WOOL PRICES, CREDIT RESTRICTIONS AND DEVELOPMENT

by

F. H. GRUEN

Economics Research Officer

1. SUMMARY

At the end of 1954 a survey was conducted covering a part of the grazing industry of the South-Western Slope Division of New South Wales—an area where pasture improvement has become very popular in recent years. In February, 1956, half (i.e., 75) of the survey farmers were revisited to ascertain the effects of the fall in wool prices at the beginning of the 1955-56 wool season and the tightening of credit during the last twelve months.

Plans for farm development and investment in the second survey showed a marked reduction from the level of planned investment in the first survey. This is largely attributable to the fall in wool prices. The drop in planned investment was greatest for the least urgent improvements—namely, the purchase of plant and the erection of buildings and fences. (See Table I.) The reduction in plans for pasture improvement was comparatively small (16 per cent).

The survey farmers were asked what the effects of lower wool prices on their development and investment plans were. Approximately one-third of the farmers maintained that the fall in prices had had no effect on their plans. Another third said it had not produced any specific curtailment of development expenditure as yet, but that lower wool prices would affect future expenditure and generally slow down spending on improvements. The last group (on the average, the smaller producers) had already been forced to make economies. The main economies made were cancellation of superphosphate orders, postponement of fencing, plant purchases and the erection of buildings. (See Table IV.)

Eleven of the 75 graziers cancelled part of their superphosphate orders in 1955-56. The amount cancelled was 5.3 per cent of total orders for the current year. Superphosphate use on survey farms has increased markedly over the last five years and will this year (1955-56) exceed 1951-52 levels by over 60 per cent. However, orders for next year are unlikely to show any increase over 1955-56 levels.

Approximately a third of the survey farmers intend to stock their properties more heavily in the next 12 months. This is partly the result of pasture improvement, good seasons and the virtual absence of rabbits. However, part of it may be ascribed to lower wool prices and to attempts to keep incomes at previous levels. Part of this increase in stock numbers will take the form of a switch to fat lamb production. One in every six graziers interviewed intends to lay less stress on wool and more on fat lambs. Beef cattle numbers and dairy production on survey farms will also increase. Sheep numbers are likely to increase by 5 per cent over the numbers shorn in 1955.

Six of the survey farmers were affected adversely by credit restrictions. In two of these cases lack of credit is likely to have severe effects on production. In three of the other four cases the effect is likely to be comparatively minor.

The information obtained in the survey seems to point to the conclusion that lower wool prices and, to a much lesser extent, credit restrictions, are slowing down investment appreciably in at least one important wool-producing area. Grazing properties in the high rainfall zone account for over one-third of Australia's sheep population and afford the greatest scope for increased productivity. If the survey farmers' reaction to lower wool prices is typical of graziers throughout these areas the prospects for future expansion are not encouraging. In view of the urgent need to expand export production this trend is a dangerous one. In the short run, it is true, graziers will attempt to increase stock numbers. However, the possible increase in production is strictly limited unless further investment in pasture improvement, clearing and fencing raises the permanent carrying capacity of the areas concerned.

Another aspect of the decline in investment must also give rise to concern. A large proportion of farm investment in the high rainfall zone reduces real costs of wool or meat production and thus increases the efficiency of the industries concerned. An improvement in the competitive position of some of our export industries is therefore being delayed by the curtailment in investment plans.

2. INTRODUCTION

At the end of 1954 the Division of Marketing and Agricultural Economics conducted a survey of graziers in the shires of Gundagai, Tumut, Tumbarumba, Kyeamba and Holbrook. These shires are part of the South-Western Slope Division of New South Wales, where pasture improvement has become very popular in recent years. The principal aim of the survey was to make an assessment of the potential for increased production. In the course of this survey 150 graziers were interviewed. Very detailed information was obtained regarding the management of each farm and plans for future changes.[1]

[1] A preliminary report of the survey is given in "The Grazing Industry in the South Western Slopes", by R. M. Parish and J. L. Dillon, this *Review*, Vol. 23, No. 2 (June, 1955). A further report on the survey is presented elsewhere in this issue (pp. 74-100).

