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of my subject is "possible lines of future development", may I express the hope that we can give more priority to institutional studies, to define the ways in which economic forces in Australia find their expression; and to decision-making studies because they will do much to break the impasse which has developed in extension work, and will thereby forge a closer link with the agriculturists. They are also an essential basis for policy making, e.g., in relation to credit policy. But even to go this far in defining priorities reveals my prejudices and I shall desist, knowing full well that others have different interests and different responsibilities, which lead them to stress the importance of other aspects of agricultural economics. The expression of these differences is a sign of healthy vigour. Agricultural economics will stagnate if there is not a continual infusion and interchange of new ideas from agricultural economics overseas and from workers in Australia who can conduct research without regard to the pressing problems of the moment which must always be the primary concern of agricultural policy makers.

DISCUSSION

P. C. DRUCE—*N.S.W. Department of Agriculture*

The two papers which have been presented this afternoon cover such a wide field that it is impossible to deal with more than a few of the issues raised. I shall therefore confine my remarks to comments on some of the points at which I find myself at variance with Professor Campbell or Dr. Williams; I shall also comment very briefly on the part which I believe State Departments of Agriculture should play in the field of agricultural economics.

I may say that I found Dr. Williams' paper somewhat confusing in that it is apparent that at times he is speaking as an agricultural economist, *per se*, while at other times he is speaking as a Commonwealth public servant—an officer of the BAE. Unfortunately he changes his role from time to time and it is not always clear which particular role he is adopting.

I could quote several instances but I shall have to be content with one. When he says "Without them [cost of production studies], I suspect, we would be in very sad shape indeed, for they have provided the justification for much of the resources which we have been able to obtain for work in agricultural economics", he is certainly speaking as an officer of the BAE, not as an agricultural economist; by no stretch of imagination could he be thinking of the N.S.W. Department of Agriculture or the University of Sydney in making this comment.

It is a pity that Williams has assumed this "split personality", the result is likely to be distinctly misleading to those who are not closely associated with the development of agricultural economics in Australia. However, having sorted out Dr. Williams' varying role I find myself in fairly general agreement with most of his remarks.

I do not agree so fully with Professor Campbell. Some of his criticisms of Australian farm survey work are far too sweeping. I cannot agree that the descriptive survey is entirely without value, particularly in view of our basic lack of information relating to the rural

industries at the farm level. However, I do agree that we have passed the stage when we should be satisfied with the purely descriptive survey—such surveys are merely a beginning and should invariably be followed up with more intensive investigations, or, preferably, they should be planned as a preliminary, and frequently I think an *essential* preliminary, to more intensive analytical investigations.

Nor do I share Campbell's apparently unreserved condemnation of multi-purpose surveys. I must certainly question his statement that "no survey schedule of reasonable length can possibly provide any depth of information on more than one problem of any significance." I would suggest, on the contrary, that in many instances it is necessary to obtain so much detail on varied aspects of farm management in a field survey, if one particular problem is to be studied, that one almost automatically obtains most of the information that one needs to study several related problems.

Finally, a few words on the role of State Departments of Agriculture: policy advice is an important function of economists in most organisations in which they are employed. However, important as it may be, it represents, or should represent, a relatively minor call on the resources of an economics organisation within a State Department of Agriculture.

In my opinion by far the most important function of the States in the field of agricultural economics is in farm management—both research and extension. Farm management is a branch of agricultural economics which, to date, has been largely neglected in Australia. A little farm management research has been done but it has been very restricted in nature and in most instances it has been designed primarily to provide information as a basis for policy advice of one kind or another, rather than to provide fundamental farm management data.

The farm management approach in agricultural extension, to which Campbell has referred, is a most valuable one—one that is widely adopted in North America; it is a matter for regret that it has not yet been implemented in Australia. I shall not attempt to examine the reasons for this neglect but I would say that one of the greatest difficulties in implementing any such work has been the almost complete lack of training by either universities or agricultural colleges in farm management work. This deficiency has now been recognised to some extent by one or two of our universities and the position should begin to improve before long—but I am afraid the improvement will be very gradual.

