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March 1980

Farm Prospects 80

Conference

Proceedings

Prepared by the Department of Agriculture jointly with Eastern Districts Branch Farm Management Society
RURAL INDUSTRY PROSPECTS IN 1980

Brian Martin
Economist
Western Australian Department of Agriculture

For most rural industries in Western Australia 1979-80 will be a relatively good year. In general the substantial economic recovery of the previous year will be continued.

Unfortunately many farmers will not be participating in this recovery. This year some 1500 of the State's farmers are drought affected and many others have yet to recover from previous years of drought. Of course farmers in this area, and particularly to the north-west of Merredin, do not need to be reminded of this situation. However I think it is always worth noting because it is easily forgotten when we start reflecting on the current buoyant prices for many rural products.

Rural production in Western Australia has for many years been dominated by wheat and wool - together they contribute more than half the total value of rural output. The aggregate fortunes of agriculture, therefore, depend largely on how well these two industries are going. Prices for both wheat and wool produced in 1979-80 are expected to be buoyant, although this year's wheat crop is substantially less than that for 1978-79.

Table 1 provides a summary picture of changes between 1978-79 and 1979-80 in prices, and quantity and value of production for some of Western Australia's major rural industries.

<table>
<thead>
<tr>
<th></th>
<th>Price Change (%)</th>
<th>Quantity Change (%)</th>
<th>Value Change ($ mln)</th>
<th>Gross Value 1979-80 ($ mln)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wool</td>
<td>+23</td>
<td>0</td>
<td>+66</td>
<td>354</td>
</tr>
<tr>
<td>Wheat</td>
<td>+8</td>
<td>-16</td>
<td>-57</td>
<td>515</td>
</tr>
<tr>
<td>Barley</td>
<td>+36</td>
<td>-19</td>
<td>+7</td>
<td>76</td>
</tr>
<tr>
<td>Oats</td>
<td>+14</td>
<td>-22</td>
<td>-5</td>
<td>37</td>
</tr>
<tr>
<td>Beef</td>
<td>+40</td>
<td>-16</td>
<td>+31</td>
<td>198</td>
</tr>
<tr>
<td>Sheep Meats</td>
<td>+7</td>
<td>+14</td>
<td>+12</td>
<td>68</td>
</tr>
<tr>
<td>Pig Meats</td>
<td>+3</td>
<td>+20</td>
<td>+4</td>
<td>25</td>
</tr>
<tr>
<td>Live Exports</td>
<td>+6</td>
<td>+14</td>
<td>+14</td>
<td>79</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td>+7</td>
<td>182</td>
</tr>
<tr>
<td>TOTAL W.A.</td>
<td></td>
<td></td>
<td>+79</td>
<td>1534</td>
</tr>
</tbody>
</table>
CROPS

The wheat industry almost doubled its value of production last year (1978-79) due to a large lift in production and improved prices. This year's production at 3.7 mln tonnes will be one million tonnes less than last year, but strong gains in price will largely offset that fall. The average gross price is expected to be $140 compared with $116 a tonne in 1978-79. Gross value of production, while $57 million less than last year, will again exceed $500 million.

LIVESTOCK PRODUCTS

The Western Australian wool clip in 1979-80 is expected to total 157 mln kg, about the same as last year. Wool prices should average 23 percent higher in 1979-80 with the result that gross value of production will be up some $66 million to $354 million.

Of the livestock industries beef has shown the most rapid rate of growth in value of production. Although the number of cattle being turned off has declined in recent years, gross value of production has been boosted by a strong recovery in prices from the very depressed levels of the mid 1970's. Cattle turnoff is expected to again decline next year (by about 16 percent to 627 000 head) but this will be more than offset by an average 40 percent increase in livestock prices. The likely net effect will be a $31 million increase in gross value of production to $198 million.

The value of sheep meat production in 1979-80 is expected to increase by 21 percent to $68 million. This increase will be due largely to an expected 14 percent lift in the number of animals slaughtered, to 4.3 mln.

Our exports of live animals, mainly sheep, have shown rapid and consistent growth over the past decade. In 1979-80 the number of live sheep traded will approach three million and the total live animal trade is expected to be worth $79 million. This growth has continued despite political problems in Iran, which with Saudi Arabia is our major market.

Other livestock industries are expected to continue their steady growth of the past decade. Dairy industry production is expected to rise 10 percent to $37 million, pig meat production 20 percent to $25 million due entirely to increased slaughterings, and poultry meat production is expected to rise 13 percent to $26 million.

Overall, the gross value of production in 1979-80 is expected to be worth a record $1 534 million - up five percent on last year's figure. Of course, record values of production do not mean much in times of consistent and high inflation. With inflation, a record is required every year if farmers are to maintain incomes.

