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**Australian Agricultural & Trade Policy: Adventures  
of a (former) Policy Activist**

**Geoff Miller  
GCM Strategic Services Pty Ltd**

## **Australian Agricultural and Trade Policy: Selected Confessions of a (former) Policy Activist.**

It is thirty four years since I first addressed the Brazilian meeting of the International Association of Agricultural Economists. I was a discussant. The subject was farm income support. I spoke of designing and targeting particular policy instruments to achieve specific goals. In particular, I referred to the futility, in the medium term, of attempts to maintain farmers' incomes through price support. Flushed with youthful testosterone levels, I said that such efforts were akin to attempting to put out forest fires by urinating upon them. Not only would you fail to extinguish the fire, but you would be likely to damage your instrument! Of course no such hormone driven similies would cross my mind today!

I thought then, as I do now, that the truth that I was articulating was almost self-evident. It was inconceivable, in 1972, that in 2006 I would be reading in an authoritative report (OECD 2005) that the average farm producer price in the OECD in 2002-04 was still 30% higher than the price in the world market. In 1972, quick to make judgements, I would have looked upon such a prospect as abject failure – abject failure of OECD economic and agricultural leadership and perhaps also abject personal failure, as an agricultural economist. However a long period of enlightenment followed.

### **Thirty years of Enlightenment**

Time, of course, changes us all, including our hormonal balances! On the one hand, I have had immense first hand experience of the challenges of winning policy change. That is a force that has lowered expectations. On the other hand, however I have learned a great deal more about the real economic effects of OECD agricultural policies. In 1972 I thought about them as a waste of OECD resources, a serious political deception of the OECD farming community and, of course, an impost on Australian farmers. I now think differently. In fact, they waste less than 1% of OECD GDP. And the political deception of OECD farmers is usually spearheaded by the farmer's own representatives – the agri-politicians that they elected and that purport to represent them! Although the Australian farm sector is smaller because of other countries' subsidies and trade restrictions, competing in an unfair environment has made it tough, vibrant and resilient.

As a graduate student of the (then) Food Research Institute at Stanford University in the late 1960s I studied, inter alia, the principles and practice of economic and agricultural development. Over the ensuing decades I led the (then) Australian Bureau of Agricultural Economics to commence its high level professional studies into the agricultural policies of western countries (efforts that were dwarfed by those of Andrew Stoeckel, a subsequent Director of the Bureau, from whom you will hear later this morning). I was elected to the Bureau of the OECD Agriculture Committee and chaired its Working Group on Commodity Markets. I even published a modest monograph on the political economy of international agricultural policy reform (Miller, 1986).

I worked with the agriculture professionals from Cairns Group countries, especially developing countries. In 1992-93 I visited the majority of the world's

developing countries, studying their economic and agricultural policies, as part of a failed effort to be elected Director General of the United Nations Food and Agriculture Organization (FAO). I subsequently had the privilege of serving for six years as a Board Member and Chair of the International Food Policy Research Institute (IFPRI) in Washington, DC – surely the finest institute of its kind in the world.

All of these experiences changed my view of OECD agriculture policies in quite profound ways. However I am a slow learner. The story is really quite simple:

*Advisors from developed countries proselytise the virtues of liberal market economics. The message eventually reaches the subsistence farmer in a poor rural region of a developing country. She has grown a variety of crops and kept some livestock, bartering with neighbours to maintain a basic standard of living. Cash cropping instead looks attractive. The farmer commits most of the land to corn. For the first year she does well.*

*The next year North American, Australian and European farmers have bumper grain crops. Grain stocks rise sharply and corn prices fall. A US mid western Congressman can feel a mid-term election coming on. Unhappy corn farmers could jeopardise his re-election ambitions. He cultivates some colleagues and produces a draft bill to increase support payments to US farmers. The President needs him in the Congress, cuts a deal with the leader of the House and the bill passes. The WTO says it is OK because corn is a “sensitive product” in the US and also accepts European proposals to implement “safeguard” action.*

*Farmers in developed countries plant up, knowing their incomes (in the short term!) are protected by the government. They are blessed with a good season and export record quantities of corn, causing prices for our developing country farmer to fall precipitately. She and her family struggle through that year on a diet of corn. The next year she can't get money for seed or fertiliser. Her family is seriously malnourished. Her newborn baby dies.*

*Meanwhile, in Washington, a mid-western Congressman hosts a sumptuous dinner to celebrate the first year of his new four year term. A European leader is narrowly re-elected after a tough political battle in rural regions. The Argentine and Australian governments are defeated following a rural revolt.*

## **The Lesson**

Important as they are, wasting a small proportion of OECD resources or deceiving OECD farmers are small in the totality of the costs of developed country price support. The truly big costs, in economic and human terms, lie in exporting instability to the residual world market. The burden of adjustment is moved from those to whom it is a challenge – developed country farmers – to those with little or no ability to withstand it; from those with high levels of human capital, to those with very low levels. As developed country exports are increased or imports curtailed as a result of their domestic policies, instability in the residual world market increases – the burden of adjustment is not only transferred to those least able to withstand it, but it is simultaneously magnified.

