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# U.K. AGRICULTURAL POLICY AND THE AUSTRALIAN FARM PROGRAMME

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The title of this paper forces me to begin with a consideration and definition of U.K. agricultural policy and further, inasmuch as any farm programme must be a long-term affair, I am more or less compelled to discuss whether the present U.K. policy is permanent or temporary. This requires some examination of that policy in the past, and of the way in which it developed. It may then be possible to make an intelligent guesstimate of the future.

## *The Traditional U.K. Economic Policy*

Traditionally the whole British economic policy since the Repeal of the Corn Laws about 1849 can be summed up in five words, "cheap food and raw materials." With this end in view the colonies and other less-developed countries were encouraged to develop as areas of production of raw materials. Under Free Trade the markets of Britain were open to all comers and the increasing volumes of produce ensured that supplies were usually somewhat in excess of demand and prices low. With increasing technical skills the range of commodities gradually widened from grains, sugar, timber, cotton, wool and other fibres, and metals to the perishable products, meat, butter, cheese, fruit and, later still, to canned goods in great array. This policy suited the general economy of Britain: it meant cheap food and low wages which suited manufacturers competing on world markets; it provided cargoes for British shipping and a profitable avenue for the investment of British capital. It could only be successful if there were political stability in the countries from which the supplies came, and this was ensured by the "pax Britannica" quietly maintained by the British navy, by a steady amiable diplomacy, and by the reasonably efficient administration of the colonial office.

The scheme worked fairly well: Britain got her raw materials cheaply. The countries from which they came were either developing new agricultural areas, or they were reorganising a rural peasantry which was increasing numerically with improvements in hygiene. They were in many cases exploiting large tracts of virgin soils and in others were beginning to use improved methods. The costs of establishment were low because whole families were prepared to work long hours for years for small cash returns because they hoped to attain independence and that stability which traditionally goes with the ownership of land. From the point of view of their trade balances these countries were assisted by loans from London the credits from which were used to buy equipment, manures and foods—the great majority of which were made in the U.K.

Occasionally the supply of a raw material so far exceeded the demand that there was a serious slump in prices. Some reconstruction and devaluation necessarily followed, but the gradual increase in European populations, various expansions of the credit system and occasionally increased consumption caused by a war, served to restore the balance.

### *Disabilities of the System*

The scheme of cheap food and raw materials did not take into account several matters of importance in considering long-term trends. First among these is the fact that no agricultural system which is purely exploitative in character can last indefinitely although on the very best soils it can go on for half a century or so without disaster. Secondly, with better education and the growth of a demand for social development, workers were no longer as docile as formerly and if the proportion of failures among the migrant settlers were too high the news drifted back to their homelands and no more arrived, whilst in the developing countries the youth on farms refused to put up with the conditions under which their parents had subsisted. The Depression of the 1890's in Australia is a good example. During its course the Labour Movement was able to lay the foundations for its development during the next half-century, the pastoral industry had a setback which lasted about fifteen years, and wheat growing had a shock, from which it recovered in the early 1900's thanks to numerous technical developments. Dairying and meat production on the other hand were only just beginning to exploit new markets with the aid of refrigerated ships, and so were not seriously affected. At the same time this depression stirred some Australian leaders to realise that the establishment of local industries was one way in which Australian development might continue. The old notion that the export of raw materials would suffice to pay for the local needs of manufactured articles was not valid. Local industries of other types must develop if the colonies were to progress. This second stage in the economic evolution of nationhood seems the normal thing to us but it was novel to many Australian minds at the beginning of the century, and of course other countries were moving along the same evolutionary path.

The third result produced by the policy was the ruin of agriculture in the United Kingdom, which by the middle of the 19th century had reached a high stage of development, thanks to heavy capital outlay for draining the land and for improving and maintaining its fertility. Its costs were high because artificial fertilisers were constantly needed, animals were largely fed on bought foodstuffs for about half the year, while the erratic climate made the harvesting of every crop laborious and in some years a matter of great difficulty. Only on the most favourable soils could this system compete unaided with farmers overseas who had land the fertility of which could be mined, pastures which could be degraded, and easier climates for the expensive process of harvesting.

