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EDITORIAL

PROBLEMS OF RURAL EXPANSION

Whether rural expansion programmes recently proposed in various quarters have always taken full account of the costs which their implementation would involve may well be doubted. And yet the cost factor is vital and fundamental.

It may be argued that, under existing circumstances, initial efforts to expand the productive capacity of the rural industries should be concentrated on those lines of production which already enjoy a comparative cost advantage relative to other producing and exporting countries. If this argument is accepted it is clear that the industries which demand immediate attention are the wool, the wheat and the major meat industries. This is not to imply that there is neither the scope nor the need for expansion in other rural industries. But it is suggested that there are significant longer-term advantages to be gained by devoting immediate attention to those relatively low-cost industries the products of which are currently being exported at reasonably satisfactory prices; prices in excess of local production costs. As might be expected in a country such as Australia, where land is relatively cheap, the low-cost industries are extensive rather than intensive in nature.

It is true that there is a great potential for expanded production in most of the more intensive rural industries, in dairying, in pig and poultry raising, and in horticultural pursuits. Unfortunately it is also true that profitable export markets do not exist for more than a very small proportion of the existing output of these industries *at the current level of costs*.

The need in these industries is not so much for an expansion of production but for a lowering of costs both absolutely and also relatively to the general cost structure of the economy. There are obvious disadvantages in expanding the output of eggs, butter, pigmeats or poultry meats if neither the local consumer nor the overseas buyer is able to pay a price which will cover the cost of producing the increased output. From this viewpoint production expansion in most of the intensive farming industries should be encouraged only if the additional output can be obtained at costs per unit of output which are below the current level.

The question of priorities for rural expansion must be considered in the light of existing economic circumstances. It may be argued that the balance of payments crisis is so acute as to warrant the expansion of those industries where a quick increase in output is physically possible, irrespective of the costs involved.

However, the position, difficult as it is, would hardly appear to be so immediately serious as to justify this view. Increased rural production is undoubtedly essential but, particularly in the longer-term, this increase must be obtained at a reasonable cost.

Agriculture, *per se*, must accept the current high cost structure inherent in the Australian economy. Nevertheless, policies for agriculture should, where possible, be designed to achieve low-cost production even if this may sometimes necessitate a re-examination of accepted social and political concepts, as, for example, in the determination of farm size in closer settlement schemes.

While a reorientation of agricultural policies may, in the longer-term, go some way towards achieving a reduction in costs within the rural industries, the immediate contribution cannot be significant. The fact is that the greatest scope for a reduction in the costs of agricultural production, both now and in the future, lies, in the final analysis, not with governments but with the individual farmer, through the adoption of more efficient farm practices.

Nevertheless, governments, research workers and extension officers have important and, indeed, essential, roles to play, especially in helping to determine the most efficient practices and techniques in particular circumstances, and in assisting and persuading farmers to adopt such practices.

Research on both the physical and economic level is an essential prerequisite to farming progress and to a reduction in farm costs. In the field of physical research a great deal has already been done to improve the resources available to the farmer. New and improved plant and pasture varieties are constantly being bred and tested, and from time to time important new commercial varieties are being introduced. Research in animal breeding and feeding is also in progress in all parts of the Commonwealth, while the diseases of both plants and livestock are receiving considerable attention from physical scientists. Higher-yielding crop varieties and varieties with greater disease resistance, and improved livestock can play an important part in reducing farm costs. Continuing physical research in these and other fields is obviously essential. But it is perhaps in the field of improved farm management that there is the greatest scope for increased efficiency and hence reduced costs.

The evolution of a new farm technique or practice is generally the result of sustained research on the physical level. It is unfortunate that, in the past, many new techniques and practices found by experiment to have a favourable effect on production have received insufficient investigation from the economic aspect.

Not only the farmer, but the physical scientist also, should ask, in respect of any farm practice or technique, "What costs are involved and to what extent and under what circumstances will it pay?" Unfortunately, this is not always an easy question to answer. But answered it must be if recommendations are to be soundly based, and if the business-minded farmer is to be persuaded to adopt the new practice. Only research on the economic level can provide the answer.

Physical research, then, is essential, but in itself it is insufficient. It must be backed by what is generally known as farm management research. The scope and purpose of farm management research is discussed elsewhere in this issue. Unfortunately, the necessity to study the economics of farm practices and techniques has not always been recognized in this country in the past. Perhaps it is still more unfortunate that it has been only on rare occasions that it has been possible to undertake the essential economic research even when the necessity for it has been fully recognized. The fact remains, however, that if farm costs are to be lowered, research on both the physical and the economic level must go hand in hand.