AUSTRALIA'S EXPO RTS OF AGRICULTURAL PRODUCTS.

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The Local Market.

When the first Fleet arrived in this country in 1788, it was intended that it should be provisioned from stores brought in from England. However, it very soon became obvious that this was going to be far too risky a procedure; and once in its very early stages the colony actually came perilously close to starvation. So it was decided that it would be wise to attempt to grow grain locally. The experiment turned out so hopefully that the acreage under wheat rose steadily over the next few years, and production of other primary products was attempted; this was, of course, purely to meet local needs.

Since these very early days, however, it has been Australia's experience at least that where a commodity is capable of being exported it is not easy to halt its expansion at the point where the local market has been satisfied. There is generally much greater popular support for expansion than for restriction, and it is the tendency of primary producers to be optimistic about market opportunities; so a surplus is produced, which must be sold abroad. Indeed, if a country is to be able to produce enough for its own requirements in bad seasons, it must, therefore, be able to exceed local requirements when the season is good, or even when it is only average. Thus, in the very nature of things, it seems inevitable that a country producing all its own requirements of a particular commodity should tend to have a surplus for export. As is illustrated in the accompanying figures (see Table I), almost all Australia's main primary products have in recent years normally had large export surpluses.

Table I.

Proportion of Australia's Agricultural Products Exported.

(Average Five Years ended 1939.)

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Total Production</th>
<th>Exports</th>
<th>Proportion Exported</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wool</td>
<td>996 m. lb.</td>
<td>833 m. lb.</td>
<td>84%</td>
</tr>
<tr>
<td>Wheat</td>
<td>154,3 m. bus.</td>
<td>107.5 m. bus.</td>
<td>70%</td>
</tr>
<tr>
<td>Butter</td>
<td>439 m. lb.</td>
<td>215 m. lb.</td>
<td>49%</td>
</tr>
<tr>
<td>Cheese</td>
<td>49.1 m. lb.</td>
<td>21.2 m. lb.</td>
<td>43%</td>
</tr>
<tr>
<td>Meat</td>
<td>616,000 tons</td>
<td>189,000 tons</td>
<td>21%</td>
</tr>
<tr>
<td>Sugar</td>
<td>741,000 tons</td>
<td>378,000 tons</td>
<td>51%</td>
</tr>
<tr>
<td>Rice</td>
<td>41,900 tons</td>
<td>17,700 tons</td>
<td>41%</td>
</tr>
<tr>
<td>Apples</td>
<td>10,4 m. bus.</td>
<td>4,6 m. bus.</td>
<td>44%</td>
</tr>
<tr>
<td>Canned Fruit</td>
<td>2,71 m. c/s.</td>
<td>1,54 m. c/s.</td>
<td>57%</td>
</tr>
<tr>
<td>Dried Vine Fruit</td>
<td>73,200 tons</td>
<td>56,400 tons</td>
<td>77%</td>
</tr>
<tr>
<td>Wine</td>
<td>17,0 m. gal.</td>
<td>3,7 m. gal.</td>
<td>21%</td>
</tr>
</tbody>
</table>
Some commodities can never win much more than a local market. Fresh vegetables, for instance, are bulky, and they do not keep long or carry far; so they are generally grown close to their market. Fruit, meat and butter were also in this class once, until refrigeration, cool stores, canning—and now dehydration—made it is possible to move them to more distant markets than formerly. Other commodities like cereals, wool and canned fruits are much better suited for export since they do not deteriorate. But with changes in transport methods—for example, by air—and in processing—for example, dehydration—it is no longer safe to predict what new market opportunities could be developed.

**Export Markets.**

Australia’s best customer has always been the United Kingdom. As the country which led the way in the industrial revolution of the last century, the United Kingdom was the first great nation to concentrate her talents on manufacture, exchanging her manufactured goods for the food and raw materials she needed, but which she could not produce herself. Western Europe followed quickly behind her. Ever since then, the United Kingdom and
the other thickly-populated and highly-industrialised countries of North-western Europe—the Netherlands and Germany—have been the principal buyers of food from the world’s food exporting countries.

Of course, they are not the only buyers; in fact, it is difficult to name any country which is altogether self-supporting in food. Australia, for example, though she is now one of the world’s leading food exporters, has to import tea and coffee, cocoa-beans, canned fish, sago and tapioca, and quite a few other minor items; even the U.S.A., which is self-sufficient in most things, has to import coffee, wool and sugar in fairly heavy quantities. But, to get back to our earlier point, the United Kingdom has always been Australia’s main market, and indeed, the main market for a good many other food-exporting countries also. All through the 1930’s, when most countries of Europe, influenced strongly by Germany and Italy, were pursuing self-sufficiency programmes and taking less and less from abroad, the United Kingdom continued to buy heavily, and remained the world’s main food market.

