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THE PRESENT FARM CAPITAL AND CREDIT PICTURE IN MY AREA

by N.F.B. Amy

Commonwealth Development Bank of Australia

Australia - Background Information (Section 1)

Australia is a big country. In area it is about four-fifths the size of Canada and comprises 2,967,000,909 square miles.

A common feature to both countries is the very large areas which are not productive in an agricultural sense due to climate and other limitations.

About two-thirds of Australia is situated in the Temperate Zone and one-third lies within the Tropic Zone. The Australian Meteorological seasons are:

Summer - December, January, February.

Autumn - March, April, May.

Winter - June, July, August.

Spring - September, October, November.

Land use is largely controlled by the rainfall patterns. The following table shows the area distribution of annual average rainfall expressed as a percentage. It will be noted that the moderate to higher rainfall regions are a smaller percentage of the total -

<u>Average Annual Rainfall</u>	<u>Per Cent</u>
Under 10 inches	39.0
10 and under 15 inches	20.6
15 and under 20 inches	11.2
20 and under 25 inches	9.0
25 and under 30 inches	7.2
30 and under 40 inches	6.1
40 and over	6.9

Of all the continents, Australia receives the least depth of rainfall and has the least run-off from its rivers into the ocean. Only in relatively small areas of the continent could the rainfall be described as abundant.

In general there are three major climatic zones which exert a controlling influence on land use. These are the northern third of the continent where rainfall is monsoonal and generally restricted to the warmer months of the year, the southern third where rainfall is predominantly a winter and spring event and a transitional zone which experiences rainfall from both sources, although in greatly reduced quantity over the interior. Prolonged dry spells are fairly common in much of Australia, particularly in the inland regions.

There are many environmental features which determine the land use potential of any particular region, and no reliance can be placed on rainfall incidence alone in assessing suitability of an area for any proposed undertaking. The point to be made is that Australia is largely an arid country with relatively small areas of agricultural lands in relation to its total area. The amount of farming and grazing country in terms of absolute area, is, however, quite large. Conditions throughout the continent show extreme variability in terms of the climate, soil fertility level and level of productivity.

The productivity of the country can be gauged from the attached tables.

Table 1 gives the volume of production and area of specified crops and the volume of production from the livestock enterprises specified.

Table 2 expresses the gross value of this rural production and output.

Tables 3 and 4 show respectively the volume and the value of exports of rural origin.

A close look at these four tables will indicate that Australia's major rural industries are in wool, wheat and beef production. The relative contribution of these and other major products to the gross value of rural production is shown in table 5.

In looking through tables 1 to 4, it will be seen that there is some major variation in the commodity figures shown for 1970/71 to 1973/74. In explanation of this situation, Australia experienced depressed conditions in the rural industries in 1970/71. The current situation contrasts markedly with this earlier period. Farm income is expected to continue the recovery shown over the past two years and is anticipated to reach a record level of \$A2,885 m - \$A997 M more than last year. Farm income in 1973/74 could more than treble the depressed 1970/71 level.

Rural industries generally are booming (in 1974).

To complete a brief overview of the rural picture the following summary will indicate the scope and scale of Australia's general agricultural and pastoral situation:

<u>Number of Rural Holdings (1973)</u>	247,568
<u>Total Area in Rural Holdings (1973)</u>	1,234,377,000 acres.
<u>Land Utilisation</u> (figures rounded to nearest million - over (+) under (-))	
Area used for crops	35 M acres (+)
Land lying fallow	7 M acres (-)
Area under improved pastures	68 M acres (+)
Balance of holdings used for grazing or lying idle etc.	1,100 M acres (+)

Livestock as at 31 March 1973

<u>Cattle</u>	
Total, all cattle	29,130,000
Which comprise	3,918,000 dairy cattle 24,662,000 beef cattle 580,000 bulls
<u>Sheep</u>	140,109,000

In 1970 the Australian Sheep Population exceeded 180,000,000.

In terms of the relationship of agriculture to the rest of the Australian economy, the contributions of the agricultural industries in actual value terms has become of relatively minor importance in relation to Gross National Product as a whole. However, the agricultural industries are a dynamic force, and they are of extreme importance to the Australian economy in relation to export earnings and in the balance-of-payments situation.

Disregarding yearly fluctuations in production due to seasonal and marketing conditions, the aggregate farm production has risen over the past twenty years with consequent increases in the volume of farm exports. Although the importance of farm exports has declined relative to other sectors in the past 20 years, they still represent in the vicinity of 50% of Australia's export income.

Australia's population in 1972/73 was estimated at 13.132 million with a growth rate of 1.9% per annum.

Domestic consumption of farm products has shown marked changes in consumer habits in the past twenty years but the overall consumption of food per person has tended to remain relatively unchanged. The lack of growth opportunities for most of the major farm products on the Australian domestic market stresses the importance to Australian farmers of the export markets in absorbing the balance of production.

In relation to the farm population and workforce, about 7% of the total population reside permanently on farm holdings while about 9% of the total male workforce are engaged in farm production.

TABLE I VOLUME OF PRODUCTION AND AREA - SPECIFIED CROPS

Unit		1970-71	1971-72	1972-73 (p)	1973-74 (s)
<u>Production</u>					
Wheat	'000 tonnes	7,890.0	8,510.0	6,551.0	11,621.0
Barley	"	2,351.0	3,065.0	1,708.0	2,642.0
Oats	"	1,613.0	1,275.0	740.0	1,121.0
Maize	"	212.0	214.0	188.0	168.0
Sorghum	"	1,297.0	1,228.0	942.0	1,040.0
Rice (Paddy)	"	299.0	242.0	310.0	423.0
Sugar Cane	(a)	17,645.0	19,390.0	19,203.0	20,500.0
Sugar (94 n.t.)	"	2,525.0	2,793.0	2,818.0	2,708.0
Tobacco (cured leaf)	"	17.1	16.0	14.7	14.9
Cotton (lint)	(b)	19.8	43.6	31.7-	40.7-
Cottonseed	"	31.0	72.7	53.2	67.0
Peanuts (in shell)	"	31.2	41.2	39.8	38.2
Linseed	"	30.8	10.3	10.0	19.0
Sunflower Seed	"	58.9	147.5	90.2	87.9
Rapeseed	"	33.6	54.7	24.6	17.0
Other Oilseeds (Safflower and Soybeans)	"	18.3	43.6	52.3	95.4
Potatoes	"	747.0	818.9	750.0	675.0
Other vegetables	(d)	852.1	956.8	850.0	780.0
Apples	"	442.7	360.3	435.0	340.0
Citrus	"	389.7	363.4	417.0	364.0
Bananas	"	130.6	127.9	122.0	129.0
Peaches	"	122.7	117.3	121.0	87.0
Pears	"	187.6	184.2	169.0	159.0

TABLE I (contd.)

Unit	1970-71	1971-72	1972-73 (p)	1973-74 (s)
Pineapples '000 tonnes	141.0	154.0	143.0	150.0
Apricots "	52.8	31.7	40.0	39.0
Grapes - all purposes "	549.4	830.5	575.0	736.0
Dried Vine Fruits "	60.5	103.4	54.8	90.0
<u>Area and bearing trees</u>				
Wheat m hectares	6.5	7.1	7.8	9.1
Barley "	2.0	2.5	2.2	2.0
Oats "	1.5	1.3	1.0	1.1
Maize '000 hectares	85.8	78.1	63.5	60.0
Sorghum "	552.0	638.6	708.2	650.0
Rice "	38.0	40.4	45.1	68.2
Sugar Cane (a) "	220.5	233.7	241.6	242.8
Tobacco "	10.9	10.1	9.5	9.4
Cotton "	35.0	39.6	43.6	38.6
Peanuts "	38.6	34.8	32.7	31.5
Linseed "	41.6	19.9	13.9	18.9
Sunflower Seed "	75.6	295.0	206.2	144.5
Rapeseed "	42.9	86.9	71.8	17.2
Other Oilseeds (Safflower and Soybeans) "	35.0	51.8	40.3	83.9
Potatoes "	38.6	40.5	38.4	37.5
Other vegetables (d) "	70.8	76.6	69.0	63.0
Apples '000 bearing trees	7,810.0	7,337.0	7,000.0	6,800.0
Citrus "	5,759.0	5,781.0	5,900.0	5,850.0
Apricots "	877.0	882.0	880.0	840.0

TABLE I (contd.)

Unit		1970-71	1971-72	1972-73 (p)	1973-74 (s)
Peaches	'000 bearing trees	2,272.0	2,252.0	2,240.0	1,700.0
Pears	"	2,267.0	2,145.0	2,100.0	2,100.0
Pineapples	(c) '000 hectares	4.4	4.2	4.2	4.2
Bananas	(c) "	9.4	9.0	8.6	8.5
Grapes - all purposes	(c) "	53.4	56.7	57.5	58.3

(a) For crushing.

(b) Production is recorded on a "lint" basis rather than the "unginned" basis used in the Commonwealth Statistician's publications.

(c) Bearing acreage.

(p) Subject to revision.

(s) Estimated by the Bureau of Agricultural Economics.

(d) Human Consumption.

Source - B A E

TABLE I (contd.)