Professor Campbell has implied that farm management work is time consuming—and that is certainly true—it can, I am sure, also be very rewarding. I agree that governments cannot hope to undertake the intensive work that would be necessary to provide anything like a complete farm management service to the farming community; the development of private farm management services would be most desirable. In the long run farmers must expect to contribute to such services whoever may provide them. However, I think that if the value of such services

is to receive recognition amongst the farming community it will probably be necessary for pilot services to be instituted by governments or by universities—this is a field in which State Agriculture Departments could play a particularly valuable role.

D. H. PENNY—*S.A. Department of Agriculture*

In discussing the excellent papers of Professor Campbell and Dr. Williams on "Contemporary Agricultural Economics in Australia" I intend to concentrate on one aspect only of the points raised by them—deficiencies in the field of the economics of farm management. There are other important theoretical matters, I know, that might be discussed—such as cost of production—but I would prefer to concentrate on what might be termed the bread and margarine issues.

Professor Campbell has told us that he believes that farm extension services should be expanded, particularly on the farm management side. But what is the marginal productivity of the agricultural economist working in the field of farm management compared with any other field.

The operation of the Farm Improvement Clubs in New Zealand has shown that the annual cost of the intensive advisory service to the farmer, about £30-£50, is repaid many times over through increased production and income. In their land development scheme in the South East of South Australia the AMP has likewise decided that a farm management service is necessary for their settlers.

There is no doubt that the work done by the agricultural economist in the farm management advisory field is very valuable and that there are far too few people working in that field.

One of the greatest deficiencies in the advisory services provided by the State Departments of Agriculture is that the advice given is not generally related to economic factors. Farm "problems" are usually regarded as technical or physical problems only, without explicit economic content.

The reasons why silage making did not become a regular farm practice, even though strongly advocated by Departments of Agriculture, were discussed this morning. Had a proper farm management approach to extension work been adopted this dichotomy between advice and acceptance would not have occurred.

Since each State Department of Agriculture has only a few officers trained in the farm management approach it might be worthwhile for them to provide data on the basis of small and inadequate samples than to concentrate immediately on properly constructed sample surveys. Even inadequate data should show the usefulness of the farm management approach.

A tremendous opportunity for farm management work was missed when the WSLS Scheme came into being. Dr. Williams has told us that such a service was envisaged—but it was never provided.

The greatest lack in agricultural economics as it applies to farm management is the almost complete absence of information on the costs and returns of specific farm practices. This lack is particularly glaring as far as farm mechanisation is concerned. How much does it cost to run a tractor? Nobody seems to know.

With proper data the farmer would be better able to choose between alternatives. Many general purpose farm management surveys have been made—and some of these have come under criticism at this conference—but few have provided information on specific farm practices.

The keeping of farm records, also, has often been recommended as an aid to farm management work. Yet farm record projects in Australia have generally been unsuccessful, for instance, the abortive New South Wales project quoted by Professor Campbell. One of the reasons given for their failure is lack of supervision.

Yet I wonder how many people realise just how much time is involved in keeping a reasonably comprehensive set of farm records, including cash book, this being another common argument against farm records. I have made some investigations of my own into what is involved— $1\frac{1}{2}$ hours a month in dairying is more than sufficient for the keeping of good records and not the burden that is generally believed.

But the present problem of farm record keeping can be circumvented to some extent. In both the U.S. and the U.K. guidance is given to farm accountants, so that farmers' financial records might be kept on a standardised basis. Something of this sort could almost certainly be done here; in Adelaide a number of accountants are already interested.

In addition a reclassification of items in the tax return would aid farm management analysis based on tax return data. As far as taxation itself is concerned, and the concessions granted to farmers, nothing yet seems to have been done regarding the real impact of these concessions on the allocation of resources between agriculture and industry, and, more particularly, between farms.

Another aspect of farm management and costing that would merit investigation is the supply price for labour and capital in various agricultural industries. The problem of imputation has bedevilled all farm costing—yet the true costs of labour and capital to agriculture are their supply prices. Any work along these lines would certainly lead to some interesting results.

An even more serious lack from the point of view of agricultural policy is the absence of a concept of an economic farm unit. Dr. Williams has told us of the planning that went into the War Service Land Settlement Scheme—but farm size in this scheme was determined according to a "living area", not an economic efficiency, criterion.

