

FARRER MEMORIAL ORATION, 1978

THE DEVELOPMENT OF AGRICULTURAL POLICY IN THE AUSTRALIAN FEDERATION

The first Farrer Memorial Oration was given in 1936 by the then Prime Minister, the Rt. Hon. J.A. Lyons. Because the only economist who has previously had the opportunity of delivering this Oration was Sir John Crawford, in 1957, I regard this, therefore, as a great honour.

Since the Farrer Memorial Oration goes back to 1936, virtually everything worth saying about William Farrer has long since been said. To me, a significant aspect of Farrer's work is that, by breeding "Federation" specifically for Australian conditions, he highlighted the fact that Australia had to be prepared to do much of its own agricultural research. Once Farrer had established that one way of mitigating the effects of Australia's unreliable climate was to develop a wheat more suited to that climate, agricultural and veterinary scientists were encouraged to look for further ways of helping the farmer. Later, economists, too, became interested in the factors determining efficiency and profitability in agriculture and also in the implications for Australian trade of the wide fluctuations in production that result from the still unpredictable variations in our climate.

In this Oration I shall sketch in some of the background to the formulation of agricultural policy in Australia. Following some general comments about agricultural co-operation between States and Commonwealth, I shall deal briefly with policy formulation and then go on to mention the great advantages that Australia receives through co-operation in technical problems.

In traversing ways in which the problems of some key industries have been handled, I shall exemplify the kind of joint action which has been developed. My general theme will be that, despite disagreements both between the States themselves and also between States and Commonwealth, much has been done to deal with the economic as well as the technical problems of agriculture. One or two areas will be identified in which, in my judgement, greater efforts appear to be needed.

THE AUSTRALIAN AGRICULTURAL SCENE

Many of the difficulties in formulating agricultural policy in Australia arise from the rapidity with which both physical and economic circumstances can change. We never know what our climate will be from one season to the next. We seem still to be some way from being able to predict rainfall, let alone to augment it. It is equally difficult to predict the economic climate, partly because governments are having a greater impact on economic affairs than they did a generation ago. Variations in exchange rates and in tariffs can quickly bring about a change in the terms of trade for Australia's primary products.

Moreover, it is the privilege of each farmer to decide what he will produce. He can be offered advice and incentives but he can seldom be given direct orders.

There is never likely to be any lack of agricultural problems in Australia, whether biological or economic. To go back no earlier than the 'twenties, there were serious problems caused by misuse of much of our arable and grazing land. During the 'twenties and 'thirties, soil erosion became critical. Both grain yields and stock carrying capacity fell sharply. It became necessary to pay attention to better land use and over the years, big improvements have been achieved.

Then there have always been innumerable economic problems. Many arise from the fact that, because of our small population, the size of the Australian domestic market is limited. Our major agricultural industries depend heavily upon exports. Various stabilisation and equalisation schemes have been developed. Some, such as those for the wheat and for the dairying industries, have become an integral part of the agricultural scene.

Most economic problems affecting agriculture involve much more sensitive political considerations than do physical and biological problems. An alarm such as that caused by the identification of a bluetongue virus in some of our cattle herds can pose plenty of problems, both domestically and overseas. Because, however, such emergencies cut right across political and economic boundaries, they may present less difficult decisions to Ministers than do economic policies which can be expected to impair the financial position of particular groups of producers.

Many attempts have been made to reduce the impact on Australian farmers of fluctuations in seasons and in world prices. However, it has never been easy to find a basis acceptable to all States. This is not surprising. With our vast areas and with the great differences in soil types and in patterns of temperature and rainfall, a wide range of agricultural activities is to be expected. There are also significant historical differences. To work out an Australian approach that is not too unsatisfactory to all parties can take time and patience.

AGRICULTURAL CO-OPERATION BETWEEN STATES AND COMMONWEALTH

The beginnings of regular, formal consultations between State and Commonwealth Governments on agricultural matters are to be found in the establishment in 1934 of the Australian Agricultural Council and of the Standing Committee on Agriculture. The Council is a meeting of Ministers of Agriculture and the Standing Committee consists of the heads of their departments with some other Commonwealth officials.

There had been many earlier cases of co-operation between our Governments in coping with agricultural problems but it was the World Depression which brought recognition of a need for formal and permanent machinery. Looking after farmers was and still is basically a State responsibility but the need to find overseas markets brought in the Commonwealth. The Agricultural Council had hardly had time to settle down and to develop its full potential prior to the outbreak of World War 2.

Economic problems were of major significance in bringing about the establishment of the Australian Agricultural Council but the profession of agricultural economics scarcely existed in Australia prior to 1940 when Sir John Crawford was appointed lecturer in agricultural economics in the Faculty of Agriculture at this University following his return from the U.S.A.

World War 2 saw the Commonwealth take additional powers in the agricultural sphere under the National Emergency Act. Moreover, the Commonwealth's financial powers were enhanced so that it had resources to back up its new agricultural responsibilities. In 1943, for the first time, there was a Commonwealth Department with the word "Agriculture" in its title.