In February, 1956, half the survey farmers were visited again to ascertain the effect of recent changes in economic conditions. The two main factors considered were the fall in wool prices at the beginning of the 1955-56 season and the gradual tightening of credit during the last 12 to 18 months.

During the eight months ended February 28, 1956, the average price of greasy wool exported from Australia was 17½ per cent below the figure for the corresponding period in the previous financial year. According to the wool prices series published by the Wool Statistical Service, wool prices in March, 1956, were 15 to 20 per cent below March, 1955, levels (depending on the different quality classifications).

In 1954-55 there had been a similar, though smaller drop in prices. Over the last two years wool prices have declined by 25 to 30 per cent. The previous interviews with the survey farmers took place at a time when prices and seasonal conditions had been favourable for nine years; aspirations and plans were formulated with high incomes and attractive prices in view.

The selection of farms to be revisited was not a random one. Farms on which beef cattle are the major source of income are purposely under-represented in the new sample. Interviewers also omitted to call on farmers who had indicated that no investment of any kind was planned. This was done to measure more accurately the effect of lower wool prices and credit restrictions on farm investment.

In any group of farmers a small proportion will be found who just "carry on" from year to year and are not influenced by changing price relationships and new production possibilities. In the original 150-farm sample, 12 farmers could be regarded as falling in this group. These included most of the seven graziers who have not done any pasture improvement and did not intend to do any. The other graziers in this group had no improvement plans whatsoever. In many cases, the farmers on these properties were very old and felt that planning further improvements was pointless. It seems likely that no changes in operations or plans occurred in the 15-months' period between the two surveys on these properties, so that the inclusion of these farms in the sample would have been of little value.

The 75 farms are, therefore, not representative of the 150 farms.[2] On the other hand, the sample may be regarded as reasonably representative of those farmers who are affected by lower wool prices and whose production is likely to be affected by economic and technological changes.

[2] Parish and Dillon point out "to the extent to which it is possible to test the accuracy of our findings against statistics relating to *all* properties in the survey shires, our sample appears to reveal, with a fairly high degree of accuracy, the situation on grazing properties in the area as a whole. However, it does not reveal the position in individual shires nearly so accurately." *Pasture Improvement in the South-West Slope,* this issue (p. 74). For a fuller discussion of the representative nature of the 150 farms see p. 78 of this issue. The 75 farms revisited account for two-thirds to three-quarters of all investment plans of the original 150 survey farms. However, there seem to be few other *measurable* differences between the 75 survey farmers and the original sample. Average farm size (measured in terms of sheep equivalents) is 3.6 per cent higher for the new sample. The proportion of farmers established in the post-war decade is slightly lower. The proportion of soldier settlers is the same.

3. PLANS FOR IMPROVEMENTS

In the original survey farmers were asked what changes they were planning in the next 12 months.[3] Information was obtained regarding the following types of farm investment and improvement: clearing, pasture improvement, the purchase of plant and the erection of new buildings, fences and other structures. In the follow-up survey information was obtained regarding the improvements actually carried out since the previous survey, and the plans for carrying out improvements in the next 12 months. Table I gives the 12 months' plans of the survey farmers for five major items of farm improvement and investment—from the original survey, from the 1956 survey and also shows the actual improvements effected between the two visits to each farmer. The average length of time between the two interviews was not 12, but 15 months. In the case of pasture improvement this is not of major importance, as only one autumn season—when pasture is sown and top-dressed—is included in the interval between the two surveys.

TABLE I

Investment and Farm Improvements on 75 Grazing Properties

	Clearing	Sowing of Exotic Pasture Species*	Erection of New Fences	Number of Buildings and Sheds Erected†	Purchase of Plant (excluding cars)
	Acres	Acres	Miles	Number	£
Plans for the next 12 Months (November, 1954)	4,020	6,801	60	40	23,350
Actually Carried out by February, 1956 ...	4,085	4,740	42¼	36	45,140
Plans for the next Twelve Months (February, 1956)... ...	2,927	5,720	40½	26	11,000
	Per cent	Per cent	Per cent	Per cent	Per cent
Plans in February, 1956 as Percentage of Plans in November, 1954 ...	72·8	84·1	67·5	65·0	47·1

* Excluding broadcasting of seed.

† Includes major extensions. For details of type of buildings erected see Table II.