We can make the comparison of the gross values of production in different years more meaningful by converting each value into constant dollars -
say, equivalent 1979-80 dollars. On this basis, the level of gross value in 1979-80 ranks equal third with 1975-76 out of the past ten years. It is only slightly less than the 1978-79 values (by four percent) but considerably below the 1973-74 value (by 30 percent).

Figure 1 provides a comparison of the gross value of rural production, in actual dollars and in equivalent 1979-80 dollars, for each of the past ten years.

COSTS

Figure 2 illustrates relative movements during the 1970's in the prices paid by W.A. farmers for fertilisers, chemicals, fuel and machinery. The price for each item is shown relative to a common index of 100 for the price in 1969-70.

Comparisons of relative price movements can be misleading because prices of different items tend to surge at different times. For this reason Figure 1 shows movements over the past decade rather than just the last few years.

This problem with comparisons can be illustrated from the relative movements in fertiliser and fuel prices. During the two years to 1978-79 the average price of fertilisers was pretty constant whereas the price of fuel rose 50 percent. There was a massive surge in the cost of fertilisers during the mid 1970's. The more recent fuel price increases has meant that the total fuel price increase over the past decade has been about the same as for fertilisers.

In the 12 months from 1978-79 to 1979-80 the price of fuel is expected to increase by a further 40 percent, fertilisers by 25 percent, machinery by ten percent and chemicals by about nine percent.

This means that a "typical" farm budget for the Merredin area in 1979-80 would show an increase of about $4 000 for fuel and about $3 000 for fertilisers compared with the previous year.

COSTS AND PRICES RECEIVED

Figure 3 illustrates relative movements during the 1970's in the prices paid and prices received by W.A. farmers. It also shows the ratio of prices received to prices paid. During the latter half of the 1970's prices received have fallen behind prices paid, relative to the situation in the early 1970's. The year 1978-79 saw some slight narrowing of the gap and this is expected to again be the case in 1979-80. In 1979-80 prices received are expected to rise by 20 percent compared with a 13 percent rise in prices paid by farmers.

This expected 13 percent increase in farm costs is substantially above the forecast general inflation rate of ten percent because of the relatively high usage of fuel (and of course fertilisers) by farmers.
OVERALL OUTLOOK

The year 1979-80 generally looks to be a favourable one for most of the State's farmers. The total value of rural output (a record in current prices) will be one of the highest of the 1970's in constant dollar terms. The general recovery from the depressed conditions of the middle 1970's should continue.

Cost increases will have an important impact on the budgets of all farms, particularly those for which fuel and fertilisers form a large part of the expenditure budget.

Talk of record years tends to overlook the 1 500 farmers in the State who are currently drought affected. For them, good market conditions, containment of cost increases, and, of course, favourable seasonal conditions are essential to business recovery.
Figure 1

GROSS VALUE RURAL PRODUCTION

$ MLN

Figure 2

Prices paid by WA farmers

INDEX


FERTILISERS
MACHINERY
FUEL
CHEMICALS
Figure 3

Indexes of prices received and paid by WA farmers - and prices ratio

PRICE INDEX

RATIO PRICES RECEIVED/PAID

1.2

1.1

1.0

.9

.8

Ratio received/paid

Prices paid

Prices received

1969-70 70-71 71-72 72-73 73-74 74-75 75-76 76-77 77-78 73-79 79-80

1,2

1,1

1,0

.9

.8
Wool prices are currently the highest since 1973. In 1979/80 W.A. wool prices will average 40 cents/kg greasy over 1978/79 prices.

SUPPLY

The total world wool production for 1979-80 is estimated to be 2600 million kilograms, up two per cent on 1978-79 production. Australia's production is expected to be up four per cent to 732 million kilograms. In Western Australia 1979-80 production will remain at a level similar to the 1978-79 production of 157 million kilograms but in 1980-81 production is expected to increase by 3.3 per cent. (See Figure 1).

All these wool production statistics add up to a picture of stable or minor growth in the supply of wool. Stocks of wool are at a low with A.W.C stocks at 133 000 bales at the end of January compared with over a million bales in January 1979.

DEMAND IN 1979/80

The movements in wool prices this season appear to have been related largely to depleted supply stocks, currency changes and generally buoyant commodity prices. (See Figure 2).