The War brought new agricultural problems and exacerbated old ones. Some commodities, such as wool and wheat, were in substantial surplus because of lack of shipping. On the other hand, particularly when war spread to the Pacific, it became necessary to increase the production of many foods and the 1944/45 drought made even wheat a scarce commodity. Specific allocations of scarce inputs were made and production goals for major commodities were established which took account of the basic needs both of the fighting forces and of the civilian population. Fertiliser, labour, fuel and virtually everything else needed by farmers was rationed. The Agricultural Council found itself required to operate within broad decisions taken by the Commonwealth (relating, for example, to the allocation of manpower) and frequently

had to cope with severe constraints in determining how to ensure that food needs were met despite limited resources.

After World War 2 the Commonwealth no longer exercised its powers under the National Emergency Act but it did retain its enhanced financial resources. Thus it has been able to continue to take a range of agricultural initiatives which would have been out of the question without the ability to command substantial resources to back them up. Over the past thirty years many of the policy matters put to the Agricultural Council have arisen from proposals by the Commonwealth.

POLICY FORMULATION AND IMPLEMENTATION.

There have been many suggestions that the nutrition of the under-nourished people of the world could be improved in a way which would also provide farmers with bigger and more profitable markets. Nevertheless, in many developing countries lack of purchasing power continues to mean that there are only limited markets for Australia and for other food exporters. Much of the history of the formulation of agricultural policies, not only in Australia but also in other developed countries, continues to be the history of problems posed by lack of enough profitable overseas markets.

Agricultural production in Australia is determined by several groups. There are the producers themselves, who are free to take many of their own decisions, State instrumentalities which have the broad responsibility for the general regulation and well-being of primary industries, and Commonwealth instrumentalities which are involved mainly because of their responsibility for fostering exports and the fact that they can often command substantial financial resources. The farmer is free to make plans provided they do not conflict with State regulations concerning matters such as diseases and pests of livestock and crops. States can implement policies that have the general support of primary producers and which are consistent with the terms

of the Commonwealth Constitution. For its part, the Commonwealth is scarcely in a position to initiate an agricultural policy proposal without first securing the full support of producers and of States. The normal channel for discussions between Governments is the Australian Agricultural Council which meets at least twice a year.

Any action which would involve control over production needs either a reference of powers by States to the Commonwealth or complementary legislation by States and Commonwealth. This tends to be the most difficult area in which to reach agreement. Most of the responsibility for administering agricultural policy must be left with State authorities not only for legal reasons but also because in most areas they alone have the detailed knowledge and the machinery needed for effective administration. It is quite possible that State Minister may be a member of a Government which is opposed to a policy which is acceptable to all other members of the Australian Agricultural Council. In such circumstances all members of the Agricultural Council may reasonably be expected to make a further attempt at compromise. If that fails the choices remaining are limited and they can be difficult.

Thus, implementation of a complex and unpopular measure can ask a great deal of a Minister and of his Government, particularly if that measure has to be formulated and enforced in a hurry and if there is not enough time to explain it thoroughly to the people who will be affected. Consultation and explanation are needed to bring about understanding and agreement but they may well require more time than can be made available without impairing the value of the action that is planned. Timing can be of the utmost importance.

The most obvious responsibility of each State Minister for Agriculture is to look after the interests of farmers in his own State. Take the case of the dairying industry. It has not yet proved possible to develop a rational long-term Australian policy which

is acceptable both to Victoria, which produces about 60 per cent of all Australia's milk and exports much of it in processed form, and also to other States, some of which either produce barely enough for their own needs or even have to import quantities of certain dairy products. Victorian dairy farmers receive a lower average return than their counterparts in other mainland States and, for that and other reasons, look at proposals quite differently from producers in States which do not have a surplus.

TECHNICAL CO-OPERATION

Not everything has to be resolved by Ministers. Often professional heads of departments are able to persuade their Governments of the need for concerted action. For example, the growing concern about animal disease problems led State Directors-General of Agriculture to press their own Ministers to have the Commonwealth become more active in this field. Discussions continued for four years and, as a consequence, the Commonwealth Bureau of Animal Health was established late in 1974. If only by improving the machinery for consultation between Commonwealth and States in reaching agreement on the approach to the eradication of existing animal diseases and on ways of coping with possible outbreaks of animal diseases or of minimising the likelihood of such outbreaks, this Bureau has already more than vindicated the State pressure that led to its creation. It may seem surprising now that this Bureau was not set up a decade earlier.

Another example is to be found in the Co-ordinating Committee on Agricultural Chemicals which keeps under continuous review the need to restrict or even to prohibit the use of a particular chemical formulation which may seem capable of offering some possible danger to human health. This Committee has at times found it necessary to make recommendations which have posed problems for primary producers but has succeeded in making the need for its proposals plainly understood.

Yet another example is to be found in the inspection of primary products intended for export. As most of Australia's export markets are in the northern hemisphere, we are at a disadvantage because of distance. Not only do we have to accept lower prices than we would obtain if we were closer to markets so that freight costs were lower but, in addition, we have to take great care to safeguard the quality of our products on arrival at their destination, sometimes after a protracted voyage. In discharging this responsibility there is close co-operation between Commonwealth and States. Indeed, inspection of many commodities prior to export is carried out by the States on behalf of the Commonwealth. The fact that all this is hardly ever mentioned, despite the unobtrusive but extensive daily activity that goes on, is yet another example of the co-operation that exists at the working level. This co-operation continues unabated even at times when there may be a difference between Commonwealth and State Governments on a policy matter.