Table I can be used to make two types of comparisons. These are, firstly, a comparison of 12 months' *plans* in February, 1956, and in November, 1954, and secondly, a comparison of plans for 12 months in November, 1954, and fulfilment of plans during the following 15 months.

[3] Farmers were also asked what investment plans they had for the next three years. It is doubtful whether great importance should be attached to the stated plans for three years. In a number of cases they were too vague to be put into figures. In other cases there was a tendency to include major items of improvements which were needed at some future time and to ignore smaller items actually more likely to be carried out.

TABLE II

Number of Buildings Erected on 75 Grazing Properties

	Hay Sheds	Major Extensions to Hay Sheds	Farmer's Residence or Employee's Cottage	Shearer's Quarters	Wool Shed	Major Extensions to Wool Sheds	Other Sheds*	Dairy	Total Number of Major Building Projects
Plans for the next 12 Months (November, 1954)	11	1	6	4	7	2	9	...	40
Actually Carried out by February, 1956 ...	11	2	7†	3	3	2	7	1	36
Plans for the Next Twelve Months (February, 1956)	5	1	3	1	5	2	6	2	26

* Mainly machinery and superphosphate storage sheds.

† In 3 cases the building was not yet completed.

A comparison of the first and third lines of Table I shows that plans for the 12 months succeeding February, 1956, are substantially below plans for the 12 months succeeding November, 1954. Although expenditure on equipment and other types of farm investment has been running at a high level for quite a few years, this drop cannot be regarded as a normal slowing down of spending on developmental projects as properties become more fully improved. For one thing, the fall in planned expenditure is too great to be explained as a normal tapering-off of investment.

For another, there is still a great deal of scope for improvement on the survey properties.[4] Finally—and conclusively—over half of those interviewed stated that the drop in wool prices had affected their plans for development. This is discussed in more detail below.

The fourth line in Table I shows the percentage reduction in plans between the two surveys. It will be seen that the plans for the sowing down of new pasture have been curtailed least, followed by clearing, fencing, buildings and lastly purchases of plant—for which the planned curtailment is greatest. This order is of interest because it shows the least curtailment of the most profitable investment and the most severe curtailment of these improvements which show smaller returns, at least in the short run. The types of improvements most urgently needed, in the opinion of the 150 graziers originally interviewed, were: sowing of pasture, clearing, subdivision, buildings and new plant—in that order.[5]

The second type of comparison suggested by the data in Table I relates to the fulfilment of plans. On the whole, the correspondence between individual plans and actual accomplishment was not close—except in the case of buildings. One would normally expect plans to exceed actual investment. Seasonal conditions may interfere with clearing and pasture improvement; and in some cases, financial returns are lower than expected, so that some plans have to be deferred. Furthermore, unexpected calls on the farm labour force (e.g., an outbreak of footrot) may prevent the erection of fences, buildings or other structures as rapidly as intended.

There are substantial differences in the degree of fulfilment of plans for different types of investment. Of 40 buildings planned 30 were actually completed, or at least well on the way to completion. In addition, six buildings or sheds were built which had not been mentioned in the previous plans. On the average, therefore, there was a 90 per cent "fulfilment of plans" for all buildings. The figures for sown pastures and fencing show a substantially lower degree of fulfilment of plans.

When actual and intended sowings of individual graziers are compared, the discrepancies are much greater than that suggested by the overall figure of a 30 per cent reduction (or put more usefully, a 40 per cent overstatement). The behaviour of the graziers interviewed on the second survey is shown schematically in Figure I.

[4] According to Parish and Dillon, if all original 12 months' plans had been fulfilled, the area of land under improved pasture would not exceed 55 per cent of the area suitable for improved pasture. The area planned for clearing in the 12 months after November, 1954, was 9¼ per cent of all land which, in the owners' opinion, was worth clearing. Similarly, there is ample scope for more subdivisional fencing.

[5] *Op. cit.*, Table III, p. 80.

