary Products Act, 1983.

2.17. The above changes and the 1983 Act were in recognition of the important roles played by rural products and the need for the various marketing Boards to be dynamic and commercially effective bodies in a market place which has become more sophisticated.

2.18. Objects and Functions

2.19. Pursuant to Section 11 (7) of the Act the objects of the Board have been proclaimed. They are set out in detail in Appendix II.

2.20. The Board's functions are set out in Part III of the Act, Sections 44-67. Wide powers are conferred on the Board under this Part to facilitate the marketing of wine grapes.

2.21. For example, it can inter alia:

- . fix the price at which a grade, class or description of wine grapes may be sold by wholesale;
- . establish grades, classes or descriptions of wine grapes:

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- . subject to Ministerial approval establish and conduct processing and manufacturing facilities;
- . market any of the product processed or manufactured;
- . appoint agents;
- . appoint authorised buyers;
- . act as a marketing agent, and
- . with Ministerial approval act as purchasing agent for equipment, machinery, seed, fertilizer or any article or thing for use in the production of wine grapes.

2.22. Vesting of Grapes in the Board

2.23. Under the Marketing Of Primary Products Act, 1983 and the transitional provisions relating to the prior legislation, wine grapes in the Shires covered by the Board pursuant to Section 56 (1) of the Act are a declared commodity. By proclamation, the grapes are divested from growers and become absolutely vested in and the property of the Board. In other words, ownership of the grapes is transferred from the growers to the Board. The last proclamation was for a 10 year period commencing 1 December, 1985.

2.24. It is clear following a dispute that arose after the appointment of Receivers and Managers in 1985-86 to a winery, St Peters Distillery Pty. Limited, that the Board does not retain any property once grapes become wine nor can it recover either the value of wine itself or the proceeds of its sale.

- 2.25. The above position arose when the Board attempted to protect its position. The Board made two claims. First that it was a secured creditor of the winery and secondly that the grapes supplied to the winery (although converted to wine) remained vested in the Board.
- 2.26. As a consequence of being denied security the Board was left with a debt of \$388,350 to the ANZ Bank. The Board had borrowed this money from the Bank on the security of the grapes in order to pay growers. The money was borrowed by the Board using the Agricultural Marketing Finance Agency established under the Marketing Of Primary Products Act, 1983. This agency provides and organises finance and financial services for the various Boards established under the Act.
- 2.27. Inability to rank as a secured creditor severely impacted upon the Board's financial position.
- 2.28. The financial position of the Board and the ANZ Bank's actions are canvassed later in this Report.
- 2.29. As a result of this experience, (with one exception) the Board has resolved not to borrow funds, to pay growers, using grapes as security. The exception relates to Riverina Wines details of which are discussed in the Financial Section of this Report.
- 2.30. The impact of the Board's decision upon the industry will be significant. For example in 1984-85 some \$3.3 million was arranged through the Agriculture Marketing Finance Agency and in 1985-86 \$4.8 million.
- 2.31. The Committee understands the Board's action was based on sound commercial reasoning, however the fact is that a similar situation could arise again. The Committee

believes this action will not ultimately be in the best interests of growers or provide stability for the industry.

Accordingly, the Committee supports the Boards approach to the Director of Marketing to amend the Act and recommends that:

property in the wine, product of the wine grapes, remain with the Board, until moneys due in respect of the wine grapes delivered by or on behalf of the Board to a purchaser, have been paid, notwithstanding any manufacturing process, sale or blending with other product even where the other product has been produced from grapes not vested in the Board.

2.32. Role of the Board

2.33. The Committee wishes to acknowledge the difficult task faced by the Board in dealing with a perishable product. Unlike other commodities, once the crop ripens and is harvested it must be processed; i.e. crushed. The crop cannot be stockpiled for long periods as can grain crops.

(i) Price Setting

2.34. As the wine grapes are vested in the Board it has the legal right to set prices and terms of payment.

2.35. Historically, however, the Board has preferred to negotiate prices and terms of payment with the wineries on a collective rather than individual basis. It has seen this as more acceptable to the industry.

- 2.36. In practice, even though some preliminary individual negotiations may take place, all wineries attend a meeting with the Board once a year. At this meeting prices for the various grape varieties are determined.
- 2.37. Even though the price determined is a minimum floor price in reality it becomes the maximum price. Moreover, the view was expressed to the Committee that by meeting with all wineries at once the larger wineries dominate and the price settled upon is generally the lowest offer made by the wineries.
- 2.38. The Committee believes that individual price negotiations rather than collective negotiations would be more beneficial to growers and encourage the growing of varietal grapes for the production of premium vintage wines. Some local wineries are reported to have a long term view and a sympathetic community attitude as opposed to the larger more commercially orientated wineries.

Accordingly, the Committee recommends that grape prices be negotiated with wineries on an individual basis.

(ii) Promotional Activities

- 2.39. An important objective of the Board which the Committee believes has not been pursued in a vigorous manner is promotion activities and in particular the increase of consumer awareness. The Committee understands the area produces 40% of Australia's wine grapes and that vast quantities of wine leave the area to be used for blending purposes in other noted wine producing regions such as the Barossa Valley of South Australia and the Hunter Valley in New South Wales.
- 2.40. The Committee noted the varying attitude to promotion. The Board's 1985 Annual Report stated:

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"During the year the Promotion Committee has been active, looking at the best way of promoting this area and educating the consumer to recognise the M.I.A. ..."