Strong demand from all major importers of Australian wool has been felt this season as direct result of speculative buying and buying to ensure supplies as a result of the uncertainty in the world economy. This commodity boom has not been confined to wool. During December 1979 and January 1980 the following price rises took place:

- Copper 27%
- Wheat 9%
- Cotton 23%
- Wool 9%
- Reuters Index 7%

Political events in Iran and Afghanistan will continue to dominate the 1980 wool market - a point to which I will return later.
JAPAN

Japan continues to be our major customer. From July to December of 1979 Japanese purchases of Australian wool were up 20 per cent. The large purchases of wool in the early part of the season were mainly due to opportunistic buying in anticipation of a decline in the value of the yen. In the January-November period of 1979 mill consumption of greasy wool and production of wool tops were 1.5% and 7.4% respectively higher than the corresponding period in 1978. Raw wool stocks were increasing (at the end of November 1979 they were 22% higher than a year before) but since November Japanese wool buying has been more cautious and together with the effect of the S.P.U. strike the Japanese Wool Spinners Association predict that Japan's raw wool stocks will be down to about 120 000 bales (equivalent to one month's consumption by Japanese Spinners) by the end of February. However I believe that there are substantial stocks of intermediate processed wool further up the pipeline. By the end of November 1979 Japanese stocks of woollen yarn were up 29% and fabric stocks increased by 12.5%.

It is doubtful that 1980-81 will show an improvement in consumer demand of the same order as the nine per cent more raw wool Japan has purchased so far in 1979-80 and as such there should be a slow down in Japanese purchases of Australian raw wool in 1980 compared to 1979. (See Figure 3).

U.S.S.R.

The U.S.S.R. is Australia's second best customer and has, together with other Eastern world countries, been a steadily increasing importer of wool. In 1978-79 Russia took 500 000 bales out of a total of 700 000 bales of Australian wool bound for Eastern Europe. Up until January 1980 Russian buying was along similar lines to the prior twelve months. The future situation will depend on the A.C.T.U.'s determination to interrupt sales to the U.S.S.R. Whilst any embargo would eventually be circumvented the short term effect of cutting out 15 per cent of the demand for wool on the Australian auction market system could put severe downward pressure on prices in 1980. A more severe effect would eventuate if the Soviets put a retaliatory embargo on imports of wool from Australia.

E.E.C.

Stocks of greasy wool at the end of December 1979 were 26 per cent higher than a year ago. However, stocks along the pipeline appear to be at low levels following a surge in production in the second half of 1979. For example, stocks held by combing mills at the end of December were down by 23 per cent compared to December 1978.

There are other signs of emerging demand for more wool products in the E.E.C. apart from low levels of stocks along the pipeline. Retail sales of clothing and footwear in the U.K. for November were nine per cent above November 1978 levels. However they declined in December. In general it is too early to tell how much European wool consumption has increased during the Northern winter.
Despite record prices and strong demand in 1979 there is a major dark cloud hanging over this year's outlook. The O.E.C.D. (Organisation for Economic Co-Operation and Development) has predicted a marked slow down in world growth rates in 1980. Real G.N.P. is forecast to be only 0.3 per cent compared to 3.0 per cent during 1979, and even this rate may not be achieved if world oil prices are raised further. It is anticipated that the poor prospects for economic growth will result in continued sluggish retail sales of apparel and textiles. If these predictions are correct and the B.A.E. shares this view, then demand for raw wool in 1980 could fall below 1979 levels.

WOOL PRICES

The wool market indicator is currently at 433 cents the highest it has been since March 1973. The underlying forces of supply and demand would indicate a fall in prices between now and July with a subsequent improvement late in 1980. However 1980 will be dominated by political events. Uncertainty in the world over security and the economy will see continuing stockpiling of wool and will be an important factor keeping prices buoyant. Any U.S.S.R. embargoes are likely to have short term downward price effects on Australian wool auctions.

On balance I believe prices will remain above 230 cents/kg (220 cents on farm) greasy for wool sold at Fremantle for the remainder of the 1979-80 wool selling season. However these prices may not be sustained into 1980-81 and at this stage a price of 220 cents (190 cents on farm) would be the best budget figure.
FIG 4. W.A. WOOL PRICES

CENTS/KG Greasy

0 60 120 180 240 300

A S O N D J F M A M J


AUST WOOL PRICES W.A. WOOL PRICES YEARS
SHEEP AND SHEEP MEAT PRICES IN 1980

T. Eastwood
Manager
Wesfarmers Meat Operations

The factors which determine the prices paid for slaughter sheep are influenced entirely by export market demand except during those times when for various reasons the supply of sheep exceeds the slaughtering capacity. I cannot see that this situation is likely to occur in the period covered by this paper.

As in recent years Australia has exported close to 70-80% of its total mutton production it would be useful to look at where it has gone and the factors which influence those markets.