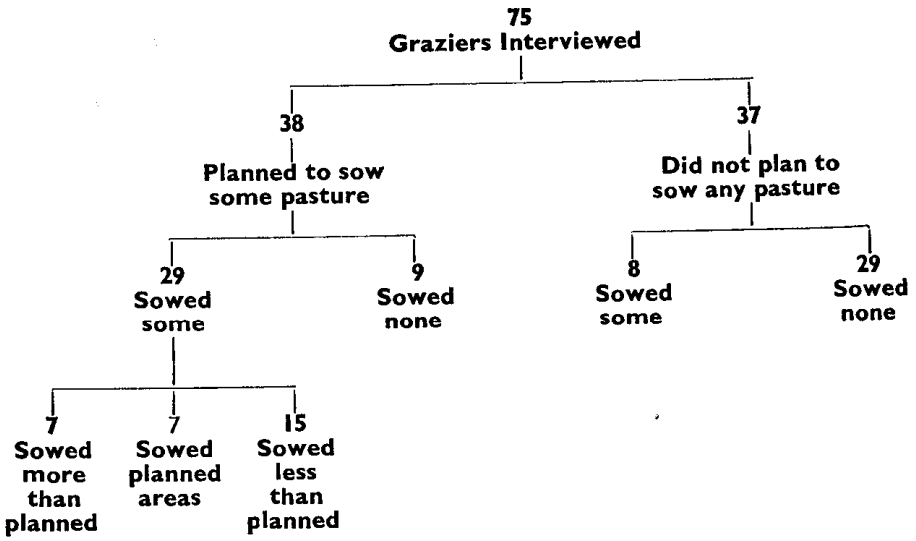

Fig. I. Pasture Improvement and Plans on 75 Grazing Properties

To complete the picture, the following figures are of interest:

(I) The seven who exceeded their planned sowings exceeded them, on the average, by about 100 per cent.

(II) The 24 who sowed less than they planned (including those who sowed none at all) sowed only approximately one-third of their intended areas. The fact that 1955 was a very wet year may have been partly responsible for this.

(III) Unplanned sowings (eight graziers), almost without exception, were of smaller areas.

In general, then, those who said they would not sow pasture in 1955, either did not, or else made fairly insignificant sowings. But two-thirds of those who had planned to sow, made, on the average, quite drastic revisions of these plans.

Although intentions to sow have proved to be unreliable guides to the actions of individuals, aggregate predictions are not nearly so inaccurate, due to the existence of compensating changes in plans.

In the case of clearing the actual acreage cleared during 15 months exceeds the 12 months' plans. This may be at least partly the result of mechanised methods of clearing being considerably less time-consuming than expected, so that a larger area could be cleared. A minor factor was the purchase of second-hand bulldozers by two survey farmers, which enabled them to clear substantially more than planned.

However, the greatest discrepancy is in the case of plant, where plans for 12 months are but a fraction of purchases in the succeeding 15 months. There seems little doubt that a large proportion of these plant purchases were the result of comparatively quick decisions—stimulated, perhaps, by the unexpected breakdown of a machine, the persuasiveness of salesmen and the exceptionally good seasonal conditions enjoyed last year. Increased plant purchases may also have been used

to reduce taxable incomes. Farm investment in machinery may sometimes be more responsive to such concessions than other forms of investment, which need to be planned some time in advance. Another factor which may have influenced the purchase of plant is the introduction of certain new implements such as chisel ploughs and sod seeders and the increasing attention paid to pasture improvement in recent years.

4. LOWER WOOL PRICES AND IMPROVEMENTS

In February, 1956, the survey farmers were asked what the effects of lower wool prices on their plans for development were. With regard to this question the graziers interviewed can be divided into three approximately equal groups. The largest group (29 of the 75 survey farmers) maintained that the drop in wool prices had no effect on farm operations or plans for improvements. A second group (22 farmers) maintained that the fall in prices had had little specific effect so far. However, it had made them generally more chary of spending money on improvements and less willing to embark on ambitious development programmes. Typical comments from farmers in this group were: "No interference with current plans, but won't plan more improvements till position stabilises"; "slows things down"; "makes me watch my spending more and make do with machinery for another year if I can"; "less to spend on future development".