Commodities	Unit	1970-71	1971-72	1972-73 (p)	1973-74 (s)
<u>Wool Production</u>					
Wool (greasy equivalent of all wool produced)	m.kg	886	875	737	701(i)
<u>Slaughtering</u> (a)					
Cattle and Calves	Thousand	5,870	6,461	8,112	8,700
Sheep	"	23,805	30,657	23,064	1,350
Lambs	"	21,592	22,326	17,851	1,450
Pigs	"	3,717	3,928	4,635	4,600
<u>Meat Produced</u>					
Beef and Veal	(b) '000 tonnes	1,048	1,167	1,434	1,590
Mutton	(b) "	470	596	433	263
Lamb	(b) "	355	360	275	240
Pigmeats	(b) "	182	194	233	233
Poultry Meat	(b) "	152	163	160	168
Total		2,207	2,480	2,535	2,494
Canned Meats (canned weight)	(c) "	54	56	48	51
<u>Eggs</u>					
Commercial Production	(d) m. dozen	202	209	198	190
<u>Wholemilk Usage</u>					
Wholemilk (all purposes)	m. litres	7,249	7,079	7,083	7,450
Used for butter	"	4,213	4,056	3,818	4,000
Used for cheese	"	746	755	871	955
Used for processed milk products	"	587	586	653	735
Used for other purposes (e)	"	1,703	1,682	1,741	1,760

Source: Commonwealth Bureau of Census and Statistics and Bureau of Agricultural Economics, except where otherwise indicated.

TABLE I (contd.)

Commodities	Unit	1970-71	1971-72	1972-73 (p)	1973-74 (s)
<u>Milk Products</u>					
Butter	(f) '000 tonnes	203	195	185	194
Cheese	(f) "	78	81	93	102
Condensed Milk	(g) "	98	80(r)	74	74
Dried Milk	(h) "	158	163	196	227
Casein	"	28	31	23	18

(a) For human consumption only.

(b) In carcass weight and includes carcass equivalent of canned meats. Poultry expressed in dressed weight.

(c) Includes bacon, ham and meat and vegetables; excludes rabbit, poultry and baby food.

(d) Commercial production = Receipts from consignors by Egg Boards plus sales by their producer agents. Excludes Tasmania. (Source: Australian Egg Board).

(e) Mainly fluid milk and cream for domestic use and milk used directly in ice-cream. Includes milk for farm butter and cheese.

(f) Factory made only. Butter includes butter equivalent of butter oil.

(g) Includes concentrated and evaporated full cream and skim milk, and liquid ice-cream mix.

(h) Full cream and skim milk, infants' and invalids' foods and health beverages essentially of milk, including malted milk, powdered buttermilk or mixed skim and buttermilk.

(i) Federal Clip Estimating Forecast Conference.

(p) Subject to revision.

(r) Revised.

(s) Estimated by B A E.

Source: Commonwealth Bureau of Census and Statistics and Bureau of Agricultural Economics, except where otherwise indicated.

TABLE II GROSS VALUE OF RURAL PRODUCTION AND OUTPUT (a)
(Million Dollars)

Commodities	1970-71	1971-72	1972-73 (p)	1973-74 (s)
Wheat	403.6	457.4	362.0	1,056.0
Barley	110.8	124.2	98.1	180.0
Oats	54.3	37.4	49.5	53.7
Maize	10.4	12.3	11.3	11.8
Sorghum	57.4	51.1	44.3	54.4
Rice	13.7	11.9	26.5	36.1
Sugar cane (cut for crushing)	173.3	207.4	221.0	229.1
Tobacco (cured leaf)	42.5	41.0	37.0	37.4
Cotton(including cottonseed)	14.0	29.8	25.5	35.1
Peanuts (in shell)	8.0	12.2	7.6	8.6
Linseed	3.5	1.0	1.2	3.2
Sunflower seed	7.3	16.2	10.6	14.2
Rapeseed (s)	2.9	4.3	2.4	2.3
Other oilseeds (s)	1.8	3.7	5.7	15.0
Potatoes	53.2	45.4	59.2	81.0
Other vegetables (human consumption)	111.9	116.6	120.0	125.0
Apples	58.3	50.3	53.7	50.4
Citrus	43.2	41.4	44.4	41.0
Bananas	20.0	21.0	24.0	19.3
Peaches	15.8	15.9	15.9	12.4
Pears	20.9	19.5	22.4	20.4
Pineapples	9.7	9.6	9.4	9.7
Apricots	9.4	7.8	8.2	8.3
Dried vine fruits	19.3	34.1	25.3	53.0
Wine and table grapes	26.5	32.2	27.6	33.0
All other crops (b)	221.0	203.1	188.2	249.6
Total crops	1,512.7	1,606.8	1,501.0	2,440.0

TABLE II (contd.)

Commodities		1970-71	1971-72	1972-73 (p)	1973-74 (s)
Wool	(c)	537.5	660.5	1,219.0 (s)	1,277.0 (j)
Cattle slaughtered	(d) (q)	642.3	717.6	1,040.0	1,280.0
Sheep slaughtered	(e) (q)	178.4	215.7	293.0	295.0
Pigs slaughtered		105.0	111.2	127.0	152.0
Eggs - commercial production	(f)	82.7	82.5	88.0	105.0
Wholemilk used for -					
Butter		194.0	211.1	180.7	170.9
Cheese		36.5	40.9	44.4	50.0
Processed milk products		28.8	34.1	35.1	41.1
Human consumption, etc.		170.5	177.6	189.7	199.3
All other livestock products	(g)	120.2	127.8	191.1	209.7
Total livestock products		2,095.9	2,379.0	3,408.0	3,780.0
Gross Value of Rural Production		3,608.6	3,985.8	4,909.0	6,220.0
Deduct seed and fodder	(h)	349.1	303.9	312.7	372.0
Gross Value of Rural Output		3,259.5	3,681.9	4,596.3	5,848.0

- (a) Where estimates have been made by BAE the valuation method is basically the same as that used by the Commonwealth Statistician, i.e. production of the various commodities is valued at the wholesale prices realised in the principal markets. Gross value of rural production includes amounts paid as subsidy, etc.
- (b) Mainly fodder.
- (c) Shorn, dead and fellmongered wool and wool exported on skins.
- (d) Includes dairy cattle slaughtered.
- (e) Excludes the value of wool on skins.
- (f) Estimated by Australian Egg Board.
- (g) Mainly egg production (backyard), poultry, honey and beeswax.
- (h) For consumption by rural industries. Estimated by BAE.
- (j) Based on an estimated auction price of 190c per kg greasy.
- (p) Subject to revision.
- (q) Includes the value of livestock exported live.
- (s) Estimated by BAE.

Sources: CBCS and BAE except where otherwise indicated.

TABLE III VOLUME OF EXPORTS OF RURAL ORIGIN
(Excludes Re-exports)

Commodities	Unit	1970-71	1971-72	1972-73 (p)	1973-74 (s)
<u>Specified Crops:</u>					
Wheat, unprepared (a)	'000 tonnes	9,466.0	8,706.0	5,429.0	6,100.0
Barley, unprepared	"	1,123.0	1,817.0	804.1	1,352.0
Oats, unprepared	"	555.2	328.4	114.5	163.0
Sorghum	"	517.1	990.6	735.5	685.0
Rice (milled equivalent)	"	95.9	169.3	153.3	156.0
Sugar (tel quel)	"	1,571.0	2,008.0	2,084.0	1,998.0
Sunflower Seed	"	N/A	75.2	33.4	15.0
Rapeseed	"	N/A	15.2	7.1	3.4
Other Oilseeds (h)	"	9.4	10.9	7.8	16.5
Dried Vine Fruits	"	59.9	57.2	72.4	50.0
Apples, fresh	"	141.0	91.6	117.4	87.6
Pears, fresh	"	34.5	34.4	42.4	36.7
Citrus, fresh	"	27.0	34.6	28.1	28.0
Apricots, canned	"	6.7	5.5	6.8	7.1
Peaches, canned	"	50.0	48.2	68.4	45.0
Pears, canned	"	49.9	37.1	52.7	53.3
Pineapples, canned	"	6.2	5.1	3.1	4.1
<u>Specified Livestock Products:</u>					
<u>Wool</u>					
Greasy (incl slipe)	m.kg (act.)	650.7	689.3	667.7	557.6
Scoured and washed	"	25.1	34.4	25.7	21.5
Carbonised	"	7.7	7.6	8.7	7.5
Wool on Sheepskins	m.kg (gr.equiv.)	76.5	88.5	84.9	57.8
Total	"	781.0	846.8	809.1	662.8
Tops	m.kg (act.)	8.9	10.0	9.2	8.0
Noils and Waste	"	2.9	4.0	3.3	2.8

TABLE III (contd.)