The economic importance of high and reliable standards for our exports cannot be exaggerated. For example, from 1969 to 1971, when there was a large world surplus of wheat and prices were low, Australia was able to find new markets because our wheat was cleaner and of a more reliable and more acceptable standard than the wheat offered by competitors, sometimes at even lower prices and on even more attractive credit terms. Once having found these new markets we have kept them, partly by continuing to sell on credit but largely by ensuring that we have consistently maintained and, indeed have steadily improved the quality standards which originally brought us the business.

A striking example is found in our meat trade. In May 1970, a long-running argument with the United States Department of Agriculture about standards of hygiene in our meatworks led finally to most Australian meatworks that were registered for export being taken off the American list of "approved" works. This means that we were virtually excluded from exporting meat to the U.S.A., and it could have resolved in a permanently crippling blow to our trade, since the U.S.A. was and still is our largest and most profitable meat market.

However by virtue of an enormous additional investment by the meatworks operators and by substantial strengthening of inspection staffs, within a few months the position was rectified. Indeed, during the buyers' market that has existed for most of the past four years we have had only occasional difficulties with the United States Department of Agriculture, about standards of hygiene in our meatworks. One wonders what might have happened to Australia's meat export trade had the improvements to our processing and handling not been completed before the beef price slump occurred.

We are, however, having to pay particular attention to chemical residues. The U.S. Environment Protection Agency is taking what we regard as a narrow and unrealistic attitude to the use of agricultural and veterinary chemicals and to permitted levels of chemical residues in foodstuffs. It is threatening to impose restrictions which could make it necessary to ban the use of a wide range of chemicals which, in the warmer climates where much of the world's food is grown, are essential for reasonable control of insects and of many other pests as well as of plant diseases. The policies being recommended by the U.S. Environment Protection Agency could result in a big increase in food losses both in the field and in storage with a consequent increase in costs and, eventually, in prices to consumers.

There have been some instances of Australian meat exported to U.S.A. having been found to contain higher amounts of chemical residue than are legally permissible. By far the most serious case occurred about four years ago. Had it not been for the instant offer of co-operation by the Director-General of Agriculture in New South Wales who mounted a full investigation, Australia's reputation would have been prejudiced. As it was, the cause of the problem was rapidly identified and removed. This is an area in which a close and continuous watch by all Governments will be needed on a regular and permanent basis.

In countless other ways, States and Commonwealth work together for the benefit of agriculture.

The heavy and responsible daily tasks associated both with animal quarantine and with plant quarantine are conducted very efficiently by State officers on the basis of principles agreed upon between States and Commonwealth. These State officers have many other responsibilities besides quarantine. It would be wasteful of manpower if the Commonwealth appointed special quarantine officers who, for much of the time, would have little to do and who could not be expected to have the breadth of technical experience possessed by State officers who are able to benefit from a range of postings in their own departments.

Rather than continue to deal with the subject in general terms, I shall now offer some examples of ways in which the formulation of agricultural policy for Australia as a whole has been influenced by the need to try to give States scope to implement measures so as to take reasonable account of basic differences resulting from climate and from history. The approach to policy development has varied from industry to industry. Of the industries which I shall take as examples, the wool industry is the outstanding case of one in respect of which the responsibilities of States have so far been relatively small. On the other hand, State Governments have been heavily involved in the formulation of new approaches to industries with such widely different characteristics as beef production and egg production. They have also played a vital role in developing the approach to the complex task of agricultural adjustment as well as in coping with the full burden of administering the scheme.

RECENT POLICY FOR THE WOOL INDUSTRY

The Australian wool industry was for a long time marked by reluctance to take any moves which might lead to Government control. Failure to agree on a number of marketing proposals put forward during the 1950's and 1960's stemmed from this attitude. However, over the years growers came to realise that some of the more capricious variations in market prices could at least be mitigated by concerted action by the industry itself.

Following a report to the Commonwealth Government by Sir John Crawford, the Australian Wool Commission was set up in November 1970. It was possible to move quickly because there were no differences of consequence between States and also because the States were not being asked either to provide finance or to agree to the Commonwealth assuming powers which were likely to be opposed by substantial groups.

Originally, the basic function of the Commission was to operate a flexible reserve price (not, at that stage, a floor price). Early in 1971, the Commission was authorised to hold a firm reserve price or floor price and continued to do so throughout that year. There was also a deficiency payments scheme to ensure an average return of 36 cents per pound greasy from the bulk of the clip. Over 900,000 bales of wool were acquired by the Commission and, during the following year, 1972, these were disposed of at a substantial profit. In January 1973 the Commission and the Australian Wool Board were amalgamated to form the Australian Wool Corporation.

The Australian Wool Corporation began with satisfactory market conditions but, during 1974, prices fell again. The Commonwealth Government authorised the Corporation to implement a minimum reserve (floor) price scheme and set the floor at 250 cents per kilogram clean scoured basis for 21 micron wool. On their own initiative growers came forward and offered a levy of 5 per cent of the gross value of wool sold and agreed that this levy could, among other things, be used to cover losses that might be incurred by the Corporation in reselling stocks. This was a major factor in persuading the Commonwealth to accept what was a potentially enormous commitment.

The floor price was left unchanged in 1975/76 but was raised by 14 per cent for the 1976/77 season. Moreover, it was expressed on the basis of the average for the whole clip and became 234 cents per kilogram as compared with 206 cents in 1975/76.

The floor price was raised to 284 cents per kilogram when the Australian Dollar was devalued in November 1976 and to 298 cents per kilogram as from the beginning of the 1978/79 season.