The third group (23 farmers)[6] were very clearly differentiated from the other two. They were more severely affected by the fall in prices and pointed to specific economies they had been forced to make. These farms were, on the average, considerably smaller (2,300 sheep equivalents, compared with 3,300 and 3,650 for the first two groups, respectively) and included a greater proportion of soldier settlers and other recently-established farmers.[7] Most of the farmers in this group seemed to have no financial reserves to fall back on in case of a sudden reduction in income. Many of the farmers included in the other two groups

[6] One farmer's reaction to lower wool prices was to decide to sell out—however, he had not so far been able to do so at the time of the interview.

[7] However, the proportion is not significantly greater statistically. The figures are given below.

Group	Farmers Established before 1945	Soldier Settlers (World War II)	Other Farmers Established after 1945
	Number	Number	Number
Farmers Making Specific Economies (Third Group)	6	9	8
Other Farmers (First and Second Groups)	24	8	19

referred to the existence of reserves or mentioned that the main effect of reduced wool prices had been to reduce reserves or to stop their accumulation.[8]

TABLE III

Effect of Lower Wool Prices on 23 Graziers

Type of Economy Made	Number of Graziers*
Reduced Superphosphate Order	7
Postponed Fencing	6
Postponed Purchase of Plant	4
Postponed Erection of Sheds	4
Reduced Contract Clearing	2
Reduced Dam Excavation	2
Reduced Hired Labour	2
Reduced Pasture Sowings	1

* Some graziers made more than one economy.

The specific economies made by these 23 graziers are given in Table III. The cancellation of previously-placed orders for superphosphate was the most frequent economy made—probably because use of superphosphate is practically universal, whereas expenditure on the other items is confined to a much smaller proportion of graziers. In addition, superphosphate is often the biggest single item of expenditure. (The average annual outlay of survey farmers on fertiliser would exceed £500.)

5. PURCHASES OF SUPERPHOSPHATE

Of the 75 survey farmers, 11 cancelled part of the superphosphate ordered during the previous 12 months. Total cancellations amounted to 150 tons or 5.31 per cent of all orders for the year 1955-56. Each farmer cancelling superphosphate was asked why he cancelled. The reasons given are listed in Table IV.

TABLE IV

Reasons Given for Cancelling Superphosphate Orders in 1955-56

	Number of Farmers
Lower Income or Lower Wool Prices	7
Credit Restrictions	1
Delivery Too Late	1
Prices Too High	1
Decided to Use One-Third Lime and Two-Thirds Superphosphate	1
Total	11

[8] A study of expenditure patterns of 78 graziers in Crookwell Shire showed average annual savings of £447 per property for the five-year period 1949-50 to 1953-54. Table II "A Survey of Expenditure Patterns of Graziers, 1949-54", by K. O. Campbell and R. W. Archer, Univ. of Sydney, *Agricultural Economics Research Miscellaneous Paper No.* 10. August, 1955.

In spite of these cancellations the 75 graziers interviewed intend at present to use 14 per cent. more superphosphate than they did last year. As shown in Table V, there has been a substantial rise in superphosphate use on survey farms each year since 1951-52. (Data for earlier years are not available.) However, 1955-56 is the first post-war year when the superphosphate supply position has been relatively good. There is little doubt that consumption in earlier years would have been higher if superphosphate had been more freely available.

A comparison of orders for 1955-56 and 1956-57 shows that the rate of increase in superphosphate use is not likely to continue next year—in fact, further falls in wool prices could lead to a reduction in consumption below 1955-56 levels. Seventeen of the 75 survey farmers intend to increase their superphosphate use next year (compared to 34 who are actually increasing their purchases in this financial year). On the other hand, 11 intend to reduce their purchases in 1956-57 (compared with seven this year). Of these 11 properties four attribute the drop in future superphosphate use to lower wool prices and lower incomes, two to credit restrictions and one to higher initial applications which are now no longer needed. (No information was obtained from the remaining four property owners.)

TABLE V

Superphosphate Consumption on Survey Farms

(Tons)

	Consumption					Orders	
	1951–52	1952–53	1953–54	1954–55	1955–56	1955–56	1956–57
75 Survey Farms ...	*	*	*	2,344	2,676	2,826	2,686 to 2,886
65 Survey Farms ...	1,429	1,562	1,840	2,071	2,405	2,545	2,477 to 2,677
Tonnage as Percentage of 1951–52 Use	100	109	129	145	168	178	173 to 187

* Not available for ten properties.

