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Editorial.

POTATO MARKETING.

The establishment of producer controlled Marketing Boards is a significant extension of the co-operative principle in agriculture and, in consequence, new developments in this field are worthy of comment. Pooled marketing schemes are not applicable to all types of agriculture, but they do possess merit in particular instances in stabilising a home market by the control of deliveries, thus avoiding uneconomic alternations of gluts and scarcities. They reflect the growing recognition that farming has "big business" implications and that the satisfactory selling of a product is of equal importance to the farmer as the physical growing of the product. The N.S.W. Potato Marketing Board was formed in December, 1946, and members were elected and appointed in April, 1947. Home-produced potatoes will become vested in the Board in October, 1948, and thereafter the Board will assume full responsibilities of marketing.

It is not illogical to suppose that the formation of Potato Marketing Boards in this and other States has been hastened by the realisation of the benefits to producers of some Federal wartime potato controls. These were developed in several stages. The first was the fixing of maximum prices on potatoes in November, 1940. This was followed by further regulations, in April, 1942, which created the Australian Potato Committee and gave it power to regulate or prohibit the production, supply, distribution, sale or other disposal of potatoes. Whilst having no powers of compulsory acquisition, the Committee was empowered to acquire potatoes by agreement. Later, in 1942, a system of offering contracts to growers was instituted in order to increase production. Under contracts so entered into, growers undertook to deliver potatoes, upon set terms, as and when required by the Committee. Finally, in 1943, a subsidy scheme was introduced which, in effect, resulted in practically all growers entering into contracts with the Australian Potato Committee, thus ensuring stability in production and enabling the fixing of set wholesale and retail prices in all States of the Commonwealth. From 1943 until the present time, these have been the arrangements whereby a cheap and plentiful supply of potatoes has been maintained to the civilian population, increased production costs have been cushioned, and shipping, rail transport and storage risks, inseparable from the conduct of war, have been borne by the Commonwealth and not by the producers of the two major exporting States.

It is important to note the changes which reversion from Federal Government to State Board control will bring. No further subsidy payments will be made on potatoes. No further contracts will be entered into, and production, at least in New South Wales, will not be directly controlled. The State Board will therefore find it necessary to pass on increased production costs to consumers, and it is inevitable that retail prices will rise sharply. Interstate movement of potatoes will be free, but exporting States, however, will have to risk shipping, rail and storage losses. The effects are

difficult to gauge. One thing, however, is certain, and that is that all State Boards will have the difficult task of satisfying producers' demands for payable returns, whilst seeing to it that consumer consumption is not affected by increased prices. Particularly in the early stages, highly competent administration is a pre-requisite for the building up of a lasting consumer and producer confidence in controlled potato marketing.

SOME ASPECTS OF AGRICULTURAL POLICY.

WYN. F. OWEN, *Economics Research Officer.*

[The author of this essay recently left Australia for post-graduate study abroad, as the holder of a Walter and Eliza Hall Travelling Scholarship in Agriculture. Mr. Owen had contemplated preparing an article for the September issue of this Review on "Farm Incomes and Agricultural Policy," but was unable to complete the article before his departure. It has been decided, however, to publish the chapters of his preliminary draft under the title "Some Aspects of Agricultural Policy." Some re-arrangements have been made to the script but the essay is substantially as written. The views expressed are those of the author, but not necessarily those of this Division or the Department of Agriculture.]

INTRODUCTION.

Very little has been published in this country analysing the structure of Australian agriculture and the basic income and other economic conditions in rural industry. It is important that such analyses should be made, not only to provide indispensable factual data, but also to promote freer constructive discussion of the various ways in which Australia's greatest industry can be moulded to the best advantage.

The formulation of sound and workable agricultural policies demands some prior analysis of basic income conditions in the various branches of rural industry. Not only is it necessary to understand the general income conditions in agriculture as a whole, but also the relative income levels in particular phases of agriculture, and finally, the distribution and characteristics of the incomes of individual farmers; for primary industry in all its various aspects is essentially a complex of many small and independent units. The goal for agricultural policy—property and efficiency—ultimately depends on the property and efficiency of the individual farmer.

In this essay some of the theoretical issues involved in the formulation of agricultural policy shall be examined, with particular reference to farm incomes.

The question of farm incomes can perhaps best be treated by considering, firstly, the overall relationship between incomes earned in agriculture and those earned in other sections of the economy; secondly, the distribution of incomes within agriculture, and, thirdly, the problem of the instability of farm incomes from year to year. These three aspects will be each discussed in turn.