In 1986 the Annual Report stated:

"There was very little activity in this area during 1985-86. Interest in ways-and-means of jointly promoting this Area as a major wine and wine grape producing area is waning. Perhaps consideration should be given to directing the Board as to the future of Promotion funds held by the Board."

- 2.41. The above attitude is considered by the Committee to be an abrogation by the Board of its responsibilities to achieve an important statutory objective.

The Committee recommends the Board take a positive attitude towards promotion and take cognisance of the types of promotional activities undertaken in other grape/wine producing areas. Further the Board should seek professional advice and assistance in implementing this recommendation.

(iii) Management and Administration

- 2.42. As mentioned previously the Board has failed to adopt an active promotional role and has not adapted to changes in the market place.

- 2.43. This amounts to a failure to pursue one of the Board's most important statutory objectives, namely:

"to be an effective organisation capable of adapting to a changing market environment by regularly reviewing Board policy and functions."

- 2.44. The market place has increased in sophistication and has become dominated by several large wineries with professional managers and negotiators.

2.45. The Committee believes that the current policies adopted by the Board and the present administrative structure are not adequately coping with these changes.

2.46. The Board has tended to become involved in day to day administrative matters and negotiations rather than emphasising its policy formation and decision-making role.

The Committee recommends that the Board consider engaging on a contract basis the service of a management consultant to act as a chief executive officer to advise, assist and negotiate on behalf of the Board; and the present position of executive officer be redefined with responsibilities for day to day office administration either on a full or part-time basis as deemed necessary.

2.47. In addition the Committee believes that the Board has not paid due attention to the monitoring of industry trends and developments, or the collection of relevant industry data. For example, there seems to be a paucity of accurate and reliable statistical information on crop yields, and potential wine grape demand.

2.48. It is the Committee's view that this amounts to a failure by the Board to pursue its statutory objectives of:

- . providing accurate data for internal control, planning and analysis, and
- . to establish efficient management, recording, and control over matters concerned with the production, marketing and financing of the wine grape crop in the Board's area.

The Committee recommends that the Board undertake research into all aspects of the industry with a view to collating accurate and reliable industry statistics and data in order to assist the Board in its decision and policy making roles.

2.49. Financial

2.50. The Board's financial difficulties are a direct result of the poor trading performances of some wineries and the appointment of Receivers and Managers of a substantial winery. As at 30 June 1986 the Board had an excess of liabilities over assets of \$896,474.

2.51. This position was brought about due to the necessity to provide the sum of \$1,039,868 as at 30 June, 1986 for doubtful debts.

2.52. The provision for doubtful debts was created because of the inability of a number of wineries to pay the Board for grapes supplied. The details of the individual debts are set out hereunder.

(i) San Bernadino Wines

2.53. For some three years this winery has been operating under a Scheme of Arrangement.

2.54. Until 1985-86 the Board insisted that the winery pay in advance for grapes purchased. This requirement reduced any exposure to risk by the Board.

2.55. However, from the winery's point of view it placed a great strain on its cash flow. Consequently in 1985-86 the Board did not insist on payments in advance for grapes purchased.

2.56. Without retaining property in the grape product the Board is exposed to a potential loss. As matters currently stand the Board ranks as an unsecured creditor.

As at 30 June, 1986 this winery owed the Board \$264,330 in respect of the 1982 vintage. A provision for doubtful debts for the full amount has been created.

(ii) Riverina Wines Pty Ltd.

2.57. The Board's experience with this winery also highlights its exposure to bad debts by not retaining property in the grapes once crushed.

2.58. In 1985-86 the Board made payments to growers of \$1,035,565 representing the first 60% payment for that part of the 1985 Harvest sold to Riverina Wines. This payment was financed by borrowings through the Agricultural Marketing Finance Agency.

2.59. Riverina Wines was unable to pay the Board, and the Board was unable to make the 40% second payment of \$682,586 due to growers.

2.60. As the grapes in question had been crushed the Board had lost property in them and the wine became part of the assets of the winery.

2.61. The secured creditor of the winery, by way of mortgage, was the Commonwealth Trading Bank. Initially the Bank decided to appropriate the proceeds of all wine sales in order to satisfy its own debt.

2.62. In the circumstances the Wine Grapes Board created a provision for doubtful debts to cover this amount (\$1,035,565). However, the Bank after consultation with the Board allowed the winery to continue to trade

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and the sum due to the Board was subsequently paid. Moreover, the debt of \$682,586 due to growers has since been paid, except for some \$10,000. It is anticipated that there will now be no loss in relation to this debt.

(iii) St Peters Distillery Pty Ltd.