The traditional leaders of the British countryside were generally not prepared to incur the social odium of being politically troublesome. The working farmers and leaseholders did not produce leaders who could command the necessary attention, and they had a way out through lower rents and wages. The farm labourers failed to combine;

and the failure of the earlier National Agricultural Labourers' Union under Joseph Arch was a warning—if any of them thought about it! Anyway bread was about 4d. a 4 lb. loaf, beer a penny a pint, a cottage (of a sort) went with the job and there was a garden for vegetables and usually a sack of potatoes in the autumn as well; so they “got along” and did no more than grumble. But the farms went back. Heavier soils went out of cultivation; pastures deteriorated; buildings were patched instead of being modernised; drainage was not renewed; the acreage under cultivation decreased.

### *The 1920's*

World War I emphasised the situation and agriculture received many promises—Wages Boards for the workers, better prices for the farmers, better technical advice and agricultural education, financial assistance with drainage, a better deal for lessees and restriction of the powers of landlords. But by 1922 the world surplus in most agricultural products was well on the way to restoration; the prices of wheat, butter and most other farm products fell rapidly. The promises of support for local agriculture were forgotten. Political parade was made of the expenditure to be incurred on research. Farm land had to be exempted from local government rating. Marketing Boards were established. Sugar beet was introduced as an additional crop in the arable rotation. An agricultural credit scheme was formulated. Only in the supply of whole milk was the market retained for the local industry. Britain's attempt to restore pre-war parity with the dollar further depressed the price levels.

But at the same time large sums were made available by the British Government for development in the (then) Empire, and the Empire Marketing Board was set up to investigate the problems of each colony and of each product. Individual colonies and, in Australia the Commonwealth also, borrowed large amounts much of which was used in rural development and which, when the resultant additional production came on the market, could only cause further depression of the price level. And by this time most European populations were increasing less rapidly than in the previous century so the need for increased food production was less.

### *The Depression of the 1930's*

These forces went a long way towards generating the great Depression of the 1930's, from the depths of which the modern economic system evolved. Britain abandoned Free Trade. The Ottawa Conference was a gesture, but its agreement did little to raise the prices of food or raw materials; it did give more reliable markets for a few non-basic types of produce from Commonwealth countries. The gold standard was officially abandoned and thus the possibility of creating fresh sources of credit, when necessary, was made respectable! But none of these changes really affected the international marketing problem in which we, as an exporting country, are chiefly concerned. In Britain they did, however, assist a few farm industries, e.g. hops and tomatoes. Certain other new features developed. New leaders for farmer movements came to the fore and the N.F.U. gained ground. At the same time some men

in exporting countries began to think internationally. Sugar was probably the leading industry in this regard; International Wheat Agreements were being discussed in the late 1930's. *But nothing whatever in any of these developments can be interpreted as a change in basic policy of the U.K. Government for cheap food and cheap raw materials.*

### *World War II*

The Second World War again emphasised the dangerous position of Britain's food supply as soon as transport was interrupted. The liability of docks to bombing was a new feature. The need for stimulation of home production had been realised in 1938 as soon as the Munich affair had indicated the probability of war. The plough-up subsidy increased cereal production. All sorts of other schemes were rapidly devised to help farmers with guaranteed prices, subsidised fertilisers, machinery pools, an improved advisory service and all the rest.