Commodities	Unit	1970-71	1971-72	1972-73 (p)	1973-74 (s)
<u>Meats</u>					
Beef and Veal	(b) '000 tonnes	338.8	401.5	584.8	658.0
Mutton	(b) "	130.9	201.0	156.9	50.0
Lamb	(b) "	43.6	37.6	31.7	8.0
Pigmeats	(b) "	2.0	4.1	20.4	14.0
Canned Meats	"	21.6	28.1	26.9	21.0
<u>Dairy Products</u>					
Butter	(c) "	93.1	61.8	79.1	75.0
Cheese	"	36.5	33.3	29.6	45.0
Condensed Milk	(g) "	10.5	9.4	4.9	4.0
Dried Milk	(d) "	83.5	69.8	87.7	109.0
Casein	"	26.9	29.8	15.0	22.0
<u>Eggs</u>					
Eggs in Shell	m. dozen	4.0	5.9	5.6	3.5
Eggs not in Shell	(e) '000 tonnes	24.8	23.1	33.0	16.3

- (a) Includes the grain equivalent of plain white flour.
 (b) In product weight. Fresh or preserved by cold process.
 (c) Includes ghee, dry butterfat, butter concentrate and butter oil, all expressed as butter.
 (d) Includes dried full cream, skim and malted milk, baby foods (incl. invalids' foods) essentially of milk and other types of dried milk.
 (e) In liquid form equivalent including frozen and dried.
 (g) Includes buttermilk and whey.
 (h) Includes Soybeans, Safflower, Cottonseed and Linseed.
 (s) Estimated by B.A.E.
 (p) Subject to revision.

N/A Not available.

Source: Commonwealth Bureau of Census and Statistics and Bureau of Agricultural Economics.

TABLE IV VALUE OF EXPORTS OF RURAL ORIGIN (f.o.b.)
(Excludes Re-exports)

Commodities	1970-71	1971-72	1972-73	1973-74
	\$m	\$m	\$m	\$m
<u>Specified Crops:</u>				
Wheat (incl. flour)	453.1	432.2	287.4	607.0
Barley	50.8	74.3	38.5	95.0
Oats	23.8	12.4	5.0	6.7
Sorghum	23.8	47.8	35.3	38.6
Rice	13.2	19.4	21.6	29.6
Sugar	149.6	210.6	249.8	229.1
Oilseeds (b)	0.8	11.3	5.8	4.9
Dried Vine Fruits	18.5	17.5	26.1	30.0
Apples, fresh	21.9	15.9	18.1	10.6
Pears, fresh	6.4	7.0	9.2	7.2
Citrus, fresh	3.7	4.8	4.7	4.2
Apricots, canned	1.9	1.6	2.1	2.1
Peaches, canned	14.0	13.2	18.7	13.5
Pears, canned	14.4	10.8	15.5	15.1
Pineapples, canned	1.8	1.4	1.0	1.2
Total	797.7	880.2	738.8	1,094.8
<u>Specified Livestock Products:</u>				
<u>Wool</u>				
Greasy (incl. slipe)	493.7	525.7	1,069.3	1,182.9
Scoured and Washed	24.4	31.2	43.7	54.6
Carbonised	7.8	6.8	17.3	19.0
Woolled Sheepskins and Skin Pieces (c)	49.3	50.9	107.7	91.9
Sub-Total	575.2	614.6	1,238.0	1,348.4
Tops	16.2	16.7	24.2	33.9
Noils and Waste	1.7	1.8	3.2	4.5
Total	593.1	633.1	1,265.4	1,386.8

TABLE IV (contd.)

Commodities		1970-71	1971-72	1972-73	1973-74
		\$m	\$m	\$m	\$m
<u>Meats</u>					
Beef and Veal	(c)	302.9	388.9	654.7	755.0
Mutton	(c)	52.2	89.3	100.8	40.0
Lamb	(c)	21.9	17.8	18.0	5.8
Pigmeats	(c)	1.9	3.6	17.5	12.5
Canned Meats		15.5	22.0	23.1	18.7
		394.4	521.6	814.1	832.0
<u>Dairy Products</u>					
Butter	(d)	48.0	48.9	62.0	50.2
Cheese		18.4	22.4	21.7	32.5
Condensed Milk	(g)	2.9	3.2	2.0	1.8
Dried Milk	(e)	24.2	30.1	44.5	55.0
Casein		11.6	16.6	10.9	21.3
Total		105.1	121.2	141.1	160.8
<u>Eggs</u>					
Eggs (in shell and otherwise)		9.0	8.8	12.7	7.0
Total of above Commodities		1,899.3	2,164.9	2,972.1	3,481.4
Other Exports of Rural Origin		205.3	254.4	335.0	393.0
Total Exports of Rural Origin		2,104.6	2,419.3	3,307.1	3,874.4

(a) Includes the value of pelts.

(b) Oilseeds as such includes cottonseed but excludes peanuts, meals and oils.

(c) Fresh or preserved by cold process. Pigmeats exclude ham and pork shoulders.

(d) Includes ghee, butter concentrate, dry butterfat and butter oil.

(e) Includes dried full cream, skim, malted milk, baby foods (incl. invalids' foods) essentially of milk and other types of dried milk.

(g) Includes buttermilk and whey.

(p) Subject to revision.

(s) Estimated by BAE.

Source: Commonwealth Bureau of Census and Statistics and Bureau of Agricultural Economics.

TABLE V RELATIVE CONTRIBUTION OF MAJOR RURAL PRODUCTS TO GROSS VALUE OF RURAL PRODUCTION

Product	1968-69	1973-74 (est.)
	%	%
Wool and sheepskin	21.2	20.5
Wheat	18.5	17.0
Beef and veal (a)	14.1	20.6
Dairy Products	9.7	7.4
Mutton, lamb and pigmeats (a)		
Fruits (b)	4.3	3.4
Sugar	3.9	3.7
Other cereals (c)	4.3	4.8
Other products	17.2	15.4
Total	100.0	100.0
	\$m	\$m
Gross value of rural production (principal markets)	3,956	6,220

(a) Based on value of livestock slaughtered.

(b) Includes all fresh fruits and dried vine fruits.

(c) Barley, oats, rice, maize, sorghum.

Sources: Commonwealth Bureau of Census and Statistics, Value of Production; Bureau of Agricultural Economics, Trends in Australian Rural Production and Exports, December 1973.

Farm Capital (Section 2)

Information briefly outlined in Section 1 indicates that Australia's major rural industries centre around sheep and wheat farming and the beef cattle industry. The many other major industries contribute substantially to total productivity but for the purposes of illustration of Farm Capital requirements four major rural industries Wheat, Sheep, Beef and Dairying, have been selected.

Farm capital structures in these industries have been compiled throughout the mainland States in Australia by the Bureau of Agricultural Economics in a series of industry surveys. The tables quoted in this section have been extracted or compiled from this source of information.

The Wheat Industry

Table 1 shows the capital structure per farm for wheat farms in each mainland State on the basis of a three year average 1969-70 to 1971-72.

Features of note are the average total capital for all States at \$120,570 with variations of \$139,248 in Queensland and \$92,633 in South Australia.

Table II shows the capital items as a percentage of the total capital. In the average survey, farm land accounted for 59%, livestock 10% and vehicles, tractors, plant and equipment 11.5%.

It is worthy of note that this survey period occurred during a time of recession in the rural industries caused by the introduction of Wheat Quotas in Australia and a general recession in the wool industry. As an example of this situation, the yearly average variations in capital were 1969-70 \$117,357; 1970-71 \$119,003; 1971-72 \$115,349. Since that time, the recovery in the rural economy - and particularly in wheat and in sheep - has been spectacular. Indications are that land values have recovered from the effects of the recession and capital expenditure on all other items would have increased due to general cost rises. The present total capital per farm average could therefore be expected to be above the figures quoted in the tables - more in line with the 1969-70 figure of \$127,357 or higher.

Table III shows the area, production and yield per acre of the wheat industry in Australia by States.

This table is included to demonstrate the rapid increase in areas sown to market, 1966-67, 20.82m acres, to the peak 1968-69, 26.78m acres and the effect of the introduction of wheat quotas where in 1970-71, 16.01 m acres were sown.

TABLE 3 WHEAT : AREA, PRODUCTION AND YIELD PER ACRE: AUSTRALIA : BY STATES

State	1966-67	1967-68	1968-68	3 Year Average to 1968-69	1969-70	1970-71	1971-72	3 Year Average to 1971-72
	m.acres	m.acres	m.acres	m.acres	m.acres	m.acres	m.acres	m.acres
Area sown for grain								
New South Wales	7.14	8.22	9.96	8.44	8.62	5.48	6.16 (a)	6.75
Victoria	3.14	3.22	3.98	3.45	3.30	1.88	2.62 (a)	2.60
Queensland	1.23	1.48	1.79	1.50	1.50	0.83	1.37	1.23
South Australia	2.96	2.86	3.75	3.19	3.21	1.98	2.64	2.61
Western Australia	6.35	6.65	7.30	6.76	6.79	5.84	5.05	5.89
Mainland States	20.82	22.43	26.78	23.34	23.42	16.01	17.84	19.09
Production								
New South Wales	202.50	87.32	215.12	168.31	162.79	110.60	89.30 (a)	120.90
Victoria	70.90	28.32	90.73	63.32	83.54	36.90	68.30 (a)	62.91
Queensland	35.73	27.42	42.00	35.05	14.90	4.40	26.52	15.27
South Australia	53.82	26.90	83.16	54.62	59.16	29.03	51.70	46.63
Western Australia	103.20	106.98	112.45	107.54	66.70	108.65	79.56	84.97
Mainland States	466.15	276.94	543.46	428.84	387.09	289.58	315.38	330.68
Yield per acre sown								
New South Wales	28.4	10.6	21.6	19.9	18.9	20.2	14.5 (a)	17.9
Victoria	22.6	8.8	22.8	18.4	25.3	19.6	26.1 (a)	24.2
Queensland	29.1	18.6	23.5	23.4	9.9	5.3	19.3	12.4
South Australia	18.2	9.4	22.2	17.1	18.4	14.6	19.6	17.9
Western Australia	16.3	16.1	15.4	15.9	9.8	18.6	15.8	14.4
Mainland States	22.4	12.3	20.3	18.4	16.5	18.1	17.7	17.3

(a) Preliminary, subject to revision.