The economic costs to advanced countries of these “beggar thy (poorer) neighbour” policies includes the waste of OECD resources referred to above, but the greater costs are the opportunity costs of not having higher income developing country trading partners to whom to sell non-farm products and services. The aggregate world market for goods and services is smaller because of developed country agricultural trade distortions. This is without bringing to account the disillusionment of people in poor countries with Western nations who say one thing, but do the opposite when their political convenience dictates, with attendant consequences for global security.

## **A Challenge to the Next Generation**

To a young economist attending this Conference for the first time, the motivation for committing to the cause of agricultural policy reform could not be greater. The benefits, including the contribution to global security, are so great that fully compensated changes are easily manageable. There need be no losers. Yet rising to that challenge is an extraordinarily demanding assignment. As the recent collapse of the Doha Round shows, the subject is barely on the global political agenda. It is, in fact, a long term challenge that you face, with no guarantee of making steady progress.

To anyone well trained in economics, knowing how agricultural policies should work, on a level world playing field, is a modest intellectual challenge. Visualising an optimal adjustment path to target that outcome is a very considerable intellectual assignment. Seriously working to achieve it, however, will challenge every human faculty you possess.

It would be well to start by reading Machiavelli's *The Prince*, not so much to acquire the ruthlessness and deviousness needed to win the human political power struggle, but to learn what, at times, you may have to contend with. Remember that statesmen draw from the same armoury of human manipulative skills as tyrants, even though they usually select different armaments. It is important not to be sidetracked by the attractions of power and influence themselves: to see them as a means to the end, not the end itself. Such is the nature of the political process, that most professional politicians eventually lose sight of the reasons that they sought election in the first place! Above all, remember Polonius's advice to his son Laertes in *Hamlet*: “to thyne ownself be true”.

You must, of course be thoroughly professional in all you do. Earning and maintaining professional respect is a critical cornerstone of your career. Most of you have that aspiration or you would not be here at this Conference. Beyond that, however, you will need to cultivate relationships, to be extraordinarily combative and to know when to use each trait! Persistence, patience and opportunism will be your stock-in-trade, with occasional resort to deviousness. Often you must hold your counsel, but if the opportunity is seized, crises offer fertile soil for sowing the seeds of change, or simply for just imposing it!

In the remainder of my time today, I will illustrate the points just made by drawing on personal experience with two case-examples: domestic wheat policy reform

here in Australia; and international agricultural trade reform. I shall conclude with some observations on the way ahead for both domestic and international policy reform.

In presenting the examples below, I am not staking any claim for personal credit. I have already been more than adequately recognised for whatever modest contributions I might have made personally. Sometimes my role in the events that I will summarise was necessary. It was never sufficient. Usually, without my involvement similar outcomes would have been achieved, perhaps sometimes a little more slowly, but maybe sometimes faster. The points I shall make below are stripped of the attribution that belongs to many people. I have done this only to aid communication.

### **Australian Agricultural Policy: the Case of Wheat**

I shall not give you the treatise you may have expected today on Australian agricultural policy. In a recent paper, Geoff Edwards has done an extraordinarily scholarly job of that (Edwards 2006). Instead, I shall stick to the theme of my paper with a personalised view of Australian wheat policy reform. Throughout my time in agricultural policy, changes in wheat policy tended to be at the vanguard of broader policy change. During my time, Socrates dictum that “nobody is qualified to become a statesman who is entirely ignorant of the problem of wheat” was continuing to withstand the test of history!