### *Post-War Developments*

From this wartime organisation the present-day system developed. The government has undertaken that the total assistance to agriculture will be reviewed annually and that for any year the reduction in any guarantee will not be more than 4% and in the first three years such reductions will not total more than 9%. Meantime the N.F.U. is sufficiently powerful to ensure that as long as neither party has a very large majority in Parliament it can bring enough political pressure to bear to prevent this scheme from being denounced and revoked. The subsidies for 1956/7 were estimated to cost:—

Price Guarantees Production Grants and Subsidies*	{	Cereals .....	26.2
		Fat Stock .....	74.8
		Milk .....	22.1
		Wool .....	0.4
		Potatoes .....	1.5
		Eggs .....	40.5
Fertilisers and Lime .....			29.3
Ploughing up grassland .....			9.0
Anti-T.B. scheme for cows .....			10.3
Rearing calves .....			11.9
Hill farms and other marginal grain .....			7.8
Drainage and silos, etc. ....			3.0
			<hr/>
			£236.8 million

\* Agriculture Act 1957, Pt. 1, Sec. 2.

*plus administrative costs of £5 million.*

Some of these are certainly lavish from the point of view of the efficient farmer on a reasonably efficient farm; but seventy years of agricultural depression—for it was in the 1870's that the flood of wheat from the prairies burst upon the markets of Europe—has left a legacy of run-down fertility, out-of-date buildings, farm layouts unsuited to modern husbandry and farms which are uneconomic units in point of size though possibly adequate for part-time workers, or for those

who were satisfied with a peasant existence. And so the prices have to be fixed at levels which enable the operators of at least a considerable proportion of these holdings to earn a livelihood.

The subsidies to agriculture are periodically assailed from various quarters. The economists view them with scorn and dismay. The general public is apathetic except in so far as it has a basic objection to anything which requires taxation, and although the annual cost is only about 5% of the total public payments and defence costs four times as much, yet the expenditure is naturally grudged. The Treasury doubtless looks at this expense as an item which might be reduced and could thus afford some relief from the very high taxation which is slowly gnawing away public morality and incentive.

Consequently the government will endeavour to reduce the subsidies and its first attempt is to throw the whole weight of the agricultural advisory service into a plan for dealing on an individual basis with the special problems of small farmers. If this succeeds, the mean of farmers' costs and therefore the need for subsidies may be reduced. I anticipate that a reduction in the guaranteed prices of cereals will mean some reduction in the acreage under these crops because the farmers on heavy soils are not small farms; their costs are high because their land is expensive to cultivate. More sugar beet and potatoes are not required. Dairy production may increase on the small farms and this would tend to increase the amount of milk in excess of the demand for whole milk and therefore automatically increase the volume available for manufacture—with a corresponding reduction in the average value of total milk production. In due course this will probably turn some of the larger dairy farms towards beef production although the reliability of the monthly milk cheque is a great attraction!!

The guarantees for pigs and eggs will probably remain (despite the need they create for importation of purchased grain) because many small farmers run pigs and some poultry.

This then seems to be the situation as it now stands, and it is likely to continue as long as the Parliament is prepared to continue its support of agriculture. The possibility of a reversal to the pre-war attitude of indifference to farming has to be taken into account, and also the chance that the negotiations with the "European Common Market" countries result in closer trade relations in agricultural commodities as well as in general trade. The former of these possibilities could easily occur if a government in power had a sufficient majority to disregard the rural vote, if press agitation for a reduction in taxation became sufficiently clamant, and if the possibility of food shortage in the event of another war could be discounted. The first seems unlikely at the moment, but in the event of a serious decline in the general level of prosperity it would probably take place within a year or two. The press agitation could easily be worked up; but the relations with the European countries are more uncertain.

### *The Possible Effects of European Trade Changes*

Britain now stands in a new position in relation to Europe. The Common Market Group (France, West Germany, Belgium, Luxem-

burg, Italy and Holland), which began its scheme for reducing tariffs and trade restrictions between its members on January 1st, will steadily reduce the opportunity for the U.K. to export to its members and that trade was about 13% of total U.K. exports.