Source: Commonwealth Bureau of Census and Statistics, The Wheat Industry (various issues).

The Sheep Industry

The surveys of the sheep industry carried out by the Bureau of Agricultural Economics divide the sheep farming areas of Australia into three main zones; the pastoral zone, the wheat-sheep zone and the high rainfall zone.

For the purposes of these tables, sheep properties have been classified in five groups, or Strata, common to each of the three zones and based on the size of flocks. These strata are as follows:

2.	500	and less than	1,000	sheep
3.	1,000	and	"	"
4.	2,000	"	"	"
5.	5,000	"	"	"
6.	10,000	"	"	"

(The original tables compiled by BAE include two additional strata, 1 and 7. These two strata have been excluded from these tables, hence the numbering 2 to 6.)

Tables 4, 5 and 6 show the capital structure for each zone respectively for the years 1970/71 and 1971/72. These are the latest figures available.

It will be seen that the variability of capital for the different scale of enterprises over the three zones give a relatively wide range.

These are quite marked differences in the comparable figures in each category in the tables. For this reason the tables for 1970/71 and 1971/72 have been shown. The capital invested in land and improvements tends to be more stable than the amount invested in livestock. During the periods which the tables cover, the value of sheep changed quite dramatically due to a general collapse in wool prices. As farmers attempted to diversify livestock activities into beef cattle during this time, the general values of cattle increased. With the recovery of wool prices and during 1973, the market prices of both sheep and cattle reached very high levels and in this period the price of livestock had a significant impact on the total capital structure of livestock farms.

TABLE 4 PASTORAL ZONE CAPITAL STRUCTURE: BY STRATUM

Stratum: 2. 500 and less than 1,000 sheep
 3. 1,000 " " " 2,000 "
 4. 2,000 " " " 5,000 "
 5. 5,000 " " " 10,000 "
 6. 10,000 " " " 20,000 "

Average per property: 1970-71 \$A (to nearest \$)

Item	2	3	4	5	6
Water	5,464	8,407	9,639	12,628	45,898
Fencing	8,768	12,008	18,738	29,318	41,241
Buildings	9,452	11,347	17,842	26,308	47,053
Total improvements	23,684	31,764	46,220	68,255	134,193
Plant	14,427	8,336	15,113	15,852	23,487
Capital excluding land and stock	38,111	40,100	61,334	84,103	157,680
Sheep	4,919	9,990	20,637	32,788	55,926
Cattle	1,506	4,638	12,245	18,474	30,241
Other livestock	87	228	362	1,194	1,893
Total livestock	6,514	14,857	33,245	52,457	88,061
Capital excluding land	44,626	54,957	94,580	136,565	245,741
Land	19,904	39,101	60,645	98,507	127,833
Total capital	64,530	94,058	155,225	235,073	373,574
Average per property : 1971-72 \$A (to nearest \$)					
Water	5,199	6,384	7,962	13,858	27,411
Fencing	8,920	10,546	17,699	25,009	42,394
Buildings	9,576	12,086	16,102	21,282	42,472
Total improvements	23,696	29,017	41,764	60,150	112,279
Plant	13,370	9,998	13,589	13,427	20,185
Capital excluding land and stock	37,067	39,015	55,354	73,577	132,464
Sheep	2,640	4,569	10,838	21,954	39,037
Cattle	2,526	16,056	19,639	15,960	25,534
Other livestock	141	328	402	739	1,242
Total livestock	5,308	20,954	30,880	38,653	65,815
Capital excluding land	42,376	59,969	86,235	112,231	198,280
Land	21,574	41,303	61,392	95,521	133,985
Total capital	63,950	101,272	147,628	207,753	332,265

TABLE 5 WHEAT/SHEEP ZONE CAPITAL STRUCTURE : BY STRATUM

Stratum: See Table 4 (Pastoral Zone)

Average per property: 1970-71 \$A (to nearest \$)

Item	2	3	4	5	6
Water	2,222	3,194	5,352	8,793	14,277
Fencing	4,745	7,375	10,991	18,986	54,008
Buildings	6,872	11,047	18,374	24,790	109,080
Total improvements	13,840	21,616	34,718	52,469	177,366
Plant	11,424	17,054	23,183	27,544	69,077
Capital excluding land and stock	25,265	38,671	57,902	80,014	240,443
Sheep	4,228	8,358	16,623	36,483	92,002
Cattle	2,941	2,894	10,510	33,518	201,807
Other livestock	377	208	362	619	2,940
Total livestock	7,547	11,461	27,496	70,620	296,750
Capital excluding land	32,812	50,132	85,398	150,635	543,193
Land	46,500	61,645	117,769	195,631	629,464
Total capital	79,312	111,778	203,168	346,267	1,172,658
<u>Average per property: 1971-72 \$A (to nearest \$)</u>					
Water	1,962	3,281	5,379	8,743	11,608
Fencing	5,606	7,674	10,893	17,965	42,107
Buildings	6,833	11,384	16,274	25,546	79,417
Total improvements	14,403	22,340	32,547	52,256	133,133
Plant	12,380	15,575	21,082	27,253	35,325
Capital excluding land and stock	26,784	37,916	53,629	79,509	168,458
Sheep	3,079	6,004	11,988	24,291	61,099
Cattle	2,501	5,543	10,631	33,769	89,799
Other livestock	506	262	431	729	2,133
Total livestock	6,086	11,811	23,050	58,789	153,032
Capital excluding land	32,871	49,727	76,680	138,299	321,490
Land	48,983	67,908	112,536	186,434	534,012
Total capital	81,854	117,636	189,216	324,733	855,503

TABLE 6 HIGH RAINFALL ZONE CAPITAL STRUCTURE : BY STRATUM

Stratum: See Table 4 (Pastoral Zone)

Average per property: 1970-71 \$A (to nearest \$)

Item	2	3	4	5	6
Water	1,508	2,388	3,832	7,247	9,580
Fencing	4,610	6,274	8,971	17,722	22,655
Buildings	6,154	9,838	15,291	30,294	42,734
Total improvements	12,273	18,500	28,095	55,263	74,971
Plant	8,420	9,054	13,533	20,997	27,740
Capital excluding land and stock	20,693	27,554	41,629	76,260	102,711
Sheep	4,523	8,869	18,296	42,354	83,943
Cattle	7,099	3,641	13,415	29,465	64,872
Other livestock	163	105	126	382	285
Total livestock	11,786	17,616	31,838	72,201	149,101
Capital excluding land	32,480	45,171	73,468	148,462	251,813
Land	52,859	70,048	98,452	204,537	392,449
Total capital	85,339	116,220	171,920	352,999	644,263
Average per property : 1971-72 \$A (to nearest \$)					
Water	1,440	2,705	3,349	6,060	8,737
Fencing	4,617	6,414	8,644	14,748	20,609
Buildings	6,386	11,218	13,229	26,382	37,025
Total improvements	12,444	20,339	25,224	47,191	66,372
Plant	7,103	9,939	11,121	17,914	22,217
Capital excluding land and stock	19,548	30,278	36,346	65,105	88,589
Sheep	2,969	6,762	12,572	29,096	52,973
Cattle	8,500	12,692	13,003	36,628	64,910
Other livestock	142	139	104	741	374
Total livestock	11,613	19,593	25,680	66,465	118,258
Capital excluding land	31,161	49,872	62,026	131,571	206,848
Land	59,883	80,965	95,234	211,554	359,201
Total capital	91,044	130,738	157,260	343,125	566,050

The Beef Cattle Industry

Beef cattle are widely distributed throughout Australia and beef cattle properties are operated under a great variety of seasonal and pastoral conditions. The farm capital picture is therefore most varied and is best summarised in tables constructed on a State and region basis.