I left the University of New England as a new graduate over forty years ago, sceptical of the benefits of single desk wheat marketing and firmly convinced of the folly of the then prevailing guaranteed prices for farmers, based on the “assessed cost of production”. By the time I completed my graduate studies in commodity marketing at the FRI, it was clear to me that single desk marketing also belonged in the “folly” category. Putting this knowledge to good use, however, was another matter, as the following illustrations reveal:

- (1) My first foray into the wheat industry was a modest critique of the pricing practices of the Australian Wheat Board (AWB). Criticism of AWB in the early 1970s was almost sacrilegious, so (still firing on my youthful hormones) I resorted to an extraordinarily sexist analogy. I said that searching for flaws in the AWB was like searching for flaws on the body of Miss Australia, so near to perfect was it judged to be! But I then proceeded to suggest major changes in its core pricing strategies, including pricing through US futures markets. The then Chairman of AWB responded with even more sexist remarks, roundly condemned the “economic theorist” (even today there can be no more damning indictment in the world of agripolitics!) but dispatched some executives to Chicago to find out what this futures market was all about. Sweeping changes were subsequently made in AWB pricing practices. In 1990 I became a member of the AWB Board, was appointed Chairman of the Risk Management Committee and oversaw further important changes in pricing and currency strategies.
- (2) As a young BAE officer in the early 1970s, I attended my first meeting of the Wheat Index Committee. I was economic advisor assisting the

Committee determine the percentage increase in the price of wheatgrowers' inputs costs, as a basis for increasing government guaranteed prices. I knew that the cost of production was a vital management tool for individual farm businesses. For an atomistically competitive industry operating on the world market, however it was an economic nonsense. I gritted my teeth and did the job, glimpsing for the first time what life must be like for a professional economist in DG6 of the European Commission!

- (3) One consequence of such poor domestic wheat policies in the US, in Europe and in Australia in the late 1960s and early 1970s was the build-up of excess stocks and a deep depression in world prices. Band-aid solutions, through attempts to regulate the market with buffer stocks, were implemented internationally. Australia's contribution was the introduction of delivery quotas, taking us even further away from sound policy than we already were. However there was a change of government in 1972. I accompanied a senior departmental officer in advising the new minister on what to do with wheat quotas. The department's advice was to continue them for another year. Breaking with protocol, I told the Minister that they were an economic failure, were poorly administered and should never have been introduced in the first place. As we were leaving, the departmental executive attacked me bitterly, called me an extremely arrogant young man and told me how limited my future career would be if I ever did anything like that again. But wheat quotas were abolished. Our relationship subsequently improved and he was my campaign manager when I stood for the job of DG of the FAO! Fortunately, you don't get punished for all your sins.
- (4) That same year we met the Minister to review wheat price support ("stabilisation") arrangements. A former Chairman of AWB had "independently" reviewed the arrangements and recommended continuation of the status quo. This time my courage deserted me. In the meeting, I made enough critical comments to satisfy my professional pride, but resisted the temptation to attack the recommendation. I judged that the odds were too great! However during a meeting break, I found myself standing in the latrine next to a senior Ministerial staffer. He asked me how it was going. I muttered that we were merely rolling over bad policy. We should keep the existing arrangements going for another year and come up with something better. Imagine my surprise when the meeting resumed and the Minister announced that he had decided to extend the existing arrangements for a year and to set up a working group to develop a new program!
- (5) During the ensuing period, world wheat prices skyrocketed following the Russian "sting" in acquiring almost all of US Commodity Credit Corporation stocks (the "Great Grain Robbery") and the sharp rise in world inflation that accompanied the first oil shock. I took advantage of the big difference between any estimate of the Australian cost of production and the much higher prevalent and prospective world market price, to urge the industry to accept a new market based "stabilisation price" in place of a guaranteed price. We cobbled together a moving average formula (which in the event did not perform well in tracking market prices) which was

legislated in 1974. But domestic marketing continued to be centrally managed and heavily regulated.