Dr. Williams and Professor Campbell have told us that there are serious deficiencies in the fields covered by agricultural economists in Australia. But on a manpower basis, the most serious lack is in the field of farm management. It is not that we have no tools, but mainly that they are not being used.

T. H. STRONG—*Bureau of Agricultural Economics*

The two papers under discussion do not cover the subject matter of the symposium. They deal too much with one aspect—production economics and, in my view, they do not deal with this at all incisively.

Professor Campbell is critical but for the most part in a very superficial way. I know he has set out deliberately to be provocative in order to stir up debate, but he is not specific enough for me to join issue seriously with him. He singles out survey activities, apparently as a main support for his indictment that agricultural economics research in Australia lacks analytical orientation. He ignores the wide range of work in agricultural economics being done in Australia and, even in dealing with surveys, he has failed to comprehend the clearcut aims and objectives of the survey work conducted by the Bureau of Agricultural Economics and the State Departments of Agriculture.

We might have expected a more comprehensive and more incisive treatment by Dr. Williams who, unlike Professor Campbell, has not suffered the effects of isolation in "Ivory Towers" but who has had the advantage of being on the inside, at least in respect of Commonwealth activities in agricultural economics. However, he also attempts to cover only one very limited phase of the subject.

I am sorry he has not taken time out to study the planning and implementation of the Settlement scheme for ex-servicemen in the post World War II era. As an example of applied agricultural economics in Australia it is worthy of more than passing note. My own view is that it represents a very fine achievement by both Commonwealth and State authorities associated with it.

I believe I detect a bias on the part of Dr. Williams against the farm budget. There is so much developmental work in the field of applied production economics in Australia to be done, we must keep our feet solidly on the ground. Whilst we cannot afford to ignore the possibilities of mathematical tools such as linear programming that have become fashionable in some circles, we cannot help but be aware also of their present limitations. We can, I think, take it for granted that the farm budget has still to make its greatest contribution in this country, particularly in extension work or in the planning of the improvement of the net income earning capacity of individual farms.

In my own view Professor Campbell is unduly worried about what he terms the "multi-purpose" survey. The aims and objectives of surveys conducted by the BAE and by the Bureau in co-operation with the State Departments of Agriculture are quite clear in my own mind. Some of them have been initiated by the Australian Agricultural Council for the prime purpose of providing information on the cost structure of particular industries, this information being necessary for the negotiation between Government and industries of an appropriate level of guarantee or support price. In other cases the information has been necessary to provide a working basis on which cost changes can be measured, the purpose of this being to fulfil the particular requirements of international marketing agreements.

On all occasions when the opportunity presents itself and farms have to be visited, the Bureau takes as complete an inventory as possible of those farms. The objective is to have as complete a record as possible at a given point of time of the physical and financial details of farm investment and the input-output relationship on a representative sample of farms throughout Australia covering all important rural enterprises. The aim is to visit those farms again in rotation when full details at a subsequent point of time are obtained. To me this simple procedure is so very adequate as a means of assessing investment and technological trends. We aim to know just what is happening on Australian farms or stations, for example, in respect of what investment is being made, on which type of farms and in respect of which lines of production and, finally, how the farmer is thinking about the future. It is so very necessary to have precise knowledge available if there is to be sound policy formulation. I would say that in the past this has been one of the most "felt" needs in an economy such as Australia so dependent on trends within the rural sector. There are still gaps in the coverage but we aim to close these as the opportunity presents itself.

In setting up the broad framework in which detailed systematic observations are made over time, I am not concerned with clearly formulated hypotheses or models. These can come at a later stage. Nevertheless, the making of observations, the collection of basic data, are an essential part of research into the factors influencing farm investment. Whilst these observations are being made, contrary to Professor Campbell's conception of the position, the Bureau is making farm net income studies. Availability of credit, market outlook and other factors having a bearing on trends are also kept under continuous review. Given time, I have no doubt but that we will have a very complete understanding of what makes farmers and farms respond and also of the nature of those responses.