6. ADJUSTMENTS TO LOWER WOOL PRICES

It is not easy to ascertain whether changes in farm operations are the result of lower wool prices or of other factors.

Twenty-four of the 75 graziers are taking definite steps to stock more heavily—in most cases by keeping a large proportion of their lambs though many have also bought sheep since the last shearing. The store sheep market provides a clear indication of the strengthening of the graziers' demand for sheep. Although wool prices have fallen by 15-20 per cent since last season, store sheep prices at the weekly Wagga sales have risen by at least 25-50 per cent over this period (with fat lamb producers accounting for the upper and wool growers for the lower limits of the increase).

To some extent this increased demand for sheep can be attributed to good seasons, pasture improvement and the gradual revision of notions of safe stocking rates following on the virtual disappearance of rabbits from the area three years ago.

Seasonal conditions since the last shearing have been no better than, if as good as, in the preceding year.[9] This factor does not, therefore, seem to be of great importance. The increase in pasture improvement and the decimation of the rabbit population are no doubt largely responsible for enabling graziers to increase stocking rates, but lower wool prices have probably influenced many graziers to stock more heavily. In fact, some survey farmers stated that they had purposely understocked in periods of high prices in order to spell the land and intended to stock nearer to capacity now that prices had fallen.

The survey farmers intend to increase total stock numbers by 7 per cent in the next 12 months. This compares with a 1 per cent increase since the previous survey.[10] An increase of 5 per cent in sheep numbers is planned; the remaining rise in stock numbers is to be the result of increases in beef and dairy cattle.

There is a movement towards more concentration on fat lambs and less on wool (13 farmers swinging towards fat lambs and one farmer towards wool). In most cases these movements are gradual, consisting of the use of British breed rams instead of, say, Corriedale rams—or the use of Corriedale rams instead of Merinos. In many cases where graziers are running two flocks the tendency is to increase crossbred sheep and dual-purpose breeds and to reduce the fine-wool sheep. This is one factor which would tend to reduce total sheep numbers, as crossbred ewes consume more feed per head than breeding Merino ewes, and very much more than dry-wool sheep. In some cases survey farmers have been prevented from switching to fat lambs by the shortage of British breed rams. This shortage was also commented on by two graziers interviewed who ran British breed studs. Both graziers mentioned that there has been a substantial increase in orders for British breed rams and that orders in hand for the next year were already near the likely number of rams available for sale.

Five of the survey farmers are taking definite steps to increase beef cattle at the expense of sheep, whereas three farmers intend to increase cattle numbers rather than sheep numbers as development proceeds. Beef cattle numbers were up 8 per cent on the figures recorded in the previous survey and a similar increase took place in the breeding herd. If farmers' plans materialise a further 10 per cent increase next year is likely.

Four of the survey farmers intend to start dairying in the near future to increase incomes. Other farmers were concentrating on other sidelines such as clover harvesting.

---

[9] The 1955 wool cut per sheep on the survey farms was 21 per cent above the 1954 figure. 1954 was a fairly dry season till October and, as a result, the wool was drier and weighed less in its greasy state. However, 1954 could not be regarded as a bad season, though 1955 was particularly good.

[10] This increase took the form of a 1.2 per cent reduction in sheep numbers on survey farms and an 8 per cent increase in cattle numbers. (Cattle were converted to sheep equivalents at the rate of one beast equals five sheep for this comparison.)

7. CREDIT RESTRICTIONS

The survey farmers were asked whether they had attempted to borrow in recent months or whether they had been affected in any other way by credit restrictions. The total number of farmers adversely affected by credit restrictions was six.

This number does not include three farmers who were asked by their banks to reduce their overdraft and refused to do so. Nor does it include one farmer who was refused an overdraft by a bank and managed to obtain the required loan from another source.

In the case of two farmers credit restrictions were having a serious effect on production. One man was told to reduce his overdraft by £2,000 in two years, apart from his normal annual debt repayments. His response was to cut his superphosphate order for 1956-57 from 100 tons to 20 tons and to do without a hired hand. The second farmer severely affected tried to borrow £8,000 to increase his carrying capacity to three sheep per acre. His equity was nearly twice the amount he wanted to borrow, yet he only managed to obtain £2,500 and is using this money to make the type of improvements which will help him sell the property more easily. He has given up all intention of increasing his production.