- (6) During this period I was responsible, as Assistant Director, for BAE farm surveys. These surveys had been conducted periodically with the approval of state ministers for agriculture, whose primary motivation was to help industry demonstrate that prices were not covering costs and thus that the federal government should support prices. Working with my colleagues, we overhauled the surveys, putting them on a new streamlined and continuous basis. This new plan was submitted to ministers “for information”, not for approval. They were happy, did not notice that we would no longer produce data to estimate “the cost of production” and were never asked to approve another survey again! The surveys have continued to this day.
- (7) In 1976-77 Garry White and I developed a new Guaranteed Minimum Price (GMP) scheme for export wheat (Miller and White, 1977). The scheme was designed to track world markets closely, to provide a measure of “comfort” to growers but, on an actuarial basis, to have a very low probability of needing a government subsidy. We also knew that if a direct government subsidy ever was required, it would be very transparent to the Treasury and the Parliament and therefore that it would be closely scrutinised. The scheme failed to win the support of the Industries Assistance Commission (IAC), so I went around all the state farm organisations and “sold” it to them! It was legislated, with industry support, for the 1979 season. In 1984, the pricing formula was improved, but the scheme was abolished in 1989, following a modest payout to growers.
- (8) In 1979, as Director of the BAE, I presented a paper to an industry conference in Perth arguing that the domestic marketing of Australian wheat should be deregulated (this followed an earlier hostile reception to an IAC recommendation to the same effect). Any credit that I had earned with the GMP scheme quickly evaporated and I was again public enemy No1 to the Australian Wheatgrowers’ Federation and the AWB. It mattered not that domestic regulation was an extraordinarily costly sham visited upon wheatgrowers.
- (9) It took until 1989, by which time I was Secretary of the Department of Primary Industries and Energy, extraordinarily fortunate to have John Kerin as Minister, for the domestic market to be deregulated. It was a bitter political battle, almost lost in the Senate. At the last minute, the industry “representatives” began to gain traction with an argument that we could not deregulate wheat marketing while the states continued to retain regulations requiring all wheat to be transported by state-owned railways. They had a point. If we couldn’t convince the states to deregulate wheat transport, a task that was well beyond us at the time, wheat deregulation would be derailed, so to speak! However in a twenty four hour period we were able to find a rarely used provision of the Australian Constitution that allowed, in certain circumstances, the federal government to legislate to over-ride state regulation. John Kerin was understandably very uneasy about this – his Father had been a railway worker. However he saw the benefits for the wheat industry and the national economy. The legislation

was amended without consultation with the states and passed both houses of Parliament.

- (10) Back in 1986 Australian agriculture had been in crisis. In developing the Government's response to the crisis, I had met with numerous industry groups, including a deputation from state grain handling agencies, who had a littany of complaints against state governments and the AWB. During the meeting, one chief executive commented in desperation that "there should be a royal commission into this mess!" To his surprise I commended him on an excellent idea. A royal commission was over the top, but I thought that in the crisis situation, it might just get through the Cabinet. John Kerin agreed. We drafted a commitment to such an initiative into a comprehensive response to the crisis. To our surprise the Government endorsed it in a public statement. Jim McColl, a thoroughly professional agricultural economist, was appointed Royal Commissioner. After a comprehensive inquiry, he recommended the deregulation and privatisation of Australian grain handling.
- (11) After the bitter and divisive 1989 domestic deregulation battle I met with wheat industry leaders privately, with John Kerin's blessing, to try to ensure that future progress with policy reform was better managed. At the time we agreed that the eventual deregulation of the export marketing of wheat was inevitable, although its timing was highly uncertain. I argued that the next step was to facilitate the building of one or more large and strong Australian-owned international commodity trading businesses through the careful management of the deregulation process. We all saw a need, as part of this process and as an essential requirement for its immediate operation, for AWB to have a stronger capital base. A Wheat Industry Fund was seen as a useful step in this direction. However we also foresaw that as the Fund built up, pressure would build to have AWB incorporated, with the Fund being converted to grower equity. Export deregulation at that unknown future time was seen as likely. A proposal was put to the Minister, with strong industry backing, and was included in the legislative package. In the event, AWB was eventually privatised but, in a decision difficult to reconcile with National Competition Policy, the government of the day legislated to effectively grant the new private company an export monopoly.

My own in-principle views about the most efficient marketing and pricing arrangements for Australian wheat have changed little over the past thirty five years. However as you have seen, policy activism is a tough business. Progress can be very slow and reversals are not infrequent. Charting an optimal adjustment path is much more difficult than having "in principle" views. If it is such a serious challenge here in Australia, where the environment is relatively supportive, just reflect for a moment on the challenges faced by our professional colleagues in the EU, the US and Japan!

Today I look upon Australian wheat and grain marketing policy as unfinished business. There is no doubt that the removal of government support for exports has improved the industry's efficiency and resilience. Deregulation of the domestic market has stimulated rationalisation of flour milling and led to the growth of new domestic markets for wheat. Removing regulation of storage and

handling and on the export of other grains has spawned the emergence of three strong substantially grower owned grain handling and marketing businesses and a significant number of smaller competitors. Off-farm costs are much lower than they otherwise would have been. Certainly, these three entities and AWB, despite its current difficulties, are all capable of metamorphosing into one or more serious competitors in the world grain market. I shall be an interested observer of progress in the years ahead.