The British attempt at persuading these and a wider group of countries to adopt a Free Trade Area for manufactured goods, but excluding raw materials, failed. It was scarcely likely to be accepted by some of these countries, because their farm industries needed support and the best chance of getting it was to use for bargaining their imports of manufactures. To France the British plan was one more instance of "perfidious Ablion" trying to upset a scheme which would benefit Europe in general and France in particular.

Assuming that the Common Market Plan operates effectively and no wider scheme for Europe comes into being then sooner or later Britain will find it advisable to take certain counter-measures which might be of considerable value to our wine industry but which could have a secondary result in a smaller market on the Continent for wool. If another combination of European countries including Scandinavia and Britain comes into existence alongside the Common Market Group then a switch from the use of French wheat to Australian and Canadian could easily occur. This might ease the problem of our Wheat Marketing Board but it would not overcome the world wheat surplus problem. This is perhaps symptomatic of the general result of any or all European Marketing schemes. They will rather re-direct trade than lead to any immediate increase in consumption, which is the real need for world agriculture.

#### *Wider Results of the Old U.K. Policy*

Britain's utter devotion to the policy of cheap food and raw materials is beginning to have unfavourable repercussions in new directions. During 1958 the general fall in prices of many raw materials and agricultural products began to have interesting results. It improved the position of the U.K. in regard to terms of trade. Numerous congratulatory speeches and articles appeared pointing out that the National Trading Account showed a handsome balance for the year. Things had gone well; export prices had advanced and import prices had gone down. Then came the repercussions. New Zealand with its somewhat restricted range of exports and, compared with Australia its low proportion of manufacturing industries, reacted violently and asked for restrictive action by Britain in respect to dairy products. The Dominion's immediate financial crisis was overcome by the old methods of raising loans and obtaining credits. This was no final solution and by the end of November an agreement between Britain and New Zealand altered conditions of trade between the two. It reduced markedly the preferential margin which British manufacturers had previously enjoyed and recognised that Britain's inability to absorb all of New Zealand's exports of some commodities necessitated the opening of new channels of trade with other countries. Shortly afterwards an agreement was reached for opening a trade in beef with Japan in return for tariff concessions.

This same problem is recurring in the relations with many countries whose exports are raw materials. Some of these nations have recently

attained independence or are in process of acquiring it. All are eager to raise the standards of living of their peoples. They can only do this by greater productivity but if this takes the direction of larger surpluses of raw materials put on the world market it will inevitably depress the price of the product. Gradual industrialisation, for which some assistance both financially and in technical training is needed, will be necessary. Loans and gifts will go part of the way but better prices for fixed volumes of exports would be more appreciated.

The remark of the Sudanese leader who said his country was not anxious for western aid but the effective purchase of the cotton crop would be of greater assistance, was symptomatic. These countries do not want charity. They wish their nationhood to develop as far as possible as a result of their own efforts. If under the capitalist system they find larger volumes of exports only result in the depression of prices below reasonable levels they will naturally be attracted by other systems. Whether the West is prepared to enter into commodity agreements remains to be seen. Inevitably they must involve both volumes and prices. *The whole traditional policy of Britain is against it and if she can possibly manage to do so she will not go beyond lip service to the idea. She will prefer to avoid any sort of commitment in regard to raw materials,* hoping that the old (but never publicly expressed) policy of stimulating excess production price and then buying in cheaply will suffice.

It is not pleasant to write in this fashion, but we must face the situation if our agricultural programme is to be planned intelligently.

#### *How Should Our Plan React?*

Thus it would be foolish to rely on Britain for absorbing any increased output of basic raw materials except in commodities of which she is likely to find it impossible to obtain cheaper supplies from elsewhere. This statement does not refer so forcibly to non-essential foodstuffs for which we might even continue to get a measure of preference provided other competing interests are unable to develop superior bargaining power. Our agricultural programme should therefore be based on the possibility of finding new markets, and where this seems impracticable for any product, we should aim at developing the home market to the limit and a steady diversion of some of the farms concerned towards other forms of production. Each commodity requires individual consideration.

