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A Comparison.

It will be interesting to compare here the need for the increase in protective foods in the U.S.A. Dr. Stiebeling says "The consumption of at least 10% to 20% more milk, 10% to 25% more butter, 25% to 70% more tomatoes and citrus fruits and about twice as much leafy green and yellow vegetables would be advantageous to the nutrition of our population".

Conclusion.

The United Nations Conference on Food and Agriculture which met at Hot Springs, Virginia, in May and June, 1943, was the first international conference to discuss the question of adjusting agricultural production to an adequate diet for the people. If our present knowledge of food and nutrition is related to a planned agricultural production it will have far-reaching implications for our national health and agricultural economy.

CANADA'S PLAN TO MAINTAIN AGRICULTURAL PRICES AN APPRAISAL.

(W.H. Pawley).

The Canadian House of Commons has recently passed an Act of outstanding importance with the purpose of placing a floor under agricultural prices during the transition period after the war. The wide scope of this Act and the methods to be used are sufficiently revolutionary to merit widespread attention in Australia.

It is the purpose of this article to give, first, an account of the provisions and purposes of this Act; secondly, to consider some of the economic implications of the objectives and proposed methods. There is a close parallel between the economic circumstances and social philosophy which have motivated the Canadian "Agricultural Prices Support Act, 1944" and the conditions prevailing in Australia.

Placing a Floor under Agricultural Prices.

The Act provides for the establishment of a Board of three persons to be known as the Agricultural Prices Support Board. The powers of this Board are very wide, although it should be noted that responsibility for its primary power - to decide on the floor levels for prices of farm products - rests with the Government of the day.

In summary form the powers comprise authority to:-

- (a) Prescribe, from time to time, with the approval of the Governor-in-Council, prices at which the Board may purchase agricultural products.
- (b) Purchase such agricultural products at the prescribed prices in any quantities it sees fit, provided that standards of grade and quality laid down by the Dominion Parliament are met.
- (c) Alternatively, pay the producers of any such product the difference between the prescribed price at which the Board may purchase and the average market price, as determined by the Board, over a period of time, if the market price is the lower.
- (d) Sell on the domestic market, or export, any product purchased.
- (e) Carry out any operations incidental to the handling and disposal of agricultural products, including authority to "package, process, store, ship, transport, export or insure any agricultural product".
- (f) Set up separate commodity Boards and delegate to these its powers to buy and sell agricultural products or appoint agents to undertake these tasks.

In brief, it will be the duty of the Board to recommend to the Government the price at which the Board may purchase any agricultural product, whenever it is considered that the price is falling too low. It will then set out to ensure that farmers receive at least the prescribed price for the product, either by coming on to the market as a purchaser or by making up to producers the difference between the prescribed price and the market price. These operations may be carried out directly or by special commodity Boards or agents.

It is of interest to note that the Canadian Government has no power whatsoever in peace time to fix minimum prices. Any Act purporting to do so could be ultra vires the Constitution, as in Australia, since this power is reserved to the provinces. The Act is a method of getting around this difficulty and may be compared with the proposal recently put forward by Mr. J.S. Teasdale of the Australian Wheat Board for a Commodity Credit Organisation, designed to place a floor under wheat prices after the lapse of National Security Regulations. ("The Land", 26th January, 1945).

It is evident that a Board charged with the responsibility of purchasing products or making compensation payments to producers on the scale likely to be necessary would need a great deal of finance. The Agricultural Prices Support Act provides that payments from consolidated revenue up to £200,000,000 shall be

made for expenditures under this measure, exclusive of administrative expenses. This is equivalent to approximately \$A56 million.

The \$200 million is to be a revolving fund. Insofar as receipts cover non-administrative payments, the fund will replenish itself. However, it seems hardly likely that there will not be a net drain on the fund. Any net profit for the year is to be paid into consolidated revenue and any net loss reimbursed from the same source. It is not clear from Canadian Hansards whether reimbursement of losses may be additional to the \$200 million or not.

There is one major exception to the Act's universality. Wheat is excluded, as it is held to be already covered by the Canada Grain Act. All other agricultural products come within the scope of the Act. These include livestock products and livestock, horticultural products and processed commodities.

The Board is to be constituted immediately, but the main section of the Act which provides for establishment of floor prices will not come into effect until proclaimed. It is anticipated that this will not be until after or near the end of the war. Meanwhile, the Board will have the task of collecting detailed statistics in regard to war-time prices and considering the economic effect of ceiling prices upon Canadian farmers in relation to "conditions in Canada affecting other industries".