There has been little direct State Government involvement. (Let me add that whenever co-operation has been needed it has immediately been forthcoming). This is largely because there has been no restriction on production and no home consumption price (Australian consumption is too small for this to be worthwhile.) Growers have simply received the market price or the reserve floor price, whichever has been the higher.

My own view is that there may have been some disadvantages to the wool industry through the States not having been more closely involved. Wool industry leaders, who are busy and devoted people, have found it difficult to make as much time as they would have liked to keep their members fully informed about the situation as it has changed from time to time and also about future possibilities. It could have been useful to have made more use of State agricultural extension officers. While formulation of policy was simplified by the absence of need for detailed State consultation, it might have been less difficult to keep growers informed of possible developments had regular use been made of the resources of State Departments of Agriculture. There has been and there still is a great need to make sure that wool growers understand what the future may hold for them and what their main choices are. Such questions as continuance of the levy and future marketing arrangements raise complex issues and are bound to require careful explanation and discussion in the next two or three years.

POLICY FOR THE BEEF CATTLE INDUSTRY

Like the wool industry, the beef cattle industry has been distinguished for its independent attitude. It has had to live with enormous variations both in prices and in seasonal conditions. Drought relief has been accepted, but only on the same basis as by other primary industries. The industry has, until recent years, been prepared to forego the possibility of Government assistance in order to avoid the possibility of having to accept government regulation.

However, following the downturn in beef cattle prices early in 1974, many beef cattle producers were in acute difficulties. As a first step towards providing them with further credit, an additional \$20m was made available to the Commonwealth Development Bank in December 1974.

It soon was evident that many producers could not afford to service further loans at commercial interest rates. Largely on the initiative of Queensland, the Commonwealth agreed in June 1975 to provide \$19.6m on a dollar for dollar basis with the States, so that loans could be made available to beef producers at a low interest rate, (currently 4%). The States agreed that more than half of these funds should go to Queensland where the need was greatest and that there should also be a higher loan limit in Queensland.

An important aspect of these low interest loans was that the States were permitted to exercise wide discretion. For example, it was left to them to determine what constituted a beef producer. The Commonwealth simply specified that the applicant should get most of his income from beef cattle. Three States, including Queensland, did not set any specific figure, while in the three States where a figure was prescribed it varied between 50 per cent and 60 per cent of total gross income coming from cattle production.

The bulk of the money was lent within a few months. However, demand, even for the low interest funds, fell sharply after 12 months because, as the beef crisis continued, most producers were unable to service any additional borrowings.

The entire responsibility for examining requests for loans and also for collecting interest and repayments has rested on State authorities. Because beef prices were so low for so long, many producers had difficulties with repayments and this entailed further complications for the responsible bodies.

These beef industry loans are an example of what can be done when an effective and flexible approach is worked out between Commonwealth and States. Had the arrangements not been based on a sound knowledge of the real problems of producers, grave problems would have arisen because cattle prices remained low for over four years. Although many producers have been unable to service loans fully, their cases have been dealt with in a sympathetic but rational way which has been designed to leave them as well placed as possible to take advantage of the opportunities which are now emerging.

CATTLE DISEASE ERADICATION

As recently as 1970, each State had its own separate programme for the control of major diseases in cattle, including TB and brucellosis. The Chief Veterinary Officers and the Directors-General of Agriculture in all States had recognised the advantage of developing an Australia-wide co-ordinated programme and in 1970 persuaded the Agricultural Council to adopt an overall Australian approach for which the Commonwealth agreed to provide substantial funds. A vital part of the agreement was that, instead of the Commonwealth providing funds which would be based on the funds that each State found from its own resources, Commonwealth funds were allocated on the basis of the disease position in each State and also of that State's ability to step up the eradication programme. Effective eradication by 1984 was the objective because it was known that U.S.A, our largest beef customer, had a broadly similar objective, and that New Zealand, a competitor, was already making rapid progress.

In 1972, this arrangement was taken further when the Commonwealth contribution became greater than that of the States. The following year the Commonwealth introduced a special levy to provide still more money and for the first time the owners of cattle which were condemned on account of TB received compensation from Commonwealth as well as from State funds.

In 1976 compensation from Commonwealth funds was granted to the owners of animals which were condemned because of brucellosis. The Prime Minister and the Premiers agreed

that future allocations for the eradication of these diseases and for the compensation of owners of affected animals should be a matter for annual review and recommendation by professional veterinary officers. Thus Ministers confirmed the principle that finance would be available on the basis of the most effective use of funds for Australia as a whole even if, in the short term, that might favour some State at the expense of others. Furthermore, the Commonwealth has now agreed to determine its allocation well in advance of each financial year to permit the most effective planning of eradication programmes.

POLICY FOR THE FRUITGROWING INDUSTRIES

By the early 1970's, due to a combination of circumstances, which included a declining export trade and many unthrifty orchards, most of Australia's horticultural industries were chronically depressed. Commonwealth and States agreed that inefficient and unprofitable orchards must go. There seemed little prospect of increasing home consumption of fruit, and export markets were shrinking and were offering unprofitable prices.

The Commonwealth recognised that effective action would need expert knowledge of the horticultural industries and that this was possessed only by State instrumentalities. It was arranged, therefore, that the Commonwealth would find the funds of \$3.8m and would leave the task of removing uneconomic orchards to Victoria and Tasmania, the only two States concerned.