*Wool.*—The price is now at a level which will probably make unattractive the construction of new factories for manufacturing competing non-cellulosic artificial fibres. Our endeavour should be to reduce wool costs so that a larger proportion of producers will find present prices satisfactory even though they are not lucrative. There is not much to be profitably said in favour of policies of maintaining the price of a commodity which is seriously threatened by substitutes; the important point is to get more wool used and in this the extent to which manufacturers pass on to consumers the lower prices is important.

*Wheat and other cereals.*—The recurrent world surplus of wheat tells the story to the present time. As I have already suggested production of wheat in the U.K. may decline somewhat owing to the problems of



the heavy clay farmers. The government would not much mind if some switch took place from wheat to feed grains which are imported in large quantities, because an increased importation of wheat could be referred to politically as a feature of goodwill in the international sphere where feed grains are not thought of in quite the same way as wheat!! Our barley growers might be at a disadvantage.

The most potent market for extra supplies of cereals is commonly thought to be the East. If the large surplus production of rice alleged to have occurred in China in 1958 is real, and if it can be repeated, even only on a modest scale, the Asiatic markets for cereals will be mythical for some years. But much must depend on the capacities of the governments of India and Pakistan to maintain orderly development in their agriculture.

*Other grains.*—It has for some time seemed reasonable to believe that the main shortage in the diet of many Asiatic countries has been in protein rather than in carbohydrate. If this is correct our endeavour should be to stimulate our production of the pulse grains, especially those typical of the warmer climates. These might also be valuable as supplementary fodder for our livestock industry in the north when it emerges from the primary stage of development.

*Dairying* seems in an awkward position internationally and this will persist as long as vegetable oils are abundant and cheap for the production of margarine. The inverse relation of the consumption of the various edible fats to their price seems clear. Roughly the average housewife in the U.K. begins to switch from butter to margarine when the price of the former is over 2/6 per lb. In other European and American countries the relation is comparable. This is certainly no background for an expansion of dairy exports. Our industry should focus its attention first on increasing the sale of its products on the home market. In this regard the tendency to regard table cream as a closer relative of the whole milk industry than of butter production seems to warrant examination and criticism. So far we have shown little enterprise in selling a wide range of cheeses—except in small packages which are necessarily expensive. In the meantime many dairy farmers would do well to consider the possibility of retiring the less satisfactory members of their herds from the milking bail and using them as mothers of crossbred calves intended for baby beef. This could be greatly assisted by a system of artificial insemination with semen from bulls of beef breeds.

*Meat.*—It is unlikely that Britain will radically change her policy of supporting the production of pigmeats and poultry because these, being for the most part produced by smaller farmers, have considerable political power. But the production of both beef and mutton in the U.K. will probably show some slight increase in the next few years. However, the amount will be small in its effect when compared with the potential of the South American Republics for export. In 1956 the fall in the London price of beef produced by large arrivals from the Argentine was unsatisfactory to the exporters of that country. The experiment is not likely to be repeated on that scale, especially now that the dispute with the oil interests has been settled and one strain on the country's economy will gradually be reduced. The suspicious

attitude which official Argentina now seems to have towards both Britain and the U.S.A. suggests that no great anxiety will be shown to further any plan of increasing exports which is not completely favourable in the eyes of their Government.

If this state of affairs persists there is an opportunity for Australian beef in Britain—but only if it can be transported there in chilled condition. The average housewife in U.K. prefers to buy poultry meat or pork, both of which are much cheaper than in Australia, than medium-priced frozen beef which does not have a very satisfactory appearance. This does not apply to managers of institutions or cafeterias who form a fairly important section of the market. If this assessment is correct then it presents a challenge to Australia so to reorganise the beef industry that a higher percentage of chilled meat is available for export. Greater care and a more scientific approach to feeding and breeding the herds, possibly with some use of urea on the forage; better transport facilities and a critical examination of the procedure at the works and at the wharves are probably involved.