Queensland has the highest total cattle numbers of any State in Australia. For statistical purposes the State is divided into seven regions, three of which are classified as intensive and four as extensive. The following three tables show the average capital per property for the extensive region, the intensive region and for each region:

QUEENSLAND

Queensland Extensive (Coastal Central, Western, Inland North, Peninsular/Gulf)

<u>Number of cattle</u>	<u>Total Capital</u> (Average per property) \$A
50 - 499	91,152
500 - 999	174,764
1000 - 1999	291,975
2000 - 4999	482,748
5000 - 9999	1,097,034
10000 - over	2,312,380
All properties	189,347

Queensland Intensive (South East, Coastal North, Inland South)

<u>Number of cattle</u>	<u>Total Capital</u> (Average per property) \$A
50 - 199	96,113
200 - 499	127,730
500 - 999	227,579
1000 - 1999	268,243
2000 - over	124,994
All properties	124,994

1970-71 Survey Figures by Regions

	\$
Peninsular Gulf	527,929
Inland North	224,129
Coastal North	128,924
Western	249,508
Inland South	126,804
Coastal Central	170,752
South East	136,627
Average property Queensland	152,572

NEW SOUTH WALES

1970-71 Survey Figures by Regions

	\$
Coastal	82,167
Tablelands	124,644
S.E. Slopes	205,802
Plains	201,479
All Properties	152,786

3 Year Average by Cattle Numbers

50 - 99	106,067
100 - 199	132,239
200 - 499	181,724
500 - 999	307,030
1,000 - over	972,379
All Properties	153,733

VICTORIA

1970-71 Survey Figures by Regions

South Western	129,781
Central	130,743
North Eastern	144,979
North Western	153,915
All properties	137,297

SOUTH AUSTRALIA

South Eastern	116,002
Central	155,668
Northern	255,297
South Australia	132,170

NORTHERN TERRITORY

Alice Springs	570,306
Barkly Tablelands	2,364,517
Victoria River	2,004,214
Darwin and Gulf	838,766
All properties	1,032,927

KIMBERLEY (W.A.)

50 - 4,999	247,711
5,000 - 9,999	756,217
10,000 - over	1,589,567
All properties	766,402

WESTERN AUSTRALIA

Coastal - South West	144,336
Inland - South West	166,098
Regions 1 + 2 average	149,694

TASMANIA

1970-71 Survey Figures by Regions 121,713

3 Year Average by Cattle Numbers

50 - 99	79,515
100 - 199	81,371
200 - 499	182,823
500 - 999	370,254
1,000 - over	405,419
All properties	117,866

The above brief summary shows higher average capital involvement in Victoria and Western Australia. Victoria possesses a more favourable environment for dairying under Australian conditions and the position in Western Australia is due to the continuing development of large scale systems. These factors contribute to the greater increases in farm capital value in these States compared with other States.

Trading Banks

The "major trading banks" comprise seven large banks which operate throughout Australia. These are:

- Commonwealth Bank of Australia
- Bank of New South Wales
- Bank of Queensland
- Bank of Western Australia
- The National Australia Bank Ltd.
- The Commercial Bank of Australia Ltd.
- The Commercial Banking Company of Sydney Ltd.
- The Bank of Adelaide

Dairy Farming

Under Australian conditions, the dairying industry shows a great variation in farm capital requirements depending on the region in each State, the herd size and the situation of the farm in relation to wholemilk production for human consumption or the supply of milk for manufacturing purposes. To give some indication of the position, the following table summarises the position in each State:

CAPITAL STRUCTURE SUMMARY BY STATE AND SECTOR
Four Date Average 1.7.67, 30.6.68, 30.6.69 and 30.6.70

State Sector	Livestock		Other Non-Land		Sub-Total		Land		Total	
	\$	%	\$	%	\$	%	\$	%	\$	%
New South Wales	15,084	24	15,824	25	30,917	49	32,237	51	63,155	100
Victoria	14,430	18	17,553	22	31,983	40	47,702	60	79,685	100
Queensland	10,978	22	14,054	28	25,032	49	25,662	51	50,694	100
South Australia	11,391	18	19,730	32	31,121	50	30,890	50	62,011	100
Western Australia	24,412	17	22,998	16	47,410	33	97,921	67	145,331	100
Tasmania	10,873	17	21,333	34	32,206	51	31,259	49	63,465	100
Australia	13,847	19	17,090	24	30,937	43	40,124	57	71,061	100
Manufacturing Sector	12,437	21	15,376	25	27,813	46	32,353	45	60,166	100
Wholemilk Sector	15,646	18	20,052	23	35,698	41	51,987	59	87,685	100

The above brief summary shows higher average capital involvement in Victoria and Western Australia. Victoria possesses a more favourable environment for dairying under Australian conditions and the position in Western Australia is due to the continuing development of large scale farms. These factors contribute to the greater increases in farm capital value in these States compared with other States.

Farm Credit (Section 3)

SOURCES OF RURAL CREDIT

In summary, the sources of finance for rural producers as at 30 June 1973 were:

<u>Major Institutional Lenders</u>	<u>June 1973</u> <u>\$A.M</u>
Major Trading Banks	1,053
Government - (a) Ex-Service Settlement	71
(b) State Banks and Agencies	481
Pastoral Finance Companies	303
Commonwealth Development Bank	198
Assurance Societies	117
Total	<u>2,221</u>

Other Lenders

Private Lenders	possibly about	800M
Trade Credit		Small
Savings Banks		Small
Co-operatives		Small
Finance Companies	less than	150M
Total - possibly over		1,200M

Indirect Finance

Indirect sources of finance include the Rural Credits Department of the Reserve Bank of Australia which provides funds for co-operatives and marketing boards to enable them to make advance payments to producers prior to the sale of their produce. The average amount advanced in 1972/73 was \$A250M.

These three categories give a total of \$A 3,671 M.

COMMONWEALTH AND PRIVATE INSTITUTIONS AVAILABLE IN ALL STATES

Trading Banks

The "major trading banks" comprise seven large trading banks which operate throughout Australia. These are:

- . Commonwealth Trading Bank of Australia
- . Bank of New South Wales
- . Australia and New Zealand Banking Group
- . The National Bank of Australasia Ltd.
- . The Commercial Bank of Australia Ltd.
- . The Commercial Banking Company of Sydney Ltd.
- . The Bank of Adelaide

With the exception of the Commonwealth Trading Bank, these are public companies. The Commonwealth Trading Bank is a constituent bank of the Commonwealth Banking Corporation which also includes the Commonwealth Savings Bank and the Commonwealth Development Bank.

Each bank conducts an extensive network of branches and agencies, a feature which is often quoted as beneficial to rural producers who thereby have access to funds earned outside their geographical region. The trading banks traditionally provide the largest amount of 50% of the gross rural debt. Rural advances are generally made under three broad categories:

- (a) Overdraft loans.
- (b) Term loans.
- (c) Farm development loans.

(a) Overdraft Loans

The major part of credit provided by the trading banks is by way of an overdraft. In this system the customer makes arrangements with the bank to overdraw his account up to an approved limit. Interest is charged on the daily debit balance of the account. By these means the customer is paying only for the funds actually in use. Another system in the treatment of overdrafts is to make the loan fully drawn in which case the borrower is paying interest on the total amount of the loan. The banks normally require stipulated reductions in the limit at a predetermined rate to reduce or totally repay the loan. In form this is short term credit with the banks retaining the right to recall the loan at any time. In practice however, a proportion of overdraft loans have been of a longer term nature with flexible arrangements for repayment influenced by such considerations as collateral security, purpose of the advance, ability to repay and the current lending policies of the trading banks.

Overdrafts are arranged for practically any purpose but tend to concentrate on property purchase, capital expenditure on improvements and developments; for carry-on expenditure, assistance with livestock purchases or associated expenses. The Reserve Bank has estimated that the weighted average life of overdraft commitments is about 4 to 5 years.

The present common interest rate charged by the trading banks on overdrafts is 9.5%. This rate may increase in the near future.

(b) Term Loans

In some circumstances, especially where funds are required for developmental purposes, it is more appropriate to borrow for fixed term rather than by overdraft. It was in recognition of this longer-term need that the government sought the collaboration of the trading banks in establishing term loan and farm development loan funds.

Term Loan Funds were established in April 1962 under arrangements formulated at discussions involving the Government,

the Reserve Bank and the trading banks. The aim was to make fixed term loans for capital expenditure primarily in the rural and industrial fields and to finance exports. For some time the trading banks had been faced with a declining share of the capital market in Australia. As new institutions developed to meet specialised needs, the banks found that on the one hand their traditional overdraft form of lending was not always suitable and on the other that other financial institutions, free of the restraints imposed on trading banks by the Reserve Bank, were able to attract business towards themselves -- e.g. instalment finance companies.

Initially the funds provided for term lending by the trading banks were fixed at \$114m, equal to 3% of bank deposits, 2% being provided from the banks' Statutory Reserve Deposit accounts with the Reserve Bank and the remaining 1% from their holdings of liquid assets and government securities. Accounts were established by each bank separately and were designed to operate on a revolving basis with the flow of repayments of existing loans into the accounts being available for new lending. From the outset, the heavy demand on the Term Loan Funds provided clear evidence that they satisfied a need, and subsequently the funds have been augmented several times by transfers from Statutory Reserve Deposit - Liquid and Government Securities - virtually in the same proportions as the original transfers.

(c) Farm Development Loans

Farm Development Loan Funds were established in 1966 after agreement between the major trading banks, the Government and the Reserve Bank. Initial funds were \$50m. These funds were established to give primary producers greater access to medium and long term bank finance. Loans for development purposes (including land purchase and drought mitigation measures) are made from these funds to help the farmer increase the productivity of his enterprise.

Average interest rates charged on Farm Development Loans are lower than the average of those charges on Term Loans. (Table 8).

The loans are for fixed terms ranging up to 15 years, with longer periods possible in special cases. Repayments are related to the particular purpose of the loan, and the trading banks may, in appropriate cases, relax normal security standards.