Altogether, 14,553 acres of fruit trees were removed at a cost per acre which proved to be less than the Commonwealth had been prepared to pay. Compensation was related to the profitability of the trees which were to be removed. About one quarter of the canning pear trees in Victoria and more than one third of the apple trees in Tasmania were pulled. Moreover, although this was done at modest cost, the growers affected agreed afterwards that they had been treated reasonably.

Because Australian production of canned fruit is now only about 40 percent of what it was a few years ago, had not substantial numbers of pear trees been removed, we would have had enormous surpluses. Equally, the removal of varieties of apples which had lost their popularity on export markets dealt with what had become a severe annual problem. This tree pull operation was a highly successful agricultural adjustment venture. It is an example of the way in which State instrumentalities can conduct agricultural adjustment intelligently, rapidly and economically, once the general approach is agreed and finance is made available. The fact that the States were not required to make a direct financial contribution probably made it easier to reach agreement on the basis of the scheme but did not lend to any lack of efficiency in the operation.

PRODUCTION CONTROL IN THE EGG INDUSTRY

Good prices received by producers for eggs over several years up until the early 1960's led to a predictable result, namely higher production. This in turn brought about lower prices and by 1967 producers were finding these unprofitable and in some States were seeking controls over production.

Producers in Western Australia led this move. However, the opposite view was taken by one State which made it clear in January 1968 that, as a matter of principle, it was not prepared to agree to any proposal which was designed to restrict the production of a basic food. In addition, that Government indicated that it considered there was already an excessive amount of government interference with decisions taken by farmers and that in general it preferred to see variations in production brought about by changes in price.

Notwithstanding this attitude, egg producers in other States continued to press for controls and in Western Australia such controls were actually introduced in November 1970. N.S.W. followed in December 1971 and shortly afterwards the objecting State announced a major enquiry into its own egg industry.

The report of that enquiry, received in June 1972, favoured statutory production controls. The recommendation was accepted and in August 1972 the Australian Agricultural Council unanimously agreed to production controls for eggs and the Commonwealth agreed to provide financial assistance towards the disposal of large stocks of egg pulp which had accumulated. The A.C.T. was the last to bring in production control which began to operate there in December 1975. Altogether, therefore, it needed nearly a decade-of discussion to achieve a national agreement and the Commonwealth took three years to bring the A.C.T. into line even after all States were agreed.

THE AUSTRALIAN EXTENSION SERVICES GRANT

One important initiative taken by the Commonwealth in recent years was the establishment of the Australian Extension Services Grant. This began as a relatively small grant at a time when there was also a separate grant to the dairying industry for extension support. However, in 1962, the present Australian Extension Services Grant, which is now running at about \$10m a year, was established.

This was done largely because of the financial difficulties States were having in raising agricultural services up to the level needed to help farmers to improve their efficiency. Wisely, in my opinion, the Commonwealth decided to provide funds to improve what was already being done by States rather than to attempt to set up a new service under its own auspices. Moreover, the Commonwealth did not seek to do more than agree on broad guidelines for the use of the funds it made available.

The results have been outstanding. It has become possible for the States to develop their extension services in a way that would have been undreamed of prior to the Grant. For the first time, as much emphasis is now being placed on the application of research as on undertaking new research. Farmers have benefited from an enormous improvement in the standard of the advice that they can obtain on farm management and farm economics.

RURAL ADJUSTMENT

The Rural Reconstruction Scheme which, from the beginning of 1977, became known as the Rural Adjustment Scheme, is another first-class example of responsibility having been given to States with very satisfactory results. Only general principles were laid down by the Commonwealth. For the first five years the Commonwealth allowed the States a liberal margin for the cost of administration and for possible bad debts. This was trimmed down as from the beginning of 1977, but was left at a figure which was clearly adequate on the basis of the experience of the previous six years.

The basic purpose of the Rural Reconstruction Scheme was to straighten out the position of those farmers who, though in difficulties because of low prices for their products, were basically efficient and located in reasonably favourable areas. The Scheme was not intended to keep on the land people who were unlikely to be viable except in years when seasons and prices were above average.

In its early years the Scheme was aimed mainly at the sheep industry and at the grain industry but later was broadened. In the early stages, debt reconstruction was its most important aspect and in the first five years absorbed more than half the funds made available. This was because many farmers had a reasonable chance of viability once their debt structure had been reviewed and a substantial amount had been written off. There was often scope for more positive measures such as farm build-up and farm improvement when the debt position had been alleviated. To do all this meant that State authorities had to exercise discretion based on detailed knowledge of both the capacity of the farmer and the records of the district in which his operation was being conducted.

During the past 18 months, there has been a big demand for farm build-up which has accounted for more than half the total amount approved. Debt adjustment has now fallen to a little more than one quarter of the total funds being approved. This

change of emphasis within the general rural adjustment policy has varied from State to State and the Commonwealth has accepted that the best long-term results will be achieved by giving States this latitude.

The States have, over a period of more than seven years, augmented their existing body of experience in this field of adjustment. Right from the outset, many aspects of policy have differed from State to State. All States receive the same financial treatment from the Commonwealth and are free to vary their own arrangements as they deem most appropriate to their own agricultural circumstances. The risks are carried by the State authorities.