If we are unable to increase the volume of “chilled,” the search for other markets in which frozen quality is acceptable must be intensified. There is little point sending more frozen beef to the U.K. as over-supply will only depress the price below profitable levels.

Our capacity to produce fat lambs will increase greatly in the next few years as new irrigation schemes in the Murray Basin come into operation. Unfortunately few nations are accustomed to eating sheep-meats. The Japanese object to the flavour, while in Pakistan and India some sections of the population would accept them if their Governments permitted their importation.

#### *Importance of Widespread Refrigeration*

The consumption of any imported, perishable foodstuffs in a hot climate cannot expand beyond the range of refrigerated storage during transit and distribution. The introduction of home or community cold storage is also very important. Without refrigeration, butter is a ridiculous commodity in a hot climate and other dairy products are not much better. Refrigeration is increasing and will expand steadily in Asiatic countries provided prosperity continues. Some education in the treatment of meat from the time it leaves the refrigerator until it is actually cooked is more important than is generally realised.

If, therefore, we are to make progress in selling meat or dairy products to these countries it is highly desirable that we should make a careful examination of every phase of the market down to the consumer's bowl. If South American countries adopt a policy of re-establishing their meat export on an increasing scale the Asiatic market for meat will become even more important:

*Fruit.*—Britain's fruit production has increased greatly. During the late 1920's large acreages of Bramley Seedling apples were planted and are now in full bearing. The glut they produced has impelled many growers to transfer to Cox's Orange Pippin, the most favoured dessert variety. Even this market was swamped this year and growers were complaining bitterly. The season for this variety ends in March and

imports then have some hope of success. New Zealand Cox's have popular support, but increasing importations of both apples and pears are now coming forward from extensive new orchards largely financed by British capital in South America. It would be optimistic to invest more capital in Australia for the expansion of export of fresh apples and pears to a market so distant and so uncertain. Oranges and grapes are largely dominated by South Africa during the season when the cheaper Mediterranean fruit is not available.

In preparing this rambling discourse I have avoided statistics as far as possible because the matter is complicated and so interwoven with politics—both national and international—that figures are only of value for the purpose of cross-checking the practicability of certain developments. In my opinion the policy of the U.K. will continue to be dominated by the old, and probably outworn, plan of creating surpluses and buying food and raw materials as cheaply as possible. This dominance will make it necessary to continue subsidies for the production of many items on British farms but they will be scaled down as soon as possible, not in 1959, because an election is imminent and also because the dreadful weather in 1958 raised farmers' costs considerably.

Meanwhile Britain's position in relation to European trade is at the crossroads. The almost complete failure of the negotiations for a European Free Trade Area are symptomatic. It is possible that a close trading agreement with Scandinavian countries, especially Denmark, may bring about a change in Agricultural Policy regarding butter, bacon and eggs. But this would not assist us much. It is possible that the U.K. may be prepared to enter into commodity agreements—but her idea of these will start at levels of prices which will not be satisfactory to us. The old principle of cheap food and raw materials will be maintained.

Our reasonable reaction seems to be one of searching for new markets and trying to develop imaginative proposals for stimulating consumption in those sections of Asiatic communities which are contemplating with some degree of uncertainty a moderate amount of Westernisation.

Behind all this, in the sphere of agriculture our aim must be to increase efficiency and reduce costs. These two objectives do not always go together, so the enthusiastic agriculturalist needs special care in regard to his costs per unit, while the critically minded economist may sometimes need to remember that one cannot always have production figures which look high and farming which is financially stable.