To illustrate this, here are a few figures of the United Kingdom’s trade. For the five years before World War II, the United Kingdom imported on the average each year 650,000 tons of beef (16 per cent. of this from Australia); 480,000 tons of butter (19 per cent. of this from Australia); and 140,000 tons of cheese (5 per cent. of this from Australia). These quantities were a very high proportion of total world trade in these particular commodities. But it is important to understand that Australia’s dependence on the United Kingdom as a buyer has always been considerably stronger than the United Kingdom’s dependence on Australia as a supplier. For instance, though 90 per cent. of Australia’s total beef exports, 98 per cent. of her mutton and lamb, 93 per cent. of her butter, and 96 per cent. of her cheese went to the United Kingdom, yet the United Kingdom also purchased large quantities of these goods from other countries.

**Characteristics of Export Markets.**

Because most of the world’s exporters compete on the United Kingdom market, the ruling price there tends to be driven down towards the level of the lowest seller’s price. And because, at least in pre-war years, there has tended to be more food offered for sale than the United Kingdom has herself required, the forces of supply and demand have tended to keep the price low. Thus the best price which Australia has in the past been able to receive for a good many of her goods sold on the United Kingdom market has been this low “world market” price—less shipping costs from this country, a significant point when it is realised that Australian goods sold in the United Kingdom have to travel much further than do most of their competitors.
Chart II

INDEX of EXPORT PRICES
(BASE 1936-39 = 1000)

Chart III

AVERAGE ANNUAL PRICE of WOOL
(PRICE per lb greasy)
Another feature of export prices is that they tend to fluctuate fairly widely; since the market is relatively free from restrictions and controls, there are usually many competing sellers, and thus it tends to react fairly sensitively to movements in supply and demand. As an example, take the history of Australian wool prices in the 1920’s and 1930’s, when prices fell from 19½d. per pound in 1928 to 8.3d. per pound in 1932, were back to 16½d. per pound in 1937 and down again to 10.3d. per pound in 1939. Wheat prices have also shown similar fluctuations in response to supply and demand; so have also the prices of most other commodities in world trade (see Charts II and III).

Special Arrangements for Exports.

Australia’s export markets have thus been rather less profitable and much more uncertain than the home market, a fact which gradually became more and more apparent during the years after World War I. This situation provided a stimulus to organised marketing. For quite a few commodities Export Control Boards were set up with powers to regulate the flow of exports and to uphold standards of quality; at the same time arrangements were made to equalize the higher returns on sales in Australia with the lower export returns, by pooling all receipts and distributing the total return evenly amongst all producers embraced by the scheme. Under the terms of the Commonwealth Constitution these “home consumption price” arrangements cannot be made compulsory on an Australia-wide basis, but they have operated on a voluntary basis since 1936 for dairy products and dried fruits, and since 1939 on a compulsory basis (under war-time powers) for wheat and for apples and pears. The compulsory equalization schemes for rice and sugar have always operated under State legislation. Attempts have been made on a number of separate occasions to have this limitation of power altered by Federal Referendum, but have always failed.

The “home consumption price” schemes overcome to a certain extent the problem of lower prices on the world market, but it is obvious that the greater the proportion of exports to total production the lower will be the average return. It is, therefore, unattractive to allow production to expand too far, because as average returns fall, more and more producers find themselves unable to cover production costs; furthermore, an increase in exports means an increase in production, which in turn means extending the margin of production to embrace an increasing number of the less efficient farms with higher production costs.

The other disability of export markets—unstable prices—disappeared to a large extent during the war, as contracts were arranged with the United Kingdom Government or the Services for virtually all the available surplus of a good many of our more important exports. Generally speaking, these arrangements, which gave producers a welcome measure of security, are scheduled to last no longer than 1948 for most food exports. But it is the declared policy of the present Commonwealth Government
to attempt to arrange forward contracts for as much of our export surplus as possible, and to cover total production from all of the main rural industries with price stabilisation schemes.

**Future Prospects.**

Nevertheless there must still remain quite an element of uncertainty about our overseas trade. It is true that at the present moment exports are moving out of the country at a very fast rate. Figures for the first half of the fiscal year 1946-47 show exports, at £A154.6 m., to be more than double the figure for the corresponding period of 1938-39, and almost double the rate of export during 1945-46. At the same time the prices Australia is receiving for her exports have lately been overtaking the increase in import prices which took place during the war. In other words, the “terms of trade” are moving in our favour. Moreover, imports are lagging due to the difficulty in obtaining goods which have been on order for a long time. Thus our overseas trade is showing a very favourable surplus of exports over imports, leading to a strong accumulation of funds on our account overseas. However, it would be rash to assume that the present buoyant state of affairs can continue much longer. The world has not yet settled down from its wartime upheaval, and times are far from normal. This holds true whether we consider “normal” to mean the pre-war pattern of things or some new post-war order. In fact, the circumstances surrounding world trade are likely to undergo very far-reaching changes over the next few years.