SOME REFLECTIONS

Anyone who has persevered this far in reading this essay must be wondering by now why, if in fact the general agricultural policy scene is as satisfactory as I imply, it was worth while to deal with this topic at all. I propose, therefore, to indicate some areas in which further thought above policy formulation appears to be needed.

In the agricultural field many things are done well and many others fairly well. In technical areas, especially, agricultural co-operation between States and Commonwealth is extensive and almost uniformly excellent.

On the other hand, although I do not favour any sweeping approach to change and, in particular, I would not argue for wider Commonwealth powers in agriculture, there is evidence that some aspects of policy making could, with advantage, be re-examined.

CONSTRAINTS ARISING FROM THE AUSTRALIAN FEDERAL SYSTEM

The development and the implementation of an agricultural policy can be simpler and quicker in the exceptional case where State instrumentalities do not have to be consulted in detail. Because of the Australian Constitution, this is seldom possible. The wool industry is the only major primary industry in respect of which

so far, detailed consultation has not been needed. State authorities have of course, been kept informed of policy developments through the Australian Agricultural Council and in other ways.

Apart from the fact that the basic responsibility for agriculture lies with State Governments, it is also true that, except for a few groups, including the CSIRO, the Bureau of Agricultural Economics and the Bureau of Animal Health, it is State, not Commonwealth, instrumentalities which possess most of the expertise in agricultural matters. All States have large and well-trained professional staffs which are familiar with regional and local conditions and can help to formulate a realistic policy and to apply it flexibly. Most new policies are developed and most changes in existing policies are made when a crisis is at hand. It would be too much to expect any major alteration in this practice. Just coping with the virtually inescapable takes up much of the time of all Governments.

Divergence of viewpoint between States on key agricultural issues must at times be expected and by no means only for political reasons. The real and major differences that exist between the agricultural situation in different parts of Australia are quite sufficient in themselves to raise thorny issues, even without problems that may arise from different political philosophies.

I hope that some of my examples have shown that co-operation between States and Commonwealth can work well. There are important instances in which it has worked extremely well. The willingness of States to acknowledge that needs among themselves may differ is exemplified by many circumstances such as the way in which they have been prepared to deal with the beef industry and with the horticultural industry and the way in which they have undertaken complex and long-term programmes required under the Rural Adjustment Scheme. Furthermore, that the States will co-operate whole-heartedly with the Commonwealth

in a crisis was demonstrated by the control of wheat deliveries which was exercised between 1969 and 1973.

With well on to 100,000 wheat farmers, each of whom had to be allocated a delivery quota the States were confronted with an enormous task which had to be completed in a matter of months. There were many special cases to be dealt with and the wide range of pleas of hardship was hard to handle. Not everybody was satisfied with the final decision in his own case but, considering the speed with which the operation had to be carried out and the size of the cut in wheat deliveries which had to be achieved, it was a remarkably successful exercise.

In the past, the biggest difficulties have arisen either when economic differences between States have been very great or when ideological differences have become important. Much of the long argument about the most satisfactory approach to adjustment in the dairying industry has been due to the importance of that industry to Victoria and to Tasmania, coupled with the fact that in other States significant adjustments are still taking place. There was a stage at which it seemed that the Commonwealth would have the unsatisfactory choice of supporting an approach desired by a majority of the States or an approach sought by a majority of dairy farmers (those in Victoria and Tasmania). Fortunately, a compromise - at least for 1978/79 was reached. With some improvement in markets for dairy products there may next year be more scope for arriving at an acceptable long-term arrangement.

Sometimes situations have drifted a long way before agreement has been achieved on the need for production control. The fact that for many years one government expressed strong ideological objections to further government intervention in agriculture undoubtedly contributed to difficulties that now exist in the grape industry as well as in the egg industry.

Willingness to consider some form of Government control at an earlier stage would have helped to avoid some overproduction problems which are now plaguing us. Once farmers have put their money - and their bankers' money - into an industry it becomes difficult and painful to take action which is almost certain to make those investments less profitable than have been expressed.

Because agricultural forecasting is so hazardous, it is understandable that Ministers give themselves as much time as possible to formulate a new policy and seldom take a decision earlier than is strictly necessary. They try to allow time for careful examination of all relevant issues and for preparation of the best possible forecast of future trends. On the other hand, by delaying a decision the range of choices can be narrowed. Sometimes some of the nationally more attractive options can draw opposition if farmers have gone on making plans and investments on the assumption that delay in announcing a policy may mean that no change is contemplated. As agriculture becomes more capital intensive, the need to give farmers the longest possible period of warning of an impending change becomes of growing importance.

At the same time some of the sharp and significant differences of viewpoint which have had to be resolved in connection with matters such as Rural Adjustment and the future of the dairying industry have emphasised how much time can be needed for analysis and discussion when key issues of deep political significance have to be resolved. Much can depend on the effectiveness with which producers have been brought to understand the need for and the advantages of a new policy. Therefore to allow time for analysis of the implications of the main choices open to government and still leave adequate time after that to have producers adequately informed, requires that Ministers and their officials look well ahead.

Collaboration between State and Commonwealth agricultural officials is excellent. There is an extensive committee system and, although there can be differences of professional viewpoint, these differences are resolved outside politics. Officers go out of their way to understand the problems of other States and to look for compromises. Ministers can be confident that the recommendations that they finally receive have been examined from every point of view.