## DISCUSSION

*F. O. Grogan* (Department of Trade): Sir Samuel Wadham has put his views with his usual vigour and clarity; there is no doubt of the importance for Australia of the issues discussed in the paper. I had the opportunity of studying U.K. agricultural policy while on secondment to the British Ministries of Agriculture and of Food in 1954, and pay a tribute to the free access I was given to official material and to the freedom and frankness with which British officials were willing to discuss policy problems. One rather striking omission from Sir Samuel's paper is any mention of the annual consultations on food and agricultural policies which took place between the United Kingdom and

Australia under Article 13 of the United Kingdom/Australia Trade Agreement. I participated in these consultations and am of the opinion that the Australian viewpoint, as expressed there, was being progressively taken into account in the formulation of British agricultural policy although perhaps not so fast as Australia would wish. It has to be realised, however, that, apart from other considerations, there are strong political pressures involved in the formulation of U.K. agricultural policy and the Government's freedom of action to reduce price guarantees is circumscribed by the Agriculture Act of 1957. Sir Samuel's central thesis that British policy always had been and inevitably will be again one of importing cheap food and raw materials (with home agriculture to a greater or less degree jettisoned in the process) is an over-simplification.

In the post-war period, British policy-makers were faced first with the problem of acute food shortages and later with an awkward decision as to whether Britain was going to be economically viable in the sense of being able to export profitably sufficient goods to pay for all the imports she was likely to need. Professor Austin Robinson's name is well known as a protagonist on the pessimistic side of this argument and perhaps the viewpoint he represents has carried sufficient weight to cause policy-makers to hesitate to cut agricultural production back suddenly and drastically even if this had been politically feasible. In recent years the emphasis has been on efficient and economic production rather than on merely increasing net output. There have been progressive reductions in the guaranteed price for wheat, eggs, milk and pigmeat. Professor Nash has been an effective critic of the costs involved in the present subsidy system. In the Article 13 consultations, Australian representatives had found British officials well informed and attentive to their arguments, and Australian views had been fully reported to the U.K. Ministers and have been reflected in the Annual Farm Review White Papers.

Furthermore, the U.K. has been a participant in a number of international commodity arrangements and at the economic conference at Montreal last year had accepted the idea that there should be a commodity-by-commodity examination of the possibility of obtaining greater commodity price stability through international arrangements.

It would be a mistake, too, if Australian critics of British policy were to have the idea that all British agriculture is inefficient because of the relatively high level of a number of the guaranteed prices. I was very impressed with the efficiency of much of British agricultural production, not least with the very high cereal yields and the success with which wheat was being grown and harvested under very difficult conditions. Probably labour usage in some cases could be reduced still further and perhaps some farms were over-mechanised, but no doubt such matters would be progressively improved. Although I do not advance this as an economic argument, the English countryside at present gives the appearance of being wonderfully well cared for and perhaps this mollifies to some degree the taxpayer in so far as the latter foots the bill. One must fairly admit that the U.K. since 1939 has had an agricultural policy in the true sense of that oft-used and oft-abused word, and one that has been courageously translated into action. It is three-tiered; first, a broad structure of price incentives designed to encourage pro-

duction and selectively adjust it to changing needs (although in Australia it might be considered that this selectivity is, under the 1957 Act, insufficiently flexible); secondly, a far-sighted scheme involving grants totalling £50 million to encourage improvement of the fixed equipment, soil drainage and capital improvements on farms; thirdly, and most recently, an imaginative and bold Small Farmer Scheme for improving the efficiency of this troublesome sector. A fourth tier is still in prospect but this is not strictly a matter of agricultural planning, namely the problem of the farms which, by no practicable means, can be converted into viable economic units. Professor Nash, in an address to the Farmers' Club last year, outlined the policy dilemma very clearly. Action which encourages increased output to achieve the economies of scale should result in lower market prices and this will place a squeeze on the marginal producers.