Professor Campbell says "few of these surveys can be said to have been followed up by a more intensive investigation". The true fact is that, although not in all cases immediately, surveys are followed up by more intensive investigations. One of the most objective and competently executed which comes to mind relates to the dried vine fruits industry. The original survey broadly defined the problem areas and the nature of the problems within the industry. The follow-up survey analysed in detail the interrelated problems of soil, climate, drainage, maladjustment of varieties and the problem of farm size. It has dealt with individual farms and the assessment of the cost of adjustment programmes which includes, in addition to changes in land use and the removal of some farmers from the area, their establishment elsewhere. There is now ready for early implementation a detailed plan.

The most recent survey of the dairy industry, which was designed not only to survey details of cost structure for the purpose of the stabilisation scheme but also to illustrate the underlying causes of high cost in high cost regions, is now being followed up by detailed intensive investigations which are designed to provide the financial details for a comprehensive plan designed to put in a better position the dairy farmers of Australia who are in the relatively low income bracket.

In order to serve policy requirements, continuous watch is made for incipient resource shortages which may tend to retard investment of the type required to maintain a rate of expansion necessary to meet the consumption requirements of an increasing population and to finance the rate of growth and development including immigration which is the objective of the Government of the day. It may be recalled that, in respect of the far reaching policy measures taken in the early fifties, which were designed to restore the Australian economy to the balanced condition which would enable it to continue rapid growth and development, the governments, or rather the representatives of governments—the Australian Agricultural Council, had before it a factual background provided by the Standing Committee which in turn leans heavily on the Bureau of Agricultural Economics as the agency for collecting facts. A similar service is maintained within the Federal field on matters pertaining to the rural economy. In the negotiation of the dollar developmental loan, the action required to overcome shortages of materials, machinery and labour; all such policy action requires a factual background.

I just cannot understand Professor Campbell's distress over the use of the same questions for a dairy as for sheep industry surveys. Why should we not use the same questions over as wide an area as is common to both, such as land and land improvement details, fencing, water supply, etc.?

I do not think there is great cause for concern over the appendages on agricultural extension in survey questionnaires. The Bureau had a brief one in one or two of its surveys. This was to serve a particular policy purpose. However, this should not be taken to mean that one of the purposes of the survey was extension evaluation. In the case of such a specialised survey as was undertaken in the Murrumbidgee Irrigation Area on extension evaluation, the Bureau used a specialised questionnaire in the hands of experienced personnel. I presume Professor Campbell has no wish to criticise the widely complimented report that has been published on this subject.

In addition to this survey there has been quite an array of specialised surveys made by the Bureau to fulfil special policy requirements. These also do not fit in with Professor Campbell's generalisations as made in his paper. I feel the big disadvantage which Professor Campbell has been unable to overcome is that he has had no access to the bulk of the research analysis and reports made by the Bureau for the purpose of servicing policy requirements. Most of these are unpublished and will remain so. There does appear to be a misconception of the Bureau's charter and functions. It is essentially a Public Service agency whose prime function is to service the Department of Primary Industry and the Australian Agricultural Council. It must give priority to their requirements and must adapt its long-term research objectives in the light of these priorities and work load.

In my view such an agency is necessary and I see very good reasons for its location within a key government department dealing with rural policy. I must point out that the Bureau is not a policy-making body as suggested by Professor Campbell.

I would agree with Professor Campbell that the pressure of *ad hoc* activities tends to inhibit the development of a long term fundamental research programme. There is need for much more fundamental research in agricultural economics in Australia. Unfortunately the Bureau is not classed by the Commonwealth Public Service Board as a research organisation. The Board has in fact ordered the elimination of any suggestion of fundamental research in the duties of Bureau personnel. From the point of view of the future of the development of the profession of agricultural economics in Australia and of the very great need for such a development, I believe that serious consideration might well be given to the need for the provision of the necessary flexibility in the Public Service structure to provide a career for highly trained professional agricultural economic research workers. Professor Campbell has raised a very good point in this regard. Under present circumstances trained professional research workers in agricultural economics can finish up after a few years in a variety of specialised posts in administrative departments in the Public Service dealing with issues often removed from the realms of agricultural economic research.

Finally, I must add that I like working with State departmental and University research personnel and can see no objection to conjoint projects. I would like to see much further development of agricultural economic research activities both within the State departments and within Universities. In my view a far better job has been performed in agricultural economics in Australia in the past than has been revealed in the papers presented. This need not be taken to mean that I do not feel there is a very great need for further development and that very great benefits can accrue to the Australian economy through such development.