Commonwealth Development Bank of Australia

The Bank commenced operations on 14 January 1960. In relation to rural finance, the Bank's intentions can be briefly summarised as:

- (a) To provide finance for persons for the purposes of primary production in cases where, in the opinion of the Development Bank, the provision of finance is desirable and the finance would not otherwise be available on reasonable and suitable terms and conditions.
- (b) In determining whether or not finance shall be provided for a person, the Development Bank shall have regard primarily to the prospects of the operations of that person becoming, or continuing to be, successful and shall not necessarily have regard to the value of the security available in respect of that finance.

In relation to rural activities, the Bank considers applications for finance for:

- . Farm development such as clearing, fencing, irrigation, water conservation, pasture improvement, provision of stock, the erection of farm buildings (including dwellings) where these are necessary for the efficient working of a property, and the acquisition of additional plant.
- . The purchase of property for farm development or to enable a farmer with a marginally economic holding to build up his area to the extent reasonably required for economic operation in the longer term.
- . The purchase of farm properties in other circumstances considered appropriate.
- . The holding together of a farming enterprise upon the death of a farm proprietor.
- . Repayment of unsuitably short-term private mortgage debt and similar obligations.

The Bank normally expects applicants for rural loans to be actually or prospectively engaged in rural production as a principal activity.

All applications for finance are required to conform to the advance policy (if any) laid down by the Reserve Bank of Australia from time to time.

It is necessary for prospective borrowers to establish to the satisfaction of the Development Bank that the finance sought is not otherwise available on reasonable and suitable terms and conditions.

No maximum amount has been set for loans but, because of the nature of the Bank's functions, loans are rarely approved for an amount in excess of \$200,000 for any one borrower. In the absence of exceptional circumstances, applicants are expected to have a reasonable equity in their undertakings.

Efficiency, managerial capacity and integrity of the applicant, as well as prospects of the industry in which the applicant is engaged or intends to become engaged, are important considerations in the assessment of proposals.

An important point to remember is that within the broad outlines mentioned, an over-riding consideration in determining the administrative policy of the Development Bank is the need to ensure that the funds it has available for lending from time to time are applied towards those proposals which have the more important developmental and economic features.

Method of Lending and Repayment Arrangements

Finance is usually made available by way of medium to long term loan repayable over a period suited to the circumstances of each individual borrower.

Repayment is usually required by half-yearly instalments of equal amount covering principal and interest or, alternatively, of equal amounts of principal, plus interest. Where a new enterprise is involved, or in other appropriate cases, the first instalment date is a matter for special consideration.

Progressive loans which may be drawn over a reasonable period are provided where appropriate.

No specific lending margins against particular types of security are set and each case is considered on its merits. The Bank seeks, however, the best security available up to the point where it is reasonably secured for the assistance it provides.

Naturally interest rates vary from time to time. In the current circumstances, rates charged vary from 8% to 9.75%, depending on the category in which the loan application falls.

As a practical guide it could be said that at the present time the general range of interest charges would be from 8.5% to 9.5% with perhaps the majority of loans, particularly those of a non-developmental nature, carrying the currently established commercial trading banks' general interest rate of 9.5%.

Equipment Finance

In suitable cases, the Development Bank provides finance under hire purchase or other appropriate instalment payment arrangements for the acquisition of producer goods such as machine tools, farm tractors, agricultural equipment and transport vehicles other than passenger motor cars. The maximum available term under such arrangements depends on the type of goods financed.

The frequency of instalments on equipment finance is determined according to the income pattern of the person being financed.

The basic financing charge for new goods is currently 6.25% p a flat. Rates are subject to variation from time to time.

Pastoral Finance Companies

The pastoral finance companies have traditionally been associated with woolbroking activities and all the larger companies are members of the National Council of Wool Selling Brokers of Australia. In addition to acting as commission agents in the sale of wool and other produce, and in the sale and purchase of stock and land, these companies also act as merchandise, shipping and insurance agents. The provision of short term credit facilities for their clients is largely a service designed to attract and retain good business rather than to obtain profits directly from financing.

The pastoral companies' advances to debtors represent, in the main, short term credit to tide clients over the gap between the production and disposal of their wool and other produce. The security required by pastoral companies from these loans differs from that required by banks in that it usually takes the form of a livestock mortgage or a lien on wool rather than a mortgage on land. Nevertheless pastoral finance companies have provided credit in some cases for property purchase and for these loans a mortgage on land would have been sought. It is thus not uncommon for rural producers to be indebted to some extent to both pastoral companies and to banks. The pastoral finance companies do, however, endeavour to finance in the short term market.

The pastoral finance companies derive their funds from various sources - e.g. share and loan capital, borrowings from the trading banks, and credit balances in clients' accounts.

The flow of funds available for lending in recent years has become increasingly dependent on borrowings from the trading banks.

Because of the function of the pastoral finance companies to help clients with advances of a seasonal nature pending the receipt of their income from the sale of produce, the level of advances varies throughout the year. The low point usually occurs in the March-April period while demand reaches a peak between September and November.

The basic rate of interest charged by pastoral companies is currently 10 1/4% p a.

Life Assurance Societies

Life assurance societies lend a proportion of their funds in the rural field. They are mainly interested in 1st mortgage loans and usually lend up to 50% of their valuation of the security offered. These institutions prefer to have any likely probate problems solved or a minimum of 50% of the loan covered with life assurance. It could be said that assurance societies aim to limit their lending to the better classes of rural business where earning capacity and financial strength tend to give trouble-free accounts which can service the borrowings without undue difficulty.

The demand for rural credit from life assurance companies generally exceeds the funds available since the majority of companies provide finance on long term repayment commitments. Assurance companies secure their advances by a first charge over real estate and interest rates are usually higher than bank overdraft. Current interest rates charged are from 10 1/2%.

Farmers may also borrow against the surrender value of life assurance policies.

Ex-Service Settlement

Advances for ex-servicemen to assist them settle on the land were made available chiefly under the War Services Land Settlement Scheme. New South Wales, Victoria and Queensland agreed at the inception of the scheme to find their own finance for the acquisition and development of properties, while the Commonwealth provided the finance for capital expenditure under the scheme in South Australia, Western Australia and Tasmania.

The Commonwealth Government also provided funds under the Re-establishment and Employment Act to assist ex-servicemen with rural loans and allowances and with rural training.

Both schemes are virtually completed and no new advances are being made under the Re-establishment and Employment Act.

The Commonwealth is still assisting discharged National Servicemen with loans and vocational training to re-establish themselves in agricultural occupations.

State Banks and Other Institutions

A large part of the advances shown from Government sources arise from the advances of the State-owned banks in New South Wales, South Australia and Western Australia, which provide similar services to those of the seven major trading banks. The Agricultural Bank of Queensland is also a substantial lender but does not provide the same range of services as the other State banks (e.g. its customers do not have cheque or current accounts and its funds are not dependent on depositors but come from Treasury loans, debentures, inscribed stock and a trust fund).

The States also lend special government funds which are channelled through the agency departments of their State lending institutions or through other departments. The purpose for which these funds are lent vary between States but most loans made fit under the following categories -

- (a) sale or lease of Crown land on extended terms;
- (b) purchase of equipment, stock and plant;
- (c) developmental advances, water supplies, soil conservation, etc.;

- (d) disaster and relief advances; and
- (e) debt adjustment and reconstruction.

Although the interest rates and terms of these special government loans are usually very generous, borrowing is generally restricted by a means test or other legal or administrative constraint.

Private Debt

Private debt may take a number of forms such as family arrangements, use of money in deceased estates by part beneficiaries, private funds channelled through accountants or estate agents, loans by solicitors to trustee companies from trust accounts, and credit extended to the buyer of a property by the vendor.

There are strong indications that private lending is a significant source of credit. In some surveys undertaken by Bureau of Agricultural Economics in various States, private lending has accounted for about 30% of the finance borrowed by some individuals.

Packing Houses Processors, Co-operatives and Other Sources

Credit is often extended to growers by the organisation which handles or processes the marketing of the crop. This is particularly so in the case of the horticultural industry.

Packing sheds and grower operatives are an important source of credit in most regions of the dried vine fruit industry. This type of finance is highly seasonal with a peak during harvest time in autumn.

Co-operative producer organisations which assist in the marketing of farm produce frequently extend short term credit.

Other sources from which credit is obtained which in the overall total is a relatively small proportion of rural indebtedness comes from hire purchase firms, merchant bankers, trade credit and the like organisations.

One further significant source of rural credit funds comes from trustee companies who lend funds to rural enterprises on first mortgage security. Their attitudes can be likened to that of assurance societies and interest rates are generally higher than bank rates.

In elaboration of some of the information contained in this section, several tables are appended.

Table no. 1 shows estimated rural debt to the lenders specified. The interesting feature of this table is the growth in total debt from \$830M in 1957 to \$2,221M in 1973.

Table no. 2 lists estimates of the total proportions of the population sampled in various Bureau of Agricultural Economics Industry Surveys which fall into specified classes when ranked by debt as a proportion of rural assets used in the farm business.

The first point of note in this table is the high proportion of properties with a debt ratio to total capital employed of 10% or less. From other industry surveys, particularly in the sheep industry, it is known that 10% of the capital utilised is generally in the nature of advances for working expenses. In other words, a large proportion of producers are in a category of personal borrowings to finance carry-on requirements only.