There were four cases where production was affected in varying degrees. In one case a farmer wanted to borrow to buy more sheep and could not obtain credit. In another a farmer's overdraft limit was reduced from £8,000 to £6,000. At the time the farmer was using only £4,000 of bank money. However, he cancelled some contract fencing because he regarded £2,000 as an insufficient margin for contingencies. The last two cases concern farmers building their own homes. Lack of credit has slowed down the completion of their homes and has meant that jobs (e.g., painting) which would have been done by contract will now be done by the farm labour force. This in turn will have some effect on the amount of time available for repairs and improvements.

It is, of course, not possible to say that these six cases are the result of credit restrictions. Banks *do* refuse to increase some overdraft limits even in normal times. However, it is believed that most of these producers (with one possible exception) would normally have had little difficulty in obtaining the credit required. As might be expected, there is some evidence to show that credit restrictions affect those farmers more severely who have been recently established and are heavily in debt. Thus three farmers (all of whose properties were above average size in terms of sheep numbers) were able to refuse to reduce their overdrafts—even though they did not all use them. Other farmers were given no option but to reduce.[11]

[11] A comment made on an earlier draft of this paper was that the influence of credit restrictions on the 75 graziers interviewed may have been understated in this section. It is suggested, firstly, that other graziers may have been indirectly influenced by the knowledge of tightening credit and ascribed their curtailment of activities to lower wool prices. Secondly, as the 75-farm sample is not representative of the 150 graziers originally surveyed, the argument continues.

8. CONCLUSION

It is desired to stress one factor which, while not unique to wool producers, is perhaps of greater importance in the case of wool than in the case of some other rural products. This is the tremendous range in costs found even among a sample of producers in such a comparatively small area. Many of the larger producers who have been established for years could, if necessary, produce wool at much lower prices than they obtain at present and still make a comfortable living. On the other hand, another group—probably just as numerous—is at present unable to obtain more than a bare living and unable to spend money on improvements (except at a very slow rate). Of the 75 survey farmers 13 expressed the opinion that wool was still profitable, that it was possible to make an adequate return on capital and leave a substantial margin for investment on property improvement. On the other hand, at least five of the survey farmers were unable to see how they could possibly make ends meet with prices at current levels—even if all unnecessary expenditure (which would include much that would be desirable from the point of view of development) were eliminated.

The information obtained in the survey seems to point to the conclusion that lower wool prices, and to a much lesser extent credit restrictions, are slowing down investment appreciably in at least one important wool producing area. Grazing properties in the high rainfall zone account for over one-third of Australia's sheep population and afford the greatest scope for increased productivity. If the survey farmers' reaction to lower wool prices is typical of graziers in these areas the prospects for future expansion are not encouraging. In view of the urgent need to expand export production this trend is a dangerous one. In the short run, it is true, graziers will attempt to increase stock numbers. However, the possible increases in production are strictly limited unless investment in pasture improvement, clearing and fencing raises the permanent carrying capacity of the areas concerned.

Another aspect of the decline in investment must also give rise to concern. A large proportion of farm investment in the high rainfall zone reduces real costs of wool or meat production and thus increases the efficiency of the industries concerned. An improvement in the competitive position of some of our export industries is therefore being delayed by the curtailment in investment plans.

---

it is not possible to generalise regarding the effect of credit restrictions. In other words, the remaining 75 farmers may have been more severely affected by credit restrictions.

It is not possible to disprove these contentions, though there are considerations which suggest that they are unlikely to be of major significance. The graziers interviewed were asked about wool prices and credit restrictions in two consecutive questions and if the revision of plans often mentioned in the answer to the first question had been also the result of the growing tightness of credit one would have expected this would be mentioned in answer to the second question. It seems unlikely that the remaining 75 farmers were more severely affected by credit restrictions for two reasons: Firstly, the beef producers excluded suffered no reduction in income (or only a minor one, as wool is a sideline on their properties). Hence, one would expect less need for bank assistance in the case of this group of excluded properties. The second group excluded—the "non-investors"—would have less need for credit. On the whole, the older producers (who have generally paid off their debts) would be over-represented in the remaining 75-farm group.