- 2.63. As at 30 June, 1986 the Board was owed \$388,350 by this company. The debt arose in respect of grapes supplied to the winery during the 1985 Vintage. The Board by arrangement with the Agricultural Marketing Finance Agency borrowed from the Australian and New Zealand Banking Group Limited to pay growers, using the grapes as security for the loan.
- 2.64. Receivers and Managers were appointed on 24 December, 1985 and the Board attempted to exercise its security over the grapes in order to satisfy its debt to the ANZ Bank.
- 2.65. The Bank was itself a secured creditor of the winery. The Committee understands that the Receivers and Managers were appointed at the instigation of the Bank, and that they denied the Board had security. Subsequent legal advice indicates the Receivers and Managers were correct in denying the Board security.
- 2.66. However, the Board remains critical of the Bank for initially accepting the grapes as security for the loan and later denying the Board security.
- 2.67. As a consequence, the Board ranked as an unsecured creditor and received a dividend of 4 cents in the dollar; i.e. it received \$15,534 of the total debt of \$388,350.

- 2.68. The Committee received advice that the Board has misgivings over the sale of the St Peters Distillery Pty Limited by the receiver and manager, in relation to the price obtained. Subsequently this matter has been referred by the Board to the Corporate Affairs Commission.
- 2.69. The Committee understands the Board intends to continue to negotiate with the ANZ Bank seeking to resolve the problem.
- 2.70. Growers have already rejected a Board proposal to increase the levy from \$1.00 to \$1.70 to accumulate funds should the Board be called upon to pay this amount to the Bank.
- 2.71. The above difficulties manifest the problems of dealing with wineries that without the Board knowing maybe in financial difficulty. Despite the fact the Board may seek a Banker's opinion on a winery it really has no effective means of monitoring ongoing financial viability. The financial statements of a winery, which in turn may be part of, or a subsidiary, of another corporation often do not disclose the full extent of the financial position. Further they can be subject to the domino effect if a parent or related organisation fails.
- 2.72. The Committee considers that in order to protect its position the Board has three alternatives under the present legislation:
- 1) to insist on payments in advance;

2) register a charge over the winery;

or

3) require a deed of guarantee to be provided.

2.73. The registration of a charge involves the drafting of legal documentation, which is registered with the Corporate Affairs Commission, giving the lender security over the assets of a company.

2.74. These alternatives have disadvantages. The first presents cash flow problems, the second is cumbersome and costly, and the third involves additional expense as well as the need to provide security. All are considered impositions upon the operations of the majority of the successful and commercially viable wineries.

2.75. In the circumstances the Committee believes an amendment to the legislation as recommended under the heading "Vesting of Grapes in the Board" is the preferable course of action. However, the Committee recognises that such an amendment may not cover all contingencies the Board may encounter in attempting to exercise security over the product of the wine grapes.

SECTION 3: GRAIN SORGHUM MARKETING BOARD

3.1. General

3.2. In line with the policy of following up the Committee's earlier enquiries to determine the impact of its recommendations, the Committee re-opened its investigation into the administration and operations of the Grain Sorghum Marketing Board.

3.3. The Committee's 1983 Report

3.4. The Public Accounts Committee's Eighth Report, in November 1983 recommended improvements in the management of the Grain Sorghum Marketing Board. The Committee also recommended significant changes to the Marketing of Primary Products Act 1927, which regulated marketing boards in New South Wales.

3.5. The report was prepared as a result of a reference from the Minister for Agriculture and Fisheries, the Hon. J.P. Hallam, M.L.C., to inquire into the administration and operations of the Grain Sorghum Marketing Board and any other matters which affected that Board's efficiency, effectiveness and accountability (Appendix 111).

3.6. The source of the Minister's concern was the Sorghum Board's increasingly difficult financial position through significant financial losses from its inability to meet forward grain contracts. In analysing the deficiencies in the Board's operations, the Committee sought to formulate recommendations which would be applicable to all marketing boards.

3.7. Most of the marketing boards in New South Wales were formed during the mid 1960's and early 1970's. The Sorghum Board was established in June 1971. By the

early 1980's the operations of marketing boards throughout Australia were attracting increasing scrutiny. Attention had focused on their failure to disclose certain trading activities (e.g. futures market trading), their methods of determining contracts and claims relating to their inefficiency and ineffectiveness.

3.8. Prior to the reference the Minister had foreshadowed introduction of new legislation to replace the 1927 Marketing of Primary Products Act, which had become outdated and deficient in a number of areas. There were clear indications of the need to clarify the powers of marketing boards and to provide them with greater flexibility. The trend towards greater accountability for statutory authorities was also catching up with the marketing boards.

3.9. Major Findings of 1983 Inquiry

3.10. The Committee's 1983 inquiry found the Board's main problem laid with it having received insufficient grain sorghum from producers in New South Wales to meet forward contract commitments in both 1981-82 and 1982-83. Losses of approximately \$900,000 were incurred in 1981-82 through sorghum interstate purchases to meet commitments. Losses of approximately \$2.7 million were incurred in 1982-83 due to failure to honour contractual commitments.

3.11. The volume of grain sorghum "forward contracted" in 1981-82 indicated that the Board was over optimistic, rather than realistic, about the volume to be received.

3.12. The Board's actions in forward contracting significant volumes in both season without either physical stocks or substantial reserves clearly exposed it to substantial risk.