Because of the heavy and increasing demands made on Ministers it is important to try to limit the number of issues that they are expected to resolve so that they can concentrate on the most vital. Good staff work can help here but when any major industry is affected adversely, the matter will nearly always have to be resolved at the political level.

NATURE AND RATE OF CHANGE

When the need for a change of policy is agreed, care has to be taken not to let that change occur at a rate which might lead to serious industrial and social disturbances. Farmers, like all other people, need time to absorb and to accept the need for change. Some rationalisation of all our primary industries is taking place constantly under technical and economic pressures. The obvious example is afforded by the dairying industry where the number of dairy farmers has declined dramatically in the last 20 years. In Queensland, for example, the number has fallen from 16,100 in 1960 to 4,200 in 1977, while in N.S.W. the number has fallen from 14,870 to 4,400. Prior to World War 2, milk production was at about the same level in Queensland, N.S.W. and Victoria, but now Victoria accounts for 60 per cent of Australia's total milk production.

There can be circumstances in which change might usefully be hastened by government action, provided there are appropriate financial and sociological measures to control its impact. Such measures have, since 1971, been taken through the Rural Adjustment

Scheme. This Scheme is reviewed annually so that not only are the financial provisions made by the Commonwealth kept in line with needs, but also the overall impact on the rural population is watched closely.

As shown by the example of the dairying industry, much of the change which is being encouraged and facilitated by the Rural Adjustment Scheme would probably have occurred even without it. There is no doubt, though, that there would have been greater economic loss and a lot more stress on individuals, many of whom would have had little alternative but to leave their properties without compensation and to try to make a new life in a strange environment with little training and with even less capital.

The limited mobility of labour, which is a feature of secondary and tertiary as well as of primary industries, causes many problems through people being reluctant to move either from one industry to another or from one region to another, even when there are clear economic advantages. For primary producers, reluctance to move is usually aggravated by the problem of trying to dispose of a property at a time of economic depression.

Although some useful studies have been made, it would be helpful both to officials and to Ministers if much more were known about the social impact on farmers of existing legislation and of current economic trends as well as about the reasons for their lack of mobility. Some additional information about the age distribution of farmers would alone provide a useful basis for forecasts of some possible future changes.

The real costs of change can be heavy. They may often be hard to assess but State Governments have a better chance than does the Commonwealth of being aware of them and of being able to formulate proposals for mitigating them.

Notwithstanding all the activities of officials and Ministers, there is a continuing need for producers to do what they can to help themselves. There is, indeed, plenty of

evidence that producers are quite willing to help themselves, even when their incomes are low. This is exemplified by the heavy levy borne now for several years by the wool industry, not only for market support but also for research and promotion. It is exemplified also by the stabilisation scheme to which the wheat industry has contributed \$80m. Unfortunately, it is not easy for most producers to keep in touch with all the relevant facts about their own industry. Further educational programmes, such as those offered by the ABC, could bring producers more closely in touch with changes in markets and with advances in techniques. There would appear to be scope here for marketing boards, producer groups and Departments of Agriculture to do a good deal more. The main problem would be to provide the funds.

THE NATURE AND AMOUNT OF GOVERNMENT CONTROL OF AGRICULTURE.

As mentioned in some of the examples given earlier in this paper, there have been times when governments have been opposed to taking action which seemed to be in the interests of a majority of producers, partly because such action could have appeared to be against the interest of consumers. Control of the production of eggs was such a case. It was in some respects different from the control of deliveries of wheat because there is a home consumption price for wheat which ensures that curtailment of production would not result in higher prices to consumers.

Consumers are not a well-organised or homogeneous group. Moreover, on the side of the producer is the fact that he has a large investment in his enterprise. It becomes a matter of fine judgement to decide what is the most appropriate course to adopt when an industry is experiencing over-production. It is usually hard to determine whether a trend either in supply or in demand is likely to prove temporary or permanent. When there are choices of action there can be plenty of room for disagreement. Often no economically viable alternative to the existing unsatisfactory situation is in sight so that rural adjustment may seem to be the only course.

It has to be accepted that it is hardly ever possible to foresee all the implications of any proposed government measure. This is partly because there are so many factors to assess and to take into account but also because the assessment of those factors may have to be revised frequently. I well remember that in 1970 it was decided that, to avoid substantial over-supply, milk production would have to be restricted in Victoria and Tasmania. Those two States agreed to a cut but it had scarcely been enforced when seasonal conditions became so adverse that the plan was dropped. Such an experience strengthens the position of those who argue against production controls and makes Ministers reluctant to consider controls unless the case is overwhelming.

Because Australia's approach to agricultural policy formulation can look slow and cumbersome it has been argued that greater central control of policy would lead to more efficient arrangements. It is true that the fewer people involved and the less need for consultation, the better the possibility of reacting quickly to crises. However, it is vital to make sure that producers understand what is intended and what the results of change are likely to be. I find it hard to imagine that the situation would be improved if more extensive powers were given to the Commonwealth.

Superficially, it is attractive to envisage being in a position to formulate a policy which could be applied uniformly throughout Australia with a minimum of exceptions. The apparent simplicity and equality of such a policy would, however, be misleading. There is too much diversity in Australian agriculture for such an approach to be feasible.