## **World Agricultural Trade Reform**

Achieving progress in reforming world agricultural and trade policies is much more challenging than the already serious challenge of domestic reform. A consensus must be built between enormous numbers of people, many with the authority and capacity to deliver reform on the domestic front. Interagency and political disagreements at home are often as challenging as those abroad. Often leading participants move on in midstream for personal or professional reasons. Governments and administrations change. The current Doha Round standoff should come as no great surprise!

No one person can be central to such an enormous undertaking over perhaps seven or eight years of negotiations, plus several years of lead-up work and a much longer period of implementation. However for our young agricultural economist, I shall offer some personal anecdotes, mostly drawn from the Uruguay Round, to attempt to impart something of the flavour of the commitment you are making if you take up this enormously important cause:

- (1) During the Kennedy and Tokyo Rounds of world trade negotiations I was merely an interested bystander. However in both cases it struck me that the process failed for agriculture because of a particular glaring flaw. Trade ministers were attempting to negotiate changes in market access barriers and export subsidies without the knowledge or power needed to implement the necessarily complex changes in domestic agricultural policies that would be needed to implement the trade outcomes. As a student of Harry Johnston's and Max Corden's contributions to trade theory, I knew that trade policy had its impact by changing the relative values of value adding inputs in the domestic economy. In agricultural policy, there are no borders when we look at economic impact. Consequently there are no borders between the responsibilities of trade ministers and those of agriculture ministers. I thought that negotiating effective rates of protection may offer some hope, but no independent measures were available and in any case what that theory suggested was that relative rates of protection should be harmonised within the economy, not across the agricultural sectors of many countries.
- (2) In the mid 1970s Tim Josling, an active member of this Association, wrote two important papers addressing these issues, for the FAO (Josling, 1973, 1975). By the early 1980s a number of us had concluded that commodity-specific aggregate measures of support would add much greater transparency to international agricultural policy discussions, if not trade negotiations. The Agriculture Directorate of the OECD was an obvious home for such work. However at the OECD we had our job cut out.

Fierce battles developed in the Agriculture Committee, with European delegates in particular maintaining that you couldn't reduce the welfare of rural communities to such assumption-driven abstract numbers. Delegates to the Trade Committee saw the Agriculture Committee moving into their patch. Although progress was slow, the Agriculture Committee slowly gained the authority and the capacity to estimate aggregate measures of farm support by sectors.

- (3) In 1986 I attended the Punta del Este launch of the Uruguay Round. Back in Australia a former BAE economist had become Minister for Trade. He had taken the initiative to form the Cairns Group of 14 agricultural trading nations, to work together to press for reform, so we in the Australian delegation had a seat in the central negotiating bodies as representatives of the Group. Yet in participating in those negotiations, I felt a similar frustration to the one I had felt at my first meeting of the Australian domestic Wheat Index Committee. Enormous heat was being generated about the symptoms of the problem, not the cause. The mistakes of earlier Rounds looked set to repeat themselves. Domestic support barely rated a mention. This became a serious bone of contention between me and my own Australian Trade Department negotiating colleagues.
- (4) I was determined to see domestic support moved to at least equal status with export subsidies and import restrictions in the framework of the negotiations. That year I travelled around the world six times making public speeches and holding private meetings with agricultural and trade policy leaders, promoting the three-pronged nature of the required disciplines and cultivating the relationships needed to be heard. Then I wrote the monograph referred to earlier (Miller, 1986). My Trade Department colleagues attempted to have its publication blocked. The night I was leaving to publicly release the published monograph I had a call from the Prime Minister's office strongly counselling me not to seek any personal publicity on my upcoming trip. I responded with a string of expletives and left the country believing that I may not have a job when I returned! However when I learned that Franz Andreissan, then EC Commissioner for Agriculture, had advised his colleagues internally that I was "the most dangerous Australian ever to visit Brussels" I was immensely encouraged to persist!
- (5) When I returned to Australia, John Kerin and I, with the blessing of John Dawkins, Trade Minister, went to see the Prime Minister and urged him to launch his own initiative on agricultural policy reform, based on my monograph, at the following World Economic Forum meeting in Davos, Switzerland. He agreed, we accompanied him to the meeting and were then authorised to act as emissaries in a series of meetings with leaders of Cairns Group countries. At long last, disciplines on domestic support were gaining traction with the Cairns Group, even if not universally supported among the Australian team! The Group pushed hard for such disciplines and they began to be reflected in the negotiating positions of US and European negotiators.
- (6) In 1988 we restructured the machinery of government in Canberra and I assumed bureaucratic responsibility for trade policy, on a one year assignment, as Associate Secretary in the newly merged Department of Foreign Affairs and Trade. Michael Duffy became the new Trade Minister.