- 3.13. Drought conditions reduced grain sorghum production in both seasons, although production in New South Wales substantially exceeded contracted volume. The real shortfalls were caused by producers (including all producer members of the Board) failing to sell to the Board and thus not supporting their grower initiated Board and thus not supporting their grower initiated Board. This demonstrated lack of confidence in the Board and its ability to obtain maximum prices for producers.
- 3.14. The Board's futures trading activities did not contribute significantly to its weak financial position. However, these activities had been undertaken without any advice as to the legality of the Board's futures trading operations. The Board had also displayed some reluctance to acquaint growers and other sections of the industry with timely details of all their activities. Indeed the specifics of some activities appeared to have been withheld from producers for as long as possible, particularly the method of financing 1981-82 trading losses.
- 3.15. The Committee was of the opinion that if the then current financial difficulties of the Board could be satisfactorily resolved, successful future operation of the Board would depend on greater support from growers for its operations. To ensure such support, the Board would need to communicate fully and regularly with growers and improve its management performance.
- 3.16. Recommendations of the 1983 Report
- 3.17. The Committee's inquiry found need for closer control and scrutiny to be exercised not only over the Grain Sorghum Board, but all Board's constituted under the Marketing of Primary Products Act. The Committee supported the Minister's initiatives in revising

legislation, and made 18 specific recommendations aimed at increasing efficiency, effectiveness and accountability.

3.18. The Committee's specific recommendations related to forward contracting (3), futures trading (5), foreign currency hedging (1), vestment powers over crop (3) duties and conduct of Board members (3), formation of an Industry Advisory Committee (1), regular assessments of grower support (1), and accumulation of general reserves (1).

3.19. A full list of the individual recommendations, together with action subsequently taken, is given in Section 3 of this Report.

3.20. Events Since Publication of 8th Report

3.21. During the currency of the Committee's earlier enquiry the Supreme Court of New South Wales agreed (on 1 September, 1983) to a Board request to appoint a provisional liquidation to administer its affairs. At that time the Board had an accumulated deficiency of \$760,000 and faced contingent liabilities of \$3.15 million under contracts it was then unable to meet.

3.22. A creditor accepted Scheme of Arrangement was approved by the Court on 12 December, 1983. The scheme was scheduled to operate for five years, with provision of a two year extension if necessary. During that time the Board's operation would be restructured, new marketing plans introduced, and unsecured creditors (aggregating \$3.15 million) repaid in full. Two Scheme Managers were appointed from Arthur Young and Company, Chartered Accountants, and although Board powers were vested in the Scheme Managers, Board members were retained to act in an advisory capacity.

- 3.23. In his April 1983 reference to the Committee, the Minister indicated revision of legislation governing marketing of primary products. The then operative legislation was the Marketing of Primary Products Act, 1927, which essentially was an enabling Act providing basically the legislative machinery for primary producers to take control of the marketing of their produce. Although the Act provided for Boards to be established to pool and take ownership of produce and equitably distribute sale proceeds, it was very general in relation to specific activities of the various Marketing Boards. The ensuing review, supported by the Committee's 8th Report, showed the legislation to be outmoded and deficient in several areas. Deficiencies largely related to clarification of the power of Boards, provision of greater flexibility in their operations in line with successful international trends, and the need for increased accountability over actions and performance.
- 3.24. The Minister's review, which echoed findings of the Committee's 8th Report as well as picking up threads of the 7th Report (Accountability of Statutory Authorities), resulted in a new Act, the Marketing of Primary Products Act, 1983. This new legislation was assented to on 31 December, 1983 and became operative from 1 February, 1984.
- 3.25. The prime objective of the Marketing of Primary Products Act, 1983 was to facilitate the commercial and efficient marketing of agricultural commodities in the best long term interest of producers. It provided the legal support for creation of Marketing Boards and Marketing Orders (a successful American means of regulating marketing), as well as for the constitution of Marketing Committees and establishment of an Agricultural Marketing Finance Agency. The Act specifies how various authorities are to be

established, how they may be dissolved, their powers and their duties and responsibilities. It significantly increased accountability through:

(a) creating the statutory position of Director of Marketing and attaching to it specific powers and responsibilities over all marketing authorities, including annual reporting requirements to Parliament;

(b) imposing annual and any additionally requested financial or other reporting obligations on authorities to the Director of Marketing, and subsequently to the Minister;

(c) requiring public and annual general meetings of authorities with producers;

(d) enabling external management audits to be conducted, and

(e) specifying duties and liabilities of members and senior staff of authorities.

3.26. The extent to which the Marketing of Primary Products Act, 1983 adopted the recommendations of the Committee's 8th Report is given in Section 3 of this Report.

3.27. Assent to the Annual Reports (Statutory Bodies) Act, 1984 in June of that year further impacted upon accountability requirements for Marketing Boards. That Act and associated Regulations applied to accounting periods commencing on or after 1 July, 1984, gave detailed prescription for timely reporting of audited financial and non-financial information to Parliament and the Public.