Consultation is an integral part of democracy and in agricultural matters Australia's Federal Constitution makes consultation mandatory. Short of duplicating at Commonwealth level staffing and facilities already firmly and extensively established in State bodies, there seems to be no option but to persevere with and to improve the present system. Even if it had the necessary legal powers it is hard to imagine how the Commonwealth would find it possible to formulate and administer a centrally conceived agricultural policy which would be capable of coping with Australia's wide range

of circumstances. In my judgement, the wool industry seems to offer an example of the difficulty of providing a full substitute for the agricultural advisory expertise which undoubtedly resides in State bodies.

THE AUSTRALIAN AGRICULTURAL COUNCIL

The Australian Agricultural Council has existed for only 44 years and relatively few Ministers have remained members of it for lengthy periods. Despite that, it has made progress towards establishing a tradition of looking at issues from an Australian viewpoint. That it has not been entirely successful should not be considered surprising, if only because of the diversity and complexity and the political sensitivity of the problems with which it has had to deal.

A State Minister's first responsibility is to his own farmers and to his own Government. There can, therefore, be occasions on which he may be confronted with conflicting loyalties when the Agricultural Council is trying to formulate a national agricultural policy which will serve the best interests of Australia as a whole. The reconciliation of differences is bound to mean delay and this in turn can result in building up even stronger resistance to change if farmers make additional commitments while the matter is still being examined. It might be helpful if, at more frequent intervals than is now usual, Ministers were able to make an opportunity to tell farmers why they must expect some time to be needed in order to find a national compromise. More time could usefully be devoted to explaining dispassionately the main difficulties and the principal choices that seem to be available. Ministers are already stretched to the limit and would need further support to do these things. The cost would, however, be well justified if it led to greater producer understanding and thus less uninformed resistance to change that is in the national interest.

No human institution is perfect and the Australian Agricultural Council has its share of defects. However, much would be lost if for any reason Ministers were not willing to make special efforts to build up the Council as the supreme institution for the

formulation of Australia's national agricultural policies. It will always be tempting to put forward what may appear to be compelling reasons for a particular State to depart from the views of the majority. For example, not many years ago one State government departed from an agreement about the basis on which quotas for the production of margarine would be determined. This agreement had held for nearly a quarter of a century, or for more than half the period that the Agricultural Council had been in existence. There may have been strong reasons why that State desired to move away from the basis previously agreed. However, the way in which the change was brought about exacerbated changes in dairying industry in one or two other States which would have been painful enough even with more time. More importantly, it went against the tradition that the Australian Agricultural Council exists to work out and to implement policies which will serve the best interests of Australia as a whole.

Recently there has been some public criticism by one State Minister of the role of the Australian Agricultural Council. There can be no doubt about the right of Ministers to express critical views, especially constructively critical views at meetings of their own Council. These meetings are not open to the press or to the public. If, however, the practice of public criticism were to be adopted by members of the Council it would hardly be surprising if the Council were to decline in significance. The effective and close relationships that exist between State and Commonwealth officials can go a long way towards helping Ministers to find national approaches and to consider how policies can be formulated and publicised in a way which will lead to understanding and acceptance by producers. This, however, does not obviate the need for Ministers themselves to act with temperance and judgement and with careful regard to the future even though there is no doubt that they may often be subject to great provocation.

I do not underestimate the difficulties confronting Ministers in the many delicate and complex issues which come before them. We cannot, however, afford to abandon the idea of working towards an overall Australian national approach to the development of agricultural programmes. The need for the Commonwealth to give clearly thought out leads and to plan well ahead so that there is ample time for discussion, seems evident

It is significant that the European Economic Community, which comprises nine autonomous countries, each with its own language and each with its own traditions stretching back for centuries, decided right at the outset that it was necessary to adopt a Common Agricultural Policy notwithstanding considerable criticism, not only from the rest of the world, but also from some of its own member countries. However great the difficulties of reconciling the views of producers in the seven States of Australia, those difficulties must surely be less than the difficulties of reaching agreement among countries with histories and backgrounds as diverse as those of France, Germany, Italy and Great Britain. And if the E.E.C. as economically powerful as it is, felt it imperative to have a Common Agricultural Policy, it seems likely that Australia, which depends so heavily on export markets, might have an even greater need for a unified approach to its agricultural industries.

CONCLUSION

If I had to find a sentence or two to sum up the ground that I have traversed in this essay, I should begin by emphasising that much has been accomplished already towards developing a national Australian approach to agriculture. But I should also stress that Australia is at an increasing disadvantage without a national agricultural policy and that, unless it proves possible for State and Commonwealth Ministers to show as much determination in dealing with economic issues as in co-operating in solving technical problems, progress will be halting and limited.

It could scarcely be expected that improvements in policy making machinery should come rapidly or easily. The issues are too important and often of too long standing for that to be likely. There are bound to be occasions when pressures on State Ministers will make it hard for them to place Australian interest ahead of those of their own State and when the Commonwealth for its part may find it just as hard to identify the flexible approach that such circumstances will require. Moreover, I see a need for greater attention being paid to helping producers to understand the kinds of change with which they may be confronted and the principal choices which are likely to be available.

Such a step should, in the long term, offer prospect of reducing somewhat, the many pressures which come to Ministers from sectional interest. This, in turn, could be expected to clear the way for a broader and more objective consideration of national agricultural policies designed to provide the best compromise between the interests of Australian farmers and of Australian consumers. No less importantly, it should provide the greatest possible encouragement of efficient production of commodities in which Australia commands some comparative advantage.