In Table no. 3, the estimates of proportions of total borrowings of the beef and sheep industries made for specified purposes are shown. The interesting features of this table are that property purchase and carry-on funds are still the major purposes for which finance is required.

Table no. 4 shows the advances made by the major trading banks to the rural sector by types of loan and enterprise types.

Tables nos. 5 and 6 provide information on Commonwealth Development Bank loans to rural industries (table 5) and loan finance approvals and equipment finance approvals for rural loans as a proportion of total approvals (table 6). Note the strong bias in favour of rural lending.

Table no. 7 shows the liabilities and advances of pastoral finance companies.

Table no. 8 gives the average interest rates charged on term loan and farm development loans by the major trading banks from 1963-1973.

Summary and Discussion

Agriculture in Australia is a capital intensive industry. Over the past two decades the capital used in agriculture has been increasing while the trend in the use of labour has been declining.

Farm capital has traditionally been financed from producers' funds and the producer's equity in his rural assets has always been at a substantial level. For example, in June 1973, the producer's own funds were estimated to comprise about 86% of the total funds employed in rural industry.

It is therefore apparent that the borrowed funds in rural industry for all sources are relatively small when compared with the funds which the producers provide from their own resources.

The progressive increases in the total rural debt from specified lenders (illustrated in Table 1 - Section 3) is in large part due to the appreciation in land values to general development and the increasing need to substitute capital in agriculture to offset the declining trend in the use of labour.

In the earlier periods of land settlement and development, the trading banks and overdraft system provided financial resources to the rural sector. In the post-war period, considerable pressures on capital funds required by all industries developed and in this situation, the rural sector of the community began to experience difficulties in obtaining capital for land acquisition and development on suitable terms and conditions. In this climate the Commonwealth Development Bank came into being and there is little doubt that its formation and functions exerted a considerable influence in relation to capital available to the rural sector generally. A short time after the Commonwealth Development Bank began to function, the trading banks commenced the operations of term loans and farm development loans (as outlined in section 3).

The availability of the total funds from the combined resources of the various lending institutions seems, during this period of the early 60's, to have been more or less in line with the requirements of rural industries generally and it was not until the late 60's that a financial crisis developed in the rural economy due to over-production of wheat and other produce and a disastrous collapse in the world wool market. This precipitated the need for funds for reconstruction of many small farm enterprises which became economically non-viable, with farm returns generally falling well below the costs of production.

At this stage the financial emphasis changed to reconstruction and Commonwealth Government funds were made available to the States for Rural Reconstruction schemes. This assumed some significance for a short period, but fortunately for our rural industries generally, world trade and commodity prices recovered and the wool market changed direction dramatically with substantial price rises being experienced in 1972 and 1973.

During this period of the early 1960's and 1970's, the notable trends to changes in rural financing can be summarised:

- * The formation and operation of the Commonwealth Development Bank introduced term loan systems to rural financing. The major trading banks followed this development with Term Loans systems and Farm Development Loans as outlined earlier in section 3.
- * Due to policy of the Development Bank, much greater attention was directed to the prospects of success of a particular venture rather than to the security available to the lender as the criterion on which judgements were made to approve or decline a loan. This promoted a closer investigation of the loan proposal and in general it could be claimed this practice has led to an increased efficiency in financial resource use.
- * With the apparent need to tackle reconstruction problems on a relatively large scale from 1969, financial gearing to provide for farm enlargement or amalgamation emerged. Funds were made available through direct Government action, Rural Reconstruction Boards in each State, through the Commonwealth Development Bank and through the commercial

banking system by normal commercial borrowings.

This process has assisted a proportion of the non-viable farms to be absorbed into stronger and more economically viable farming units and has helped to overcome the problems of the small subsistence farmer.

- * In times past and up until September 1973, finance from the major trading banks and from some other sources lent to farmers was subject to concessional interest rates. In the case of the major trading banks, the interest concessions were from .75% to 1% per annum of the going rate.

Concessions still remain on loans made with term loan funds and farm development loan funds, some categories of loans made by the Commonwealth Development Bank and loans to farmers made by State Banks and Agencies for a variety of special purposes (e.g. rural reconstruction, etc.

Apart from these special purpose loans, the waiving of concessional interest rates represents a marked change in general rural financial policy. The long term effect of this could be to induce more capital into the rural finance market and encourage financial organisations to view longer term loans more favourably.

At the present time the current criticisms from producers about rural credit in Australia centre on the rate of interest charged and the lack of long term finance.

In the matter of interest charges, the financiers' point of view is that any concessional interest acts against the long term interests of rural producers. The established and substantial farmer normally has a higher rate of returns to service capital borrowings and thus benefits from concessional interest rates to the disadvantage of the smaller or marginally profitable farmer. Concessional interest means that funds tend to be diverted to higher interest lending opportunities and the recipients of that portion of the funds available to the rural sector therefore tend to be selected on capacity to readily service the debt and in establishing accounts which are trouble free or which offer some collateral advantages - again, this is invariably the better established farmer.

In the matter of long term borrowing alternatives, it will be seen from the tables presented that there can be some improvement effected in this direction if the demand is sufficient to warrant the introduction of new schemes. Apart from State Government Agency Advances for various purposes, the only recognised longer term loan facilities presently available are through Farm Development Loans and the Commonwealth Development Bank.

In those instances where the amount of borrowing is high in relation to the total capital requirements in any farming enterprise, the early years of establishment are financially critical unless the borrower can maintain a reasonable level of liquidity. Usually, the lower his repayment commitments during this critical time, the better his liquidity and ability to ride out the financial stresses

likely to be experienced.

In Australia, harsh seasonal conditions over a prolonged number of years are not uncommon over vast areas of the Commonwealth and even in the better farming regions, short term dry spells are common. Similarly, marketing conditions tend to fluctuate quite violently. The early years are therefore of critical importance in a settler's ultimate successful establishment. Attention to the better staging of loan commitments in high debt cases seems to warrant close attention.

In conclusion, it can be claimed that the rural industries in Australia have been reasonably serviced in the past in terms of the capital available to credit-worthy and economically viable enterprises. Perhaps the most pressing requirements in improving the farm credit picture in my area relate to the staging of term loans aimed to preserve the maximum liquidity of the borrower, at least to the time period where the risk of absolute failure has been reasonably overcome.

TABLE 1 ESTIMATED RURAL DEBT TO SPECIFIED LENDERS
(\$ million)

As at 30 June	Major Trading Banks	Ex-Service Settlement	Other Government	Pastoral Finance Companies	Commonwealth Development Bank (ex-Mortgage Bank)	Assurance Societies	Total
	(a)	(b)	(c)	(d)		(e)	
1957	400	92	116	160	11	24	803
1958	462	100	125	186	12	32	917
1959	459	106	126	183	12	34	920
1960	474	111	129	204	14	42	974
1961	451	114	138	213	21	48	985
1962	479	118	150	208	35	50	1,040
1963	495	113	159	214	45	52	1,078
1964	514	108	177	228	55	56	1,138
1965	584	104	206	259	72	65	1,290
1966	650	99	232	250	92	75	1,398
1967	751	92	261	285	120	81	1,590
1968	918	88	297	314	143	97	1,857
1969	939	83	318	338	162	115	1,955
1970	998	80	351	349	176	128	2,082
1971	994	83	374	333	192	129	2,104
1972	963	79	432	293	202	125	2,094
1973	1,051	71	481	303	198	117	2,221

- (a) Major Trading Bank figures are based on a classification of advances prepared by the banks. Debt recorded is as at the second Wednesday in July.
- (b) The Ex-Service Settlement figures include advances made under the War Service Land Settlement and Agricultural Re-establishment Acts and those made from State Funds.
- (c) Other Government debt includes State Banks and State Savings Banks but excludes that owing on land in course of alienation.
- (d) The Pastoral Finance Company figures have been compiled from returns supplied by major pastoral finance companies.
- (e) Since 1958, Assurance Society figures supplied by Insurance Commissioner. Prior to 1958, figures are estimated.

Source: Reserve Bank of Australia, Statistical Bulletins.

TABLE 2 ESTIMATED PROPORTION OF POPULATIONS FALLING WITHIN SPECIFIED DEBT/TOTAL FARM ASSETS CLASSES, AUSTRALIA : BY "INDUSTRIES"

Producer Population Sampled	Debt/Total Assets Class							Ratio for Whole Population
	Credit or Zero	0 to 4%	4% to 10%	10% to 20%	20% to 40%	40% to 60%	60%	
	%	%	%	%	%	%	%	
Beef	32	10	14	18	19	4	3	0.12
Sheep	27	20	17	17	14	5	1	.11
Wheat	31	-	-	16	20	-	-	0.17
Milk (Aust.)	31	12	12	16	21	7	2	0.14
Milk (N.S.W.)	40	17	21	14	10	4	1	0.09
Milk (Qld.)	24	14	16	16	21	9	3	0.15
Milk (W.A.)	9	17	26	37	16	2	0	0.13
Dried Vine Fruit	9	-	-	14	24	18	14	0.30
Pigs								0.16
Apples & Pears (Tas.)								0.31
Deciduous Canning Fruit								0.17

Source: BAE Surveys

Date to which estimate relates: Beef, 30/6/71; sheep-wheat, 30/6/72; milk, dried vine fruit, 30/6/68; pigs, 30/6/70; apples and pears, 30/6/69; deciduous canning fruit, 30/6/69.