- 3.28. The Marketing of Primary Products Act, 1983 was amended in June, 1985. The major issues involved:
- . the power of Boards to sue for fees owed;
 - . the power of a Board to vest the commodity;
 - . increasing the number of organisations and commodities that the Agricultural Marketing Finance Agency could deal with;
 - . strengthening Marketing Boards position under provisions of the Trade Practices Act.
- 3.29. The first two of these issues were particularly relevant to the Grain Sorghum Marketing Board in the light of its revised marketing strategies and experiences under its voluntary delivery scheme.
- 3.30. As recommended by the Committee, the provisions of the new Act relating to creation of reserves and dealing in future contracts were made subject to any conditions and guidelines the Minister may determine. Ministerial determination for both activities were issued on 2nd May, 1986. (Appendices IV and V)
- 3.31. Section 11 (7) of the new Act enabled the Governor to specify, by proclamation, the objects of a Marketing Board constituted under the Act. The objectives of the Grain Sorghum Marketing Board were proclaimed by publication in the Government Gazette of 24 October, 1986. (Refer Appendix VI)
- 3.32. To overcome previous communication problems and increase awareness and reinstate grower confidence in the Board, the Scheme Managers have pursued a higher Board profile. In March 1985, a "Grower Manual" outlining marketing systems and procedures was issued, and "fact sheets" have issued from time to time. From March 1986, the Board has periodically produced a newsletter, "Grain Sorghum News" informing growers of

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Board and industry developments. A toll free "hot-line" was set up and Board executives have undertaken visits and attended meetings in grower centres. Administrative reforms to increase efficiency include the Board's move into shared premises with the kindred Oilseeds Marketing Board and acquisition of computer systems for processing grower records and payments.

3.33. Throughout 1985 and 1986 the Committee received various correspondence expressing concern at a paucity of information about the Board, the lateness in accounts for the years 1981 to 1984, and the consanguineous issue of justification of the Board imposed levy on all grain sorghum sold.

3.34. Particularly vocal was Graingrowers of Australia Limited (GOAL), a Queensland based association of mainly northern New South Wales growers. GOAL sought removal of compulsory acquisition provisions from all statutory board charters, free choice in and competition between handling, transport and storage alternatives and increased non-government industry participation. It was of the opinion that free marketing of all grain would yield a more efficient and economical marketing structure, and thus enhance grower returns. GOAL was not opposed to statutory boards, but wanted to see efficient boards holding their own in competition with private enterprise and without monopoly powers.

3.35. Particular dissatisfaction with the Grain Sorghum Board led GOAL's Executive Director to advocate New South Wales members cease paying the statutory levy on produce sold other than through the Board. To a significant extent this recommendation was adopted, thereby hindering the Board's operations and programme

- of creditor discharge. It required the Board devote considerable time and effort to overcome grower payment resistance and to take legal action against non-payers.
- 3.36. GOAL is understood to have since gone into liquidation and presently exists in name only.
- 3.37. The Committee held formal discussions with Scheme's Administrators and the Sorghum Board's Advisory Committee to determine the current situation. To gain first hand knowledge of industry difficulties and perspectives, the Committee undertook an investigation of the Gunnedah area in February 1987, visiting various properties and storage facilities and conducting informal discussions with Board members, growers and industry participants.
- 3.38. The Scheme Managers devised and implemented a new marketing program to handle the 1984 sorghum crop. As previously, growers were able to sell through licensed merchants or to the Board, however, in departure from the previous pool system (whereby growers received equalised prices whilst the pool was open), three pricing options were offered for Board sales. Growers could nominate a pre-harvest tonnage contract, take a daily quoted cash price, or opt for a deferred price contract thereby taking a future ruling price. An additional option was offered in 1986 enabling growers to defer their pricing decision for up to three months after delivery.
- 3.39. The previously applicable pool system and the voluntary delivery scheme had earlier contributed to the Board's difficulties, as a consequence of these changes sales increased to near record levels.

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3.40. Sales by growers to licensed merchants and agents attracted a commission payable to the Board of \$1.00 per tonne to March 1983, increasing to \$2.00 thereafter. To discharge the Board's debt to unsecured creditors the Managers increased the charge to \$3.80 per tonne. Licensed merchants were required to inform the Board of direct purchases in order that growers be invoiced the fee. Reluctance by some growers to accept the increased levy led the Board to acquire increased powers to inspect records and required legal action be instituted against non-payers.

3.41. Subsequent falling crop prices "pressure group" activity and seemingly better sales prices elsewhere later added to the incidence of non-payment. Recovery action by the Board however has been most effective, with records showing only 8% of fees for 1984 and 1985 remaining outstanding at the conclusion of 1986.

3.42. Following the commencement of the Scheme of the outstanding balance reduce from \$3,153,831 to \$1,721,953 in January 1987, representing a return of 45 cents in the dollar.