I consider the orientation of British agricultural policy from now on is clear and likely to be steadily and firmly pursued. It rests on an impressive volume of technical analysis and recommendations and will be aimed basically at the better utilisation of Britain's best natural agricultural resource, namely her capacity to produce highly productive grassland. That such a development has implications for some portions of our own farming industries, particularly those concerned with milk and meat production, is self-evident. I do not envisage any dramatic contraction over the next few years in overall agricultural production in the U.K. and, for lack of time, must leave to other speakers to comment on the section of Sir Samuel Wadham's paper which deals with the implications of U.K. policy for individual Australian farm industries.

*Mr. Mills:* To what degree are defence considerations important to U.K. agricultural policy? Agricultural policies for individual countries and for the world as a whole may have to be integrated with wider economic policies, for instance the high labour cost of wheat growing on the Salisbury plain.

*Sir Samuel Wadham:* Barley rather than wheat is usually grown on the Salisbury plain, but in comparing labour costs with Australian conditions it should be remembered that the U.K. yield would be approximately twice ours. In my opinion, the defence aspect has had considerable influence in post-war British agricultural policy formulation and as regards the benefits of a cheap food policy for any particular country or for the world generally we have to recognise that there are in effect two worlds, one with purchasing power considerably higher than the other.

*Mr. Jones:* I question Professor Wadham's statement that present wool prices make unattractive the erection of new factories for manufacture of man-made fibres. The latter are used for a dual purpose, i.e. for industrial and for apparel usage; wool is only competitive with the latter. Non-cellulosic fibres have thrown doubts on the slogan "There is no substitute for wool." As regards the translation of present low raw wool prices into apparel prices manufacturers of the latter are hampered by the fact that they have to recoup losses which they incurred when wool prices went sharply up; also any profits at present being made are required for new plant. The prime consideration arising from Professor Wadham's paper is: How can we reduce agricultural costs in Australia?

*Mr. Kinghorn:* The U.K. is a small country with a dense population which is now 50% home fed. There are 500,000 holdings and three-fifths of these are less than 50 acres and the holdings are of unequal productivity. The Small Farmer Scheme is aimed primarily at better grassland. My own assessment of the basic problem for many of these holdings is that it will ultimately be one of amalgamation and that such amalgamation will only take place if it passed the test of profitability. In Professor Wadham's paper, the fat stock guarantee quoted there is based on a guaranteed *minimum* price; furthermore, the milk subsidy is quantified and excess supplies go on to the open market; the egg subsidy is related to the price of feeding-stuffs. The "formative" subsidies, such as the farm improvement scheme and the Livestock Rearing Act scheme, should not be overlooked. An important omission from Professor Wadham's paper is any reference to the Montreal Conference and to international commodity agreements to which Britain was a party. The question of what is a realistic world price for a commodity is sometimes not easy to decide, as has been illustrated by the International Wheat Agreement.

*Mr. Jackson:* The motives governing national policy must necessarily be complex and I am sure the U.K. agricultural policy is no exception in this regard. No doubt the National Farmers' Union and other groups exert an important influence, and cheap food is not the only issue taken into account. I mention sugar marketing arrangements where Britain is a party to both the Commonwealth Sugar Agreement and the International Sugar Agreement. I think that agricultural policy in Britain is, and is likely to be in the future, a compromise between conflicting viewpoints; for example, the Parliamentary Accounts Committee and the Treasury on one side would have a different view from the M.A.F.F. and the N.F.U.

*Sir Samuel Wadham:* Summing up, I have apparently been guilty of some over-simplification, but so far as the paper and its main theme is concerned I am quite unrepentant. What I have said needed to be said. Referring to some of the points raised in discussion, it is still true that there is more wool produced than man-made fibres; the Sugar Agreement is very important and represents a realistic approach to a major problem; Treasury officials are apt to be blind, in advance, to the economic disruption (sometimes ending in revolutions), which unduly low commodity price can cause. The Wheat Agreement has been mentioned, but it should be remembered that Britain is not a member of the current one and a new one still has to be reached although negotiations are in progress.