At Geneva in April this year there will be a very important conference, having as its purpose the setting up of an International Trade and Employment Organisation, to govern the conditions under which world trade is carried on. On the agenda some of the major points for discussion will be: tariffs and Empire preferences, the balance of payments, national full employment policies, and international commodity controls. The Australian viewpoint is that if every country were to aim at maintaining full employment at home, this must result in sustaining purchasing power and thus bring about expanded world trade, and that all other considerations are subsidiary to this main issue. The American viewpoint, on the other hand, is that the barriers which have over the years been raised around world trade must first be lowered, and she regards the British Empire preference framework as one such barrier. Whether these two viewpoints are really conflicting, or whether they are complementary, will no doubt be discussed at great length. No doubt also the Empire countries will expect the United States to lower some of her own tariffs before they agree to modify Empire preference. In any event the outcome of these discussions must have far-reaching effects on Australia’s trade and prosperity, and it is at this moment impossible to say what the outcome will in fact be. For instance, policies aimed at higher living standards in the countries to Australia’s north could result in expanded imports from Australia of basic foodstuffs and also incidentally of manufactured products and capital goods. Modification of America’s tariff on wool, butter and fat lambs could mean that Australia would gain there a vastly expanded
market for these products. On the other hand modification of Empire preference could have adverse effects on a number of our industries. Some have suggested that they would collapse entirely, and with them would go the prosperity of several of Australia’s newer and more prosperous inland settlements; however, recent investigations have suggested that a number of our protected industries are nowadays better able to stand on their own feet because the big wartime increase in production costs overseas has redressed the balance in our favour.

**The Scarcity of Dollars.**

One of the gravest problems of the present is the difficult situation in which the United Kingdom, as the world’s greatest trading nation, finds herself as the result of the war. She must live by her trade, and also in like manner many other countries depend for their prosperity on the United Kingdom’s capacity to purchase their goods. At the present moment the United Kingdom is making strenuous efforts to build up her exports to the point where they completely pay for necessary imports on a current basis. A good proportion of these necessary imports can only be paid for in dollars, and as a result of war’s destruction she is finding this task extremely difficult, even with the help of the dollar loan which was ratified by the United States and United Kingdom Governments last year. This “scarcity of dollars,” which is hampering Britain’s efforts at recovery, is also reacting on this country, in that we are helping to relieve Britain’s position by contributions from the surplus of dollars which we have managed to earn from our own trade. It is also affecting other countries in the same way, and it would be sanguine indeed to expect that this situation can be remedied quickly.

But there is this further element of danger for Australia in Britain’s present situation. That is, that she may never be able to recover completely her former level of prosperity, and will, as a result, have to cut down a good deal on her purchases from overseas countries, Australia amongst them. The extent of this possible ultimate cut in the purchases of our goods by our best customer will depend not only on Britain’s resilience but on the sharing out of the cut, and both these factors will themselves be largely conditioned by the Geneva talks this year.

**Alternative Markets.**

So Australia may be forced to look for new market opportunities if she wishes to maintain her exports. During the closing years of the war, and the famine years immediately following, there has been a tendency to shelve this problem, since there has been a ready sale for almost all that could be produced. But these requirements—for the Services during the war, and for relief purposes immediately after—have really been only temporary, and as productive capacity recovers in countries all over the world, the surplus conditions of pre-war days—with keen competition between producing countries—will tend to return again.
Australia will do well to try and cultivate two kinds of new markets. The first is in countries new to Australian trade. In Australia's "Near North" are literally hundreds of millions of underfed people, a fact which could mean virtually unlimited markets for a good deal of our exports, if only they could be properly fed. One of the aims of the new United Nations Food and Agriculture Organisation is to relate the food deficiencies of such countries as these (India and China, for instance) to the exportable surpluses of such countries as Australia. At present, however, they lack the ability to pay for their wants, and it will be a very slow process developing this ability on their part, perhaps depending as much as anything else on the rate at which they can raise their own living standards by industrialisation. Australia should not look too quickly for results of this kind, but an encouraging increase in exports to "Eastern Countries," though still quite small then, was already beginning to occur before the war.

The second new market is the application of primary products to industrial uses as well as for food consumption. For instance, we already know that soya beans, while they are good food, can also be used for a wide variety of industrial uses such as plastics, oils, paints, and so on; we also know that milk provides casein. This is only a partly explored field so far, and the chemists may well be able to devise new and profitable uses for a good many things which we are accustomed to regard only as food. But this also works both ways, because we have seen the chemists already hinting with such products as margarine, vitamin pills, and food yeast, that they may quite well provide some synthetic foods cheaper than the natural products and just as satisfactory as them.

But there is still another factor in the situation. There has been a tendency for Australia's non-agricultural exports to increase faster than her agricultural exports (see Chart I). Manufactured textiles and machinery, for instance, represent new fields for us. But surely it is not unreasonable to expect further increases in this sector in our trade in the future. This would mean readjustments in the basis of our trade, some of them painful perhaps, but they would bring new opportunities of national prosperity.