<u>Period Ending</u>	<u>Repayment</u>	<u>Amount Repaid</u>	<u>Amount Outstanding</u>
		\$	\$
December 1983	--	--	3,153,813
December 1984	20¢ in \$	643,419	2,510,412
December 1985	10¢ in \$	315,383	2,195,029
December 1986	10¢ in \$	315,383	1,879,645
January 1987	5¢ in \$	157,692	1,721,953
	-----	-----	-----
	45¢ in \$	1,419,224	
	-----	-----	-----

- 3.43. Since 1984 the program of debt repayment has slowed in line with smaller harvests, however, the Board anticipates payment of a further 10 - 15 cents before the end of 1987.
- 3.44. With the continued confidence and support of its major unsecured creditors and the majority of growers and the industry, the Board expects to fully discharge its debt within the period approved by the Court.
- 3.45. At the close of the accounting period in which the Scheme of Arrangement was implemented the Board had an accumulated deficiency of \$3,079,190. Despite difficult times, prudent management and grower and industry support has enabled the Board to reduce the amount to \$903,855 after three years. In summary, the financial results of these years have been:

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FINANCIAL SUMMARY YEAR ENDED 31 DECEMBER

	1984 \$000	1985 \$000	1986 \$000
INCOME			
Grain Sales	22,303	6,264	6,694
Board Charges	1,460	907	660
Other	136	181	247
EXPENDITURE			
Grain Purchases and Operating Administration Expenses	21,551 570	6,736* 442	6,823 555
Surplus	1,778	174	223
ACCUMULATED DEFICIENCY	1,301	1,127	904
Represented by:			
Fixed Assets	31	28	26
Current Assets:			
Debtors, Repayments	623	361	363
Cash	1,394	924	674
	2,048	1,313	1,063
Less:			
Trade Creditors and Accruals	830	202	41
Creditors under Arrangement	2,510	2,195	1,880
Provisions	8	42	46
	3,349	2,439	1,967
	1,301	1,127	904

*Including previous year adjustment of \$392,426

ACTION ON RECOMMENDATIONS OF THE 8TH REPORT (1983)

3.46. This Section sets out the recommendations made by the Committee in its 8th Report and subsequent action on these recommendations. Although 18 recommendations made arose from enquiry into the activities of the Grain Sorghum Marketing Board, they were specifically framed to apply to all Boards constituted under the Marketing of Primary Products Act, 1927.

3.47. The majority of recommendations were adopted in the new Marketing and Primary Products Act, 1983, which is referred to below as the MPP Act, 1983.

3.48. **Recommendation:** Boards continue to be permitted to negotiate forward contracts in the commodity which they were established to regulate:

Action: This was not a recommendation for change but for formal support for what had become a normal commercial activity. Section 112 of the MPP Act, 1983 specifically enables boards and committees to enter into futures contracts.

3.49. **Recommendation:** Boards be permitted to negotiate forward contracts in commodities other than that which they were established to regulate only with the approval of the Minister.

Action: Section 49(2) of the MPP Act, 1983 enables this, with the approval of, and subject to any conditions the Minister may impose. Ministerial "Guidelines Relating to Futures Contracts" were issued in May 1986 (refer Appendix 3) and give additional clarification.

Amendment to the Act in 1986 provides that a board can only deal in a primary product of another board with the other board's consent.

- 3.50. Recommendation: Forward contracts be related to expected Board receivals, and not to expected production in New South Wales:

Action: Item 8 of the Ministerial guidelines for futures contracting (refer Appendix 3) states "net short positions on a futures market should be less than expected receivals". (A net short position exists where futures contracts to sell exceed those to buy.)

- 3.51. Recommendation: The Department of Agriculture formulate rules governing futures trading.

Action: "Guidelines Pursuant to Section 112 (of the MPP ACT, 1983) Relating to Futures Contracts" were issued on 2nd May, 1986. The Guidelines (refer Appendix 3) cover nine aspects of futures trading and satisfy the Committee's main proposals. Section 112 of the Act requires adherence.

- 3.52. Recommendation: The rules for futures trading stipulate the commodities in which the Board is permitted to trade.

Action: Item 2 of futures contracting guidelines permits trading in related primary products only if there is no futures market for the commodity for which the organization was constituted.

- 3.53. Recommendation: All futures market transactions by a Board be recorded in a register including details of transaction date, quantity, delivery month, price, reason for transaction, other party, commission and broker.

Action: Item 5 of futures contracting guidelines requires the organization maintain full records of transactions.

- 3.54. **Recommendation:** Copies of the Futures Market Register be forwarded monthly to the Auditor-General and the Minister for Agriculture for evaluation of the legality and effectiveness of the Board's trading.

Action: Guideline 6 requires the Director of Marketing of the Department of Agriculture be informed of transactions. Section 126 of the MPP Act, 1983 requires the Director report his activities annually to the Minister. In addition, Guidelines 9 requires all futures transactions documents be retained for financial and management audit purposes.

- 3.55. **Recommendation:** A summary of futures trading activities be included with each Board's annual statements of account.

Action: Regulations issued pursuant to the Annual Reports (Statutory Bodies) Act, 1984 require inclusion of comment on "Significant" operations and "selected" financial and other quantitative information in annual reports. Every marketing board constituted under the MPP Act, 1983 is required to publish an annual report.

- 3.56. **Recommendation:** Bank hedge operations be subject to the same requirements as those recommended for futures market transactions.

Action: Ministerial guidelines for futures contracts are not restricted to commodities - they also relate to currency dealings.

- 3.57. **Recommendation:** The vesting provision of the Marketing of Primary Products Act be retained.

Action: The MPP Act, 1983 retains and strengthens vestment provisions of earlier legislation. Powers conferred were further enhanced by the MPP (Amendment) Act of 1985.