After the main sections of the Act have been proclaimed, the Prices Support Board will recommend that a floor be prescribed whenever a particular price falls below some given level. The method of maintaining the particular floor will also be a matter for recommendation by the Board. When the price again rises persistently above the prescribed level, the proclamation in respect of this product will be raised. It is envisaged that in the case of certain products, such as butter, the operations of the Board will be mainly seasonal.

Some unanswered Questions.

The immediate tasks of the Board throw an interesting light upon the stated justification for the measure. In the words of the Canadian Minister for Agriculture: "In placing ceilings upon products now, the Government is assuming responsibility to maintain floors until this country is re-established after the war". In administering the Act "the intention is to take into consideration all the things which have been done in relation to farm products during the period of the war and particularly during the period of price control Anything at all that the farmer was denied by way of price through control during the war is (to be) made up to him during the period of transition after the war, in order that he may maintain his position among the different producers and consumers".

Whatever opinion one may hold of these views, they will certainly not be new to those Australian farmers who have operated under maximum prices. It is particularly significant that the Canadian Government should be prepared to adopt this philosophy in full and to take measures of such far-reaching a nature to give effect to it.

Despite this expression of purpose, the Act is no more than a machinery measure. Not only does it not lay down specific price levels to be aimed at (which could hardly be expected), but it gives no indication of the principles to be followed in deciding on the levels at which floors shall be fixed.

The extent to which the Act leaves open major questions of policy can be seen by considering the alternative bases upon which the Government might decide the level at which to "fix" floor prices. Among possible objectives are:-

- (a) To give the farmer costs of production or costs plus a certain margin of profit.
- (b) To take an average of prices in some past period.
- (c) To aim at either prices or an income with the same purchasing power, in respect of things farmers buy, as in some past period.
- (d) To aim at an income equal to incomes of comparable groups in the community.
- (e) To secure a given volume of production of various rural products.
- (f) To prevent a collapse of prices to ruinous levels.

Widespread though the scope of the machinery is, it will not be possible to pass final judgment until we know which of these social ends is to serve as the basis for determining the price floors. In assenting to the bill the Canadian Parliament has given the Government in power at any time a blank cheque as to the level at which prices are to be maintained by the use of public funds. It is the most extraordinary feature of the Act that Parliament has approved of the machinery and passed the funds without any conditions as to even the most general guiding principles according to which the machinery and funds are to be used.

Associated with the general philosophy behind the Act is its limitation to "the transition from war to peace". It is doubtful, however, whether this will mean much. It has been pointed out by the Government that no definite limit is placed upon the operation of the Act just because it is impossible to judge how long delayed the (assumed) post-war slump in prices

will be. As example is given the fact that the main slump after the last war did not come until 1929!

It is already being proposed in some quarters that the Act should be a permanent one. Proposals have also been made that the machinery be used as a method of achieving some form of parity for agriculture as a matter of permanent policy. Both in regard to period of operation and purpose for which the machinery is to be used the Act is a blanket measure of tremendous potential importance.

Some Economic Implications.

It is evident that this machinery, if exercised, is capable of planning a floor to prices received by farmers at whatever level the Government determined. Having prescribed the minimum prices to be received by farmers, the Board has the alternative of entering the market as a purchaser of any quantities offering at that price or making up to farmers the difference between the proscribed price and the market price.

The alternatives may appear to be merely a matter of administrative convenience, but the difference between the two might in the long run be of fundamental economic significance. The first is a method of supporting market prices. The second involves no obligation to hold market prices to any level whatever.

There is no doubt that in the short run a Government or co-operative purchasing Board, with sufficient funds, can attain the first of these objectives. But it is equally evident that, if there is a basic disequilibrium between supply and demand at this price, the market cannot be held indefinitely at this level without some external outlet for the product. What the Board buys it must ultimately sell, unless products are to be taken off the market and destroyed as a means of maintaining prices.

Logically there are four possibilities before a Government determined to maintain a certain floor on the market for a particular product in the face of a basic disequilibrium between supply and demand. They are:-

- (a) Buy excess supplies and destroy them.
- (b) Give supplies away to lower income groups through some such system as a food stamp plan.
- (c) Export any excess over what the domestic market will take at the floor price.
- (d) Bring about an adjustment in the conditions of supply and/or demand. On the one hand this would mean some restriction of production; on the other, it would mean raising the demand either by increased population, wooing consumers away from alternative products or all-round increased consumption through higher purchasing power and better nutritional standards.

