SOME ASPECTS OF AGRICULTURAL POLICY IN AUSTRALIA

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Before discussing government programs relating to agriculture in Australia I propose to refer to some of the features which determine the structure of agriculture in Australia and which are a prime factor in forming government policies and programs.

If Alaska is excluded, the area of Australia is within 1 percent of that of the United States. It lies nearer to the Equator, and the climate is warmer and more arid. The main agricultural differences between the two countries are due to such factors as: (1) the quality and area of arable land receiving sufficient rainfall for crop production, (2) the size of the domestic market, and (3) the location of the countries in relation to overseas markets.

Largely because a substantial proportion of the country has a low and relatively unreliable rainfall, pastoral industries rank first in the agricultural economy. Sheep now number approximately 150 million, while cattle number 17 million. Crop production is limited to approximately 20 million acres annually, of which nearly half is planted to wheat.

Markets have also been a major factor in shaping the structure of Australian agriculture. With a population of 9.8 million, the domestic market absorbs only about 40 percent of the farm production. The balance is exported, mainly to Europe and Japan. Australia has to contend with a freight disadvantage due to sheer distance in supplying European markets. These circumstances have required that emphasis be on those commodities for which a long-term demand exists and which we can produce competitively. This has favored an extensive rather than intensive type of agriculture.

THE PLACE OF AGRICULTURE IN THE AUSTRALIAN ECONOMY

Australia produces practically all of the food and fiber it consumes. In addition, an average of 60 percent of its agricultural production is exported. This normally represents approximately 85 percent of total exports. This dependence on agricultural exports renders the Australian economy very sensitive to fluctuations in world prices for farm commodities and to variations in production levels arising from the periodic droughts which affect large areas of Australia.

In the post World War II period industry has developed rapidly. Factory employment has increased by 40 percent, and factory output is 75 percent higher. The population has risen from 7.6 million to 9.8 million, including 1.2 million migrants.

THE ROLES OF FEDERAL AND STATE GOVERNMENTS IN AGRICULTURE

In 1901 the six Australian states entered into a federation. State governments retained responsibility for land policy and for agricultural research and extension for production and domestic marketing. The Federal Government assumed responsibility for matters relating to exports of agricultural products, overseas quarantine, and financial policy of an over-all nature.

Agricultural policy of the country is coordinated by the Australian Agricultural Council, composed of state and federal Ministers of Agriculture.

With the increased government activity in international marketing, powers provided the Federal Government have frequently been inadequate to enable it to carry out agreed policies. In such circumstances state governments commonly pass enabling legislation, for amendments to the constitution are particularly difficult to obtain.

PRODUCTION POLICIES

In the ten years up to 1950 the volume of agricultural exports had increased little, and it was clear that sustained Australian economic development required an appreciable rise in agricultural production to meet the increased domestic needs and a larger volume of exports to finance additional imports.

Following a serious decline in overseas reserves and the institution of import restrictions late in 1951, the Australian Agricultural Council defined a series of production aims providing for an increase in production of 24 percent and an increase in exports of 21 percent over the levels prevailing in the three years ending in 1939. These aims were to be achieved in five years. This decision represented a direct change from the laissez faire policy and was almost the first official recognition that agricultural production policy should be an integral part of government policies.

To achieve these aims, the federal and state governments took a number of indirect measures to encourage agricultural production. Some were:

1. The elimination of shortages of labor, supplies, and equipment for agriculture, by insuring the labor and material requirements of local industries and by allocating import licenses for supplies which had to be imported.
2. Increased expenditures on agricultural education, research, and extension.
3. Taxation concessions for agriculture such as allowing tax deductions for land development and making investments in buildings and equipment eligible for depreciation over five years.

As a result of these measures, good weather, and a period of relatively favorable prices, between 1952 and 1956, sheep numbers increased from 117 million to 139 million, and cattle numbers rose from 14.9 to 16.5 million. Improved pasture increased 8 million acres, reaching a total of 28 million. In 1956-57 an additional 4.2 million acres were planted. Fertilizer use on pastures has expanded on a similar scale.

Unfortunately, a decline in production due to drought in 1957 was accompanied by a serious fall in the level of world prices, and farm incomes fell approximately 30 percent in 1957-58. Export income fell 20 percent compared with the previous year.

MARKETING POLICIES

For a long time the Federal Government has required that many of the products exported should comply with certain standards of quality, packaging, and labeling. It provides for inspection at the point of shipment, and maintains inspection services at licensed processing works.

State governments have all adopted legislation enabling producers to form co-operatives or boards to develop and control the marketing of their products. The government exercises control to prevent the marketing policy of the organizations from exploiting the consumer.

Partly because the economy could not sustain the financial commitments which would be involved, the government has avoided price guarantees or subsidies. However, it has been willing to help producers' organizations which desire to stabilize returns for their products and on a number of occasions has provided a floor price guarantee for a limited quantity of the produce exported.

Such stabilization schemes have usually attempted to equalize export and domestic returns and often provide for establishment of a stabilization fund through contributions in periods of higher prices for use in supplementing returns in periods of low prices.