- 3.58. Recommendation: Boards be given wider powers under the Marketing of Primary Products Act to ensure policing of the vesting provision.

Action: Powers of boards to enable policing compliance with vestment provisions as specified in Part IX of the MPP Act, 1983 are considerably stronger than previously. Subsequent amendment vide Miscellaneous Acts (Search Warrants) Amendment Act, 1985 renders provisions more efficient.

- 3.59. Recommendation: Boards provide evidence in their Annual Reports of their activities in respect of policing the vesting provisions of the Act.

Action: Regulations under the Annual Reports (Statutory Bodies) Act, 1984 require disclosure of any significant matters. Additionally, from 1986-87 authorities are required to publish relevant financial and non-financial indicators of performance.

- 3.60. Recommendation: Boards form Industry Advisory Committees to discuss, evaluate and advise on issues related to domestic marketing. These Committees include growers, merchants, end users, government and other relevant personnel.

Action: Legislation permits boards to form advisory committees if they so desire.

- 3.61. Recommendation: Regular assessments of grower support be made to determine whether the continued existence of the Board is warranted.

Action: In accordance with the principles of self-regulation, Sections 26 to 32 of the MPP Act, 1983 provide a method for producers to remove an area from Board control or remove a Board.

Section 41 allows the Governor to dismiss a Board.

3.62. Recommendation: The duties of members of Marketing Boards be investigated and prescribed in the Marketing of Primary Products Act. The duties to include:

- a duty to inform growers
- a duty to do all that is reasonable possible as individuals to see that the Board prospers.

Action: Legislation provides that the Governor may by proclamation, specify the objects of a Board and the Board shall, as far as practicable, have regard to those objects in the exercise of its functions. Objects of eight of the ten operational Board's were gazetted on 28 June, 1985. Objects of the Grain Sorghum Marketing Board were gazetted on 24 October, 1986 (refer Appendix 4).

Furthermore, Section 151 of the MPP Act, 1983 requires members (and others) "at all times to act honestly and to exercise a reasonable degree of care and diligence in the the exercise of functions".

3.63. Recommendation: Any candidates for election to the Board disclose their dealings with the Board for the twelve months prior to each election and that Board members disclose their dealings with the Board annually.

Action: Clause 8 of Schedule 2 to the MPP Act, 1983 requires disclosure to the Board of members pecuniary interests. Any such disclosures are to be available to the public.

- 3.64. Recommendation: Failure of Board members to deliver their grain sorghum to the Board, at times when all marketing activities are vested in the Board, be grounds for their removal and ineligibility for re-election.

Action: Although this recommendation was not specifically taken up in detail it is considered embraced by the requirement that members "at all times act honestly".

- 3.65. Recommendation: Boards be permitted under the Marketing of Primary Products Act to accumulate general reserves, subject to development of guidelines by the department governing amounts and types of deductions which can contribute to reserves.

Action: Section 108 of the MPP Act, 1983 specifically authorises the creation and use of reserves. Conditions attaching to the creation and use of reserves were issued by the Minister on 2 May, 1986 (refer Appendix 2).

- 3.66. In summary, although some recommendations were not fully implemented and the speed of action could have been quicker, the primary concerns of the Committee's 1983 inquiry have been addressed.

The continued scrutiny of Boards by the Director of Marketing of the Department of Agriculture should keep a close watch on the situation, however, the success of Boards will remain dependent on grower support.

TERMS OF REFERENCE BY MINISTER FOR AGRICULTURE 9 March, 1987

To investigate and report on the administration and operations of the Wine Grapes Marketing Board and other relevant matters which have and/or may affect the Board's efficiency, effectiveness, and accountability as provided by Part IV of the Public Finance and Audit Act 1983.

Objects of the Board Pursuant to Section 11 (7) of the Marketing of Primary Products Act, 1983.

1. To negotiate with winemakers to ensure the placement of the total crop at commercial prices that are acceptable to growers.
2. To be an effective organisation capable of adapting to a changing market environment by regularly reviewing Board policy and functions.
3. To develop and maintain efficient financial management systems to ensure the continued viability of the Board and to provide accurate data for internal control, planning, and analysis.
4. To encourage and facilitate research to ensure the future requirements of the wine grape industry are met.
5. To undertake promotion activities to increase consumer awareness of the M.I.A. wines.
6. To establish efficient management, recording, and control over matters concerned with the production, marketing, and financing of the wine grape crop in the Board's area.
7. To participate in relevant industry committees and ensure the interests of M.I.A. wine grape growers are presented to all levels of government.
8. To fulfil the objects and meet the statutory requirements of the Marketing of Primary Products Act, 1983; Public Finance and Audit Act, 1983; Annual Reports (Statutory Bodies) Act, 1984 and other relevant legislation.

TERMS OF REFERENCE BY MINISTER FOR AGRICULTURE 13 April, 1983

To enquire into the administration and operations of the Grain Sorghum Marketing Board and any other matters which affect the Grain Sorghum Marketing Board's efficiency, effectiveness and accountability, pursuant to the Public Finance and Audit Act, 1983.