During that year we worked hard with the Cairns Group and our negotiating partners to put some meat around the bones of the idea of disciplining the level of domestic support. The OECD made excellent progress in broadening and deepening its estimates of aggregate support on both a commodity and a sectoral basis, extending their studies to include non OECD countries. However the complexity of the task of integrating commodity specific measures was beginning to weigh down on the negotiating process. At one stage I learned that the chief US agriculture negotiator – a good friend and an excellent professional agricultural economist - was ready to drop domestic support from the negotiating framework. I flew to Brussels to meet with him. We swore at each other for an hour or so, then I left the meeting. Domestic support remained in the frame, but even so by the time the negotiations were concluded only aggregate sectoral disciplines remained. To some extent, however the idea of forced re-instrumentation of farm policies through the adoption of the box-based classification system for individual policy instruments acted as a substitute for disaggregated AMS measures.

The final Uruguay Round outcomes did at last bring agriculture into the WTO, with restrictions and disciplines on domestic support, as well as export subsidies and import barriers. However in establishing the benchmarks, a great deal of “water” (unused protection) was added to buffer existing policies. This, plus the capacity to move assistance between commodities when the political need arose and some deficiencies in the “box” classifications, has weakened the effect of the disciplines. There are various proposals to address these weaknesses on the table in the stalled Doha Round negotiations.

### **Conclusion: Reform of World Agricultural and Trade Policies.**

Reforming agricultural and trade policies is much more than a serious economic challenge. It is a fundamental moral imperative. The world commodity market is an international public good, just like the air we breathe or the water we drink. No country has a right to pollute that market with the unwanted effluent of its domestic agricultural programs. No country has a right to protect its farmers from the economic pressure of depressed prices by deploying measures that multiply, sometimes many times over, the pressures imposed on people in developing countries, where agriculture might represent 70% of GDP, compared to the few percentage points it represents in the national incomes of advanced industrial nations.

It is feasible that the Uruguay Round negotiating framework could be deepened and broadened to reflect the absolute rights of all countries to well functioning and unpolluted global agricultural markets. But this will not happen in the Doha Round, even if it is reignited. A longer term view must be taken by well motivated and committed young agricultural economists if human progress in this area is to be sustained. Clues are:

- (1) The development of a new negotiating framework for the next round of world trade negotiations, that is more predictably certain in its effects, if implemented. Undertaking such work and winning acceptance of it is a

substantial long term challenge, so it matters not that the next round may be a decade away.

- (2) Building further on the excellent professional work now being done by the OECD Agriculture Directorate and others analysing and estimating the effects of farm programs, to increase their transparency, further empower reformers and perhaps embarrass recalcitrants.
- (3) Commit to unilateral reform of domestic policies in the sure knowledge that your farmers, your national economy and the developing world will all benefit, even if other countries do not join you.
- (4) Perhaps there is scope for a new approach, cutting to the quick, acknowledging the critical public good nature of global commodity markets and the rights of all countries to access to unpolluted food trading and pricing infrastructure, along with legally binding penalties for transgressors.

As to domestic Australian policies, we haven't done so badly despite the unfinished business. However we are here because of the simultaneous constellation of a large number of favourable forces, including the institutional forces that Garry Banks will speak of, political circumstance and the flowering of an extraordinarily vibrant agricultural economics profession during the last decades of the twentieth century.

There is, however that unfinished agenda and there are forces now beginning to militate against maintaining the existing policy stance. Our farm sector, although growing, is now falling the level of relative importance where farm voters can hold the balance of political power and where the costs of farm protection can be a very small proportion of GDP. As the work of Kim Anderson and others has shown, this is the zone where the political economy of rent seeking behaviour could easily reverse our position. Perhaps decisions to tax consumers of dairy products and sugar in recent years in order to assist farmers and some of our drought policy actions, although not deeply worrying in themselves, portend a change in the direction of agricultural policy.

For these and many reasons related to resource management and environmental policy, we still need a vibrant agricultural economics profession in this country. I commend you to a career that I have found extraordinarily challenging but immensely rewarding, even if it was not as successful as I might have expected in the exuberance of youth when I addressed this Association thirty odd years ago.