Following is a brief description of the principal stabilization schemes in operation:

WHEAT. Now entering its third five-year period, the wheat stabilization scheme provides for:

1. A home consumption price of wheat not less than the cost of production, which is assessed at $1.62 for the 1958-59 season.
2. The Commonwealth Government to guarantee the payment of the cost of production up to 100 million bushels exported.
3. A Commonwealth contribution only if funds are not available in the stabilization fund to make up any deficiency in the returns received on this quantity.
4. A stabilization fund supported by a tax limited to 16.7 cents a bushel when average export realizations exceed the assessed cost of production.

To date the stabilization fund has been able to meet any deficiency of returns in the export quantity covered by the guarantee. The Australian Wheat Board markets the crop. The majority of the members of this Board are producers' representatives.

DAIRY PRODUCTS. The Federal Government guarantees producers a price which is closely related to assessed production costs for butter and cheese sold on the domestic market plus an additional 20 percent. Since export realizations have usually been below the guaranteed price level, the deficiency covered by government subsidy in the last three years has been at the rate of 30 million dollars. Some of the subsidy is used to reduce the price of butter and cheese on the domestic market.

MEAT. In 1951 the Australian Government entered into an agreement with the United Kingdom Government for the purchase of the bulk of the export surplus of beef, mutton, and lamb over a period of 15 years. The agreement provided for minimum prices to be negotiated. The scheme was designed to stabilize export prices, encourage investment in meat production, and insure more regular supplies for the United Kingdom market. The agreement has already encouraged a greater output of beef. During the last two years the United Kingdom Government has made substantial deficiency payments to compensate for the depressed prices on the U. K. market.

SUGAR. This is probably the most highly organized industry in Australia. Under federal and state legislation the domestic price of sugar is stabilized, and an embargo is maintained on imports. Exports are marketed under the International Sugar Agreement and the British Commonwealth Sugar Agreement. Domestic and export realizations are equalized, and growers are paid the resulting price. Production is controlled by allocating quotas to each sugar mill, which in turn gives each of its growers an "area assignment." Sugar producers in this area are paid the equalized price, and sugar producers outside this area are paid a nominal price.

DRIED FRUITS. The marketing of dried fruits is fairly highly organized through growers' co-operatives and state marketing boards. Quotas are allocated for marketing at agreed prices on the domestic market, and returns are equalized with those from overseas sales.

OTHER COMMODITIES. With cotton and tobacco, Australian production is only a small part of domestic consumption, and imports are a substantial item in the balance of payments problem. More direct incentives have been provided to encourage production for the establishment period of these industries.

Wool growers have consistently refused to enter into any marketing or price stabilization arrangements and have concentrated on the public auction system of selling.

GOVERNMENT INTEREST IN OVERSEAS MARKETS

As Australian agricultural exports have such a vital influence on the whole economy, continued access to the world's agricultural markets on a fair competitive basis is highly important to the country.

We view with concern the continuing growth of surplus stocks of some agricultural products, acquired at prices in excess of world market prices and subsequently disposed of at substantially reduced prices which we could not hope to match. Australian policy has endeavored to insure that these surplus commodities are marketed in such a manner that they will not interfere with the normal trade of other exporting countries.

As a consequence of the growing restriction to normal forms of international trade, Australia in the last two years has considered it desirable and necessary to enter into a number of bilateral agreements in an attempt to preserve its trade in some of its traditional markets. These agreements are variable in form, but their main purpose is to recognize the fair minimum share of the import trade which each country can expect to obtain.

The Australian problem is similar in many ways to that experienced by the Southeast Asian countries. We have, in the last 18 months, experienced a fall in wool prices of 34 percent, butter 28 percent, metals 35 percent, and meat 16 percent. Unless these price levels recover or some countervailing increase occurs in export income from other sources, our present policy of relaxing import restrictions may have to be reconsidered. This, in very general terms, explains Australia's interest in international trading relations and our concern for greater stability in world prices for primary products.

VALUE OF EXPORTS OF RURAL ORIGIN

Commodity	1954-55	1955-56	1956-57	1957-58 (est.)
		Millions		
Wheat	$ 146.7	$ 148.2	$ 183.0	$ 94.0
Barley, oats, and rice	31.3	37.4	39.4	25.9
Sugar	69.8	55.3	64.5	78.4
Fruits (fresh, canned, and dried)	68.5	68.9	52.4	64.0
Wool	825.8	790.2	1,126.9	886.5
Meats	124.0	116.4	96.5	98.5
Dairy products	86.0	94.0	90.7	56.4
Other (including eggs)	79.9	85.3	87.3	81.7
TOTAL EXPORTS OF RURAL ORIGIN	1,432.4	1,396.1	1,740.9	1,387.9
TOTAL AGRICULTURAL PRODUCTION	2,288.5	2,398.1	2,700.9	2,246.4
EXPORTS AS PERCENT OF TOTAL PRODUCTION	62.5	58.2	64.4	61.7