In view of developments in public opinion since the 1930's the first of these may be ruled out. The second alternative is practicable but unlike the other three cannot afford a complete solution unless excess supplies are small. The problem of raising aggregate demand through higher purchasing power is, in the main, the problem of securing full employment restated. Employment policy is hardly likely to depend upon the agricultural problem.

For practical purposes a Government faced with the task of maintaining a minimum price on the domestic market has to choose between placing limits upon production or selling the surplus abroad at whatever price it will bring. It is particularly significant, therefore, that not only does the Act make no provision for production control or marketing quotas, but that the Government has emphatically disclaimed any intention to introduce such measures: "It would not be fair to order (Canadian farmers), immediately the war is over, to reduce production to the level at which it is certain the commodities could be sold at a given price". (Minister for Agriculture in Hansard Vol LXXXII No.110, p.5741). In this country it is generally accepted, among farmers' representatives as among others, that some form of production control is a corollary of guaranteed prices.

The remaining alternative is the export of agricultural products at below costs - in short, dumping. In view of the approval given to the Agricultural Prices Support Act by all parties it is a reasonable inference that in the face of a major depression of agricultural prices in Canada after the war, Government policy would involve maintaining prices to farmers by means of large-scale dumping and at the expense of public funds. It is of more than passing interest that, in defending this intention, the Canadian Minister has specifically mentioned Australia as among the "pretty good company" in which Canada would find herself in the event of such a policy.

So much for the implications of purchase at prescribed prices. If, instead, farmers are paid the difference between these prices and market prices, there is no attempt to sustain the market. There is simply a transfer of income from the rest of the community, through taxation ultimately, to farmers. Such a transfer of income could continue for as long as, and to any extent that public (including farming) opinion would accept.

In summary, the Prices Support Board could iron out price fluctuations, even of a fairly long-term nature for unperishable commodities, without wider implications for the domestic and world economy. Without production control, however, it could not maintain prices indefinitely above market levels, except by taxing the rest of the community and dumping agricultural products abroad. The method of compensatory payments to farmers would not, of course, involve dumping, but it would mean a much heavier drain on the Board's funds.

In the final analysis, the only way to raise overall market prices for an agricultural (or any other) product is to bring about an adjustment in the conditions of either supply or demand. This should be a cornerstone of agricultural policy. But it points to the impossibility of divorcing a sound agricultural policy from general economic policy.

ANNUAL REPORT OF COMMONWEALTH CONTROLLER OF EGG SUPPLIES.

As from 5th July, 1943, the Commonwealth Government assumed control of the marketing of eggs produced throughout Australia as a wartime measure, and appointed a Controller of Egg Supplies, an Assistant Controller and Deputy Controller in each State. This action was taken under the provisions of the National Security (Egg Industry) Regulations.

The first Annual Report of the Controller covering the year ended 1st July, 1944, has now been published. The report states that prior to the inception of the Commonwealth Control Scheme the position was that egg marketing in the States of Queensland, New South Wales, Victoria and South Australia had been controlled and conducted by Boards constituted under State legislation, and with a preponderance of producer representation thereon. These Boards were well experienced in egg handling, marketing and price stabilisation on an individual State basis. In Western Australia partial market stabilisation had been attempted on a voluntary basis only, while in Tasmania no form of market control, even of a voluntary nature, had previously been in operation.

The system adopted by the Controller on the recommendation of the Egg Industry Advisory Committee was based as closely as possible upon the previous experience and methods of the State Egg Marketing Boards, with certain essential differences due to the variation as between the powers, duties and objectives of the Controller and those of the several Boards.

The agents appointed by the Controller purchased eggs from producers on the Controller's behalf. The prices paid were arrived at by deducting the following amounts from the maximum wholesale selling prices which are fixed from time to time by the Prices Commissioner:-

	Per dozen
(a) For receiving, handling, grading, candling, packing and recording eggs, and making payments to producers	1d
(b) For selling and distribution	$\frac{3}{4}$ d
(c) For general control fund -	
Period 5/7/43 to 3/10/43	1 $\frac{1}{2}$ d
" 4/10/43 to 1/7/44	1d