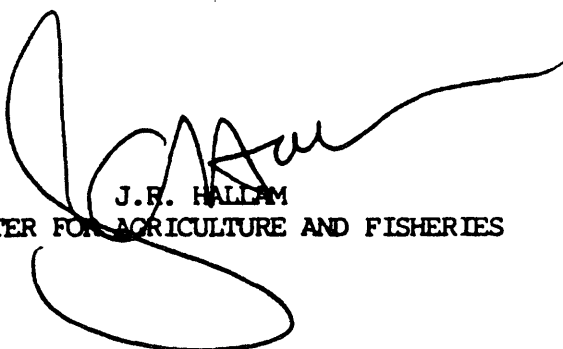
MARKETING OF PRIMARY PRODUCTS ACT 1983

CONDITIONS PURSUANT TO SECTION 108 RELATING TO THE
CREATION AND USE OF RESERVES

In pursuance of Section 108 of the Marketing of Primary Products Act, 1983, an Authority may create and use such reserves as it considers expedient for the purposes of achieving its objectives and carrying out its functions under the Act, subject to and in accordance with the following conditions.

1. Creation of a reserve for the purposes of this Act shall be approved by a resolution of the Authority.
2. The resolution shall state the specific purpose for which each reserve is intended and shall be recorded in the authority's annual financial statements.
3. Separate accounts shall be kept for each reserve. The transfer or movement of funds in and out of each account shall be recorded in the annual financial statements.
4. Reserve accounts shall not be used for any purpose other than that for which they were created except with the approval of the Authority.
5. Authorities shall provide in their Annual Report details of interest rates and returns on investments held against reserves intended for future expenditure.
6. Reserves without a specific title, (general reserve or accumulated funds) shall not exceed twice the average annual administration and overhead expenses incurred over the preceding 5 years.

Dated at Sydney this *2nd* day of *May* 1986.


J.B. HALLAM
MINISTER FOR AGRICULTURE AND FISHERIES

MARKETING OF PRIMARY PRODUCTS ACT 1983

**Guidelines Pursuant to Section 112 Relating to
Futures Contracts**


In pursuance of Section 112 of the Marketing of Primary Products Act, 1983, a marketing board or committee may enter into and deal with futures contracts for hedging purposes at a futures market, subject to the following guidelines.

1. The regulations of the various regulatory agencies controlling the markets in which a board or committee operates must be complied with.
2. A board or committee may trade in futures contracts for a primary product related to the commodity for which it is constituted if there is no futures market for the latter commodity.
3. Any proposed hedging programme shall be submitted to the board or committee for approval and shall if approved be adopted by resolution of the board or committee at each monthly meeting.
4. Where the Board or Committee has entered into any futures contract Management shall submit to the Board or Committee a report stating:-
 - * current futures position in relation to its actual commitments for the commodity and the supply of the commodity;
 - * futures trading performance in relation to actual sales of the commodity;
 - * the daily movement in the futures market and the effect this has on the total value of the board's or committee's open position in both Australian dollars and the currency in which the futures contracts are denominated;
 - * the list of all outstanding futures contracts, the margin on each, and the total net margin; and
 - * the profit or loss on closed futures contracts and how these affect the net return on actual sales of the commodity.
5. The Board or Committee shall maintain records of the daily authorisations to trade and the actual placement of orders including information on who authorised each contract, who placed the order, the date of the transaction, quantity, price, futures delivery month, and how the contract relates to the board's or committee's approved hedging programme.
6. A board or committee engaged in futures trading shall within 7 days of its meeting forward to the Director of Marketing a statement of its current net long or net short position on a futures market.
7. Net long positions on a futures market should not exceed contractual commitments for the sale of the actual commodity.
8. Net short positions on a futures market should be less than expected receivals.
9. All documents shall be retained for financial and management audit.

Interpretation

For the purposes of these guidelines a net long position means that a board or committee holds more futures contracts to buy the commodity (or other primary product) than it holds futures contracts to sell. A net short position means that a board or committee holds more futures contracts to sell the commodity (or other primary product) than it holds futures contracts to buy.

Dated at Sydney this *2nd* day of *May* 1986.


MINISTER FOR AGRICULTURE AND FISHERIES

OBJECTIVES OF THE GRAIN SORGHUM MARKETING BOARD FOR THE STATE OF
NEW SOUTH WALES

1. to provide services of the highest standard to all sectors of the grain sorghum industry including:
 - i) protecting and ensuring adequate returns to growers;
 - ii) encouraging the growing of grain sorghum;
 - iii) maintaining a sound reputation;
 - iv) operating an effective budget and control system;
 - v) ensuring fast payments to growers;
 - vi) encouraging research and establishing research priorities;
 - vii) achieving effective communications with growers on all aspects of marketing and distribution;
 - viii) developing an effective liaison with other grain marketing and bulk handling organisations;
 - ix) improving the distribution of grain to the domestic and export markets; and
 - x) fulfilling its responsibility to its employees.
2. to be an effective organisation capable of adapting to a changing market environment by regularly reviewing Board policy and functions; and
3. to fulfil the objects and meet the statutory requirements of the Marketing of Primary Products Act 1983; Public Finance and Audit Act 1983; Annual Reports (Statutory Bodies) Act 1984, and other relevant legislation.

(Gov't Gazette No. 169 of 24th October 1986)