TABLE 3 PERCENTAGE OF INDEBTENESS BY PRINCIPAL PURPOSE OF LOAN:
BEEF AND SHEEP INDUSTRY TOTALS : AUSTRALIA

Purpose of Loan	Total Beef	Australian Sheep Industry Survey		
		Pastoral	Wheat-Sheep	High Rainfall
	%	%	%	%
Property Purchase	36.2)	76.5	68.6	78.4
Land Development	12.2)			
Buy additional land	4.4)			
Structural Improvements	2.0)	0	7.7	2.6
Machinery & Plant	1.5)			
Cattle Purchase	6.0)	2.5	3.0	1.7
Other Livestock	1.7)			
Fund other Debt *	2.4			
Carry-on/Seasonal	19.81)	20.8	17.6	15.8
Domestic/Personal	0.8)			
Combination on-farm*	4.2			
Combination on/off farm*	0.4			
Death Duties	0.5	0.2	3.1	1.5
Other*	0.3			
Not known*	3.3			

* Included elsewhere in Australian Sheep Industry Survey classifications

Source: Beef-Australian Beef Cattle Industry Survey as at 30/6/71.
Sheep-1972/73 Australian Sheep Industry Survey, figures are provisional.

TABLE 4 MAJOR TRADING BANKS : ADVANCES OUTSTANDING TO RURAL SECTOR : BY TYPES OF LOAN AND ENTERPRISE TYPE

At second Wednesday of	Mainly Sheep Grazing			Mainly Wheat Growing			Mainly Dairying ^c and Pig Raising			Other			Total of all Advances
	Over- draft	Term	Farm Develop- ment	Over- draft	Term	Farm Develop- ment	Over- draft	Term	Farm Develop- ment	Over- draft	Term	Farm Develop- ment	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	
July													
1961	220.8	-	-	36.0	-	-	83.3	-	-	110.5	-	-	450.6
1962	227.4	-	-	42.5	-	-	87.5	-	-	121.8	-	-	479.2
1963	218.3	9.6	-	43.0	3.4	-	88.4	3.2	-	123.4	5.6	-	494.9
1964	206.2	20.9	-	45.2	6.0	-	88.7	6.3	-	131.0	10.1	-	514.3
1965	233.5	27.4	-	57.0	8.0	-	87.0	7.4	-	146.0	17.9	-	584.1
1966	264.7	32.9	0.6	65.6	10.6	0.1	85.4	8.3	0.3	159.3	22.3	0.3	650.4
1967	292.2	42.8	9.5	73.5	13.8	3.3	90.3	9.6	3.6	178.7	28.2	5.0	750.5
1968	342.1	47.7	20.1	106.1	19.2	7.5	102.4	12.2	6.6	209.6	33.6	11.0	918.1
1969	327.5	50.3	28.4	94.1	20.7	9.8	102.3	13.4	10.4	221.4	42.2	18.0	938.5
1970	345.2	49.0	32.7	111.3	21.1	10.0	94.0	14.1	11.4	236.8	47.0	25.3	997.8
1971	334.6	42.2	33.4	107.6	17.9	10.3	84.5	13.6	12.9	255.4	48.4	33.0	993.9
1972	292.1	36.5	35.5	100.0	14.7	11.7	78.0	13.8	18.9	263.0	51.3	47.0	962.5
1973	231.0	31.3	59.0	91.6	14.4	26.8	83.6	16.7	34.8	308.0	58.4	94.9	1050.6
January													
1971	340.1	47.9	33.6	100.2	20.9	10.4	83.8	13.6	11.6	240.8	48.0	27.7	978.7
1972	303.0	38.1	33.5	96.2	17.6	10.5	71.9	13.8	13.8	247.9	49.7	37.9	933.9
1973	243.6	34.8	37.5	85.3	15.0	14.3	73.3	16.2	22.5	262.7	52.2	61.7	919.0

Sources: Reserve Bank of Australia, Statistical Bulletin, various issues, and Financial Supplement, September 1969.

TABLE 5 COMMONWEALTH DEVELOPMENT BANK LOANS TO RURAL INDUSTRIES
(Percentages of Total Loans Outstanding at 30th June)

Type of Industry	1960	1963	1966	1969	1970	1971	1972	1973
	%	%	%	%	%	%	%	%
Sheep	60.8	49.1	51.2	48.8	47.2	45.2	35.9	31.8
Cattle	4.6	11.5	11.6	14.6	16.6	19.6	31.3	33.1
Wheat	4.8	9.1	10.4	13.6	14.0	13.2	9.5	10.8
Grain other than wheat	1.5	1.8	1.2	1.5	1.8	1.6	2.2	2.6
Fruit	2.0	5.1	4.1	3.0	3.0	3.2	3.4	3.8
Dairy	23.1	16.0	11.5	10.4	10.0	9.7	9.4	9.9
Other rural industries	3.2	7.4	10.0	8.1	7.4	7.5	8.3	8.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total value of outstanding loans	\$m 13.6	\$m 45.0	\$m 92.2	\$m 161.8	\$m 175.9	\$m 191.8	\$m 201.8	\$m 198.5

Source: Commonwealth Banking Corporation, Annual Reports, various issues.

TABLE 6 COMMONWEALTH DEVELOPMENT BANK APPROVALS FOR LOANS

Year	Loan Finance Approvals			Equipment Finance Approval(s)		
	Rural Approvals	Total Approvals	Rural as a Proportion of total Approvals	Rural Approvals (b)	Total Approvals	Rural as a Proportion of total Approvals
	\$m	\$m	%	\$m	\$m	%
1959-60	14	31	45	19(c)	29	67(c)
1960-61	16	22	73	20	28	70
1961-62	20	26	77	23	30	75
1962-63	13	19	68	24	31	76
1963-64	22	31	71	28	37	77
1964-65	26	34	76	30	40	74
1965-66	39	49	80	29	39	75
1966-67	39	47	83	32	40	79
1967-68	36	44	82	30	40	74
1968-69	33	43	77	31	42	74
1969-70	30	41	73	26	38	68
1970-71	29	40	72	24	35	69
1971-72	29	40	73	27	37	73
1972-73	29	41	71	28	38	73

- (a) Finance for equipment under hire purchase arrangements.
- (b) Transactions originating in rural areas.
- (c) Estimated by Commonwealth Banking Corporation.

Source: Commonwealth Banking Corporation, Annual Report, various issues.

TABLE 7 LIABILITIES AND ADVANCES OF PASTORAL FINANCE COMPANIES

Year	Balances Due to Banks		Clients Credit Balances		Liabilities					Rural Advance	
					Debentures, Notes and Deposits		Other Outside Liabilities	Share Holders' Funds	Overseas Liabilities		Total Liabilities
					Maturing within 12 months	Other					
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m		
<u>At 30 June</u>											
1963	48.1	46.5	18.9	15.7	88.5	112.1	104.9	434.6	213.7		
1964	49.6	51.6	18.9	20.0	98.1	130.3	107.2	475.8	228.3		
1965	74.5	42.9	19.9	22.5	86.6	138.0	114.1	498.6	258.9		
1966	57.3	39.1	27.3	24.1	95.6	145.7	128.4	517.5	249.9		
1967	68.5	41.8	39.3	29.8	94.7	154.2	131.9	560.2	285.5		
1968	94.4	34.4	51.9	40.0	89.9	162.5	133.2	606.1	314.4		
1969	86.7	37.6	52.7	46.5	107.2	173.4	138.4	642.4	337.7		
1970	95.1	34.7	70.6	52.1	113.6	181.1	152.5	699.6	349.1		
1971	96.2	31.9	85.3	78.4	122.1	179.6	128.6	722.0	333.0		
1972	57.1	35.1	137.6	86.4	150.2	183.3	124.0	773.6	292.5		
1973	54.7	57.6	207.5	94.3	196.6	199.1	129.3	939.1	303.1		
<u>At 31 December</u>											
1970	83.5	33.6	133.9	79.3	115.2	180.5	122.3	745.3	371.0		
1971	105.1	32.6	111.6	82.6	117.5	179.9	124.9	754.4	323.3		
1972	73.6	48.0	174.1	94.7	177.5	186.3	124.1	878.3	281.3		
1973	104.9	64.0	176.3	85.2	212.5	202.7	136.0	981.6	335.2		

Source: Reserve Bank of Australia, Statistical Bulletin, various issues.

TABLE 8 AVERAGE INTEREST RATES CHARGED ON TERM LOANS AND FARM DEVELOPMENT LOANS BY MAJOR TRADING BANKS (at end of June)

	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
	%	%	%	%	%	%	%	%	%	%	%
Term Loans	6.68	6.64	6.63	6.72	6.86	6.97	7.13	7.67	7.69	7.00	7.29
Farm Development Loans	-	-	-	6.48	6.45	6.40	6.47	6.65	6.79	6.95	7.23

Source: Reserve Bank of Australia, Statistical Bulletin, various issues; Financial Supplement, September 1969.

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