AUSTRALIAN MUTTON EXPORTS TO MAJOR MARKETS (1977 - 1979)
(Year ended December)

<table>
<thead>
<tr>
<th></th>
<th>1977</th>
<th>1978</th>
<th>1979*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>90 903</td>
<td>63 041</td>
<td>51 220</td>
</tr>
<tr>
<td>Korea</td>
<td>19 970</td>
<td>14 337</td>
<td>15 559</td>
</tr>
<tr>
<td>Arabian Peninsula</td>
<td>15 500</td>
<td>10 700</td>
<td>9 300</td>
</tr>
<tr>
<td>Canada</td>
<td>2 042</td>
<td>7 716</td>
<td>4 699</td>
</tr>
<tr>
<td>Other Middle East</td>
<td>1 900</td>
<td>300</td>
<td>4 500</td>
</tr>
<tr>
<td>Malaysia/Singapore</td>
<td>4 800</td>
<td>3 746</td>
<td>3 508</td>
</tr>
<tr>
<td>Taiwan</td>
<td>582</td>
<td>2 118</td>
<td>2 373</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>1 524</td>
<td>3 478</td>
<td>1 965</td>
</tr>
<tr>
<td>Iran</td>
<td>13 155</td>
<td>13 929</td>
<td>1 626</td>
</tr>
<tr>
<td>Mauritius</td>
<td>2 033</td>
<td>1 800</td>
<td>877</td>
</tr>
<tr>
<td>Others</td>
<td>2 598</td>
<td>1 459</td>
<td>689</td>
</tr>
<tr>
<td>United States</td>
<td>16</td>
<td></td>
<td>130</td>
</tr>
<tr>
<td>U.S.S.R.</td>
<td></td>
<td></td>
<td>15 840</td>
</tr>
<tr>
<td>TOTAL</td>
<td>170 847</td>
<td>122 640</td>
<td>96 446</td>
</tr>
</tbody>
</table>

* 10 Months ended October
(Source - AMLC)
JAPAN

Japan is still Australia's major market for mutton. Their imports exceeded 90,000 tonnes in 1977 but fell to 61,368 tonnes in 1978/79 financial year and will probably be lower for the calendar year 1979.

Japan uses its mutton imports primarily in the processing industry. In many cases other forms of animal protein may be substituted for mutton. Traditionally the alternatives have been horse meat, goat meat and increasingly pork. Japan has an oversupply of domestic pork and processors who relied on imported mutton and pork are now using domestic pork. The increased prices have reduced consumer demand. It would seem that further increases in price would further reduce demand.

KOREA

The majority of the Korean mutton imports have been for re-processing and re-exporting to Japan. There have been mutton imports to Korea for domestic consumption but these were not well received by consumers and were unfavourably priced compared to the domestic pork.

U.S.A. - CANADA

Since they peaked around 60,000 tonnes in the late 60's mutton imports to the U.S.A. fell away until 1975 when the A.M.B. re-introduced the diversification scheme; they were so low that the A.M.B. decided that mutton would not earn credits and would be a debit against entitlement. Exports to the U.S.A. remained negligible since that time. Now that the quotas have been removed the high price of manufacturing mutton makes it relatively unattractive to processors. Again it is domestic pork trimmings which have displaced mutton in the processing industry.

Whilst mutton was not a quota item to Canada exports to this market grew to about 9,000 tonnes for the financial year 1978/79 but demand has fallen mainly due to competition from cheap pork.

MIDDLE EAST

The Middle East has been the major growth market for sheep meats in recent years. Both live and dead meat have shown strong demand growth in the last decade.

The most significant point about mutton into the Middle East market is that it is imported as table meat whereas almost all other mutton exports are for manufacturing meats. This means the price response to supply and demand pressures is not influenced by other forms of animal or vegetable protein and we can expect growth in the market at the
### Sheep Meat Exports to the Middle East

(000's tonnes)

<table>
<thead>
<tr>
<th>YEAR</th>
<th>IRAN</th>
<th>Arabian Peninsula</th>
<th>Other Middle East</th>
<th>Total</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mutton</td>
<td>Lamb</td>
<td>Mutton</td>
<td>Lamb</td>
<td>Mutton</td>
</tr>
<tr>
<td>1970</td>
<td>8.0</td>
<td>0.0</td>
<td>3.2</td>
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<tr>
<td>1971</td>
<td>1.1</td>
<td>1.4</td>
<td>4.1</td>
<td>0.4</td>
<td>0.2</td>
</tr>
<tr>
<td>1972</td>
<td>0.4</td>
<td>0.0</td>
<td>6.1</td>
<td>0.8</td>
<td>1.8</td>
</tr>
<tr>
<td>1973</td>
<td>5.5</td>
<td>0.1</td>
<td>6.9</td>
<td>0.9</td>
<td>1.5</td>
</tr>
<tr>
<td>1974</td>
<td>6.6</td>
<td>0.0</td>
<td>3.7</td>
<td>0.4</td>
<td>2.6</td>
</tr>
<tr>
<td>1975</td>
<td>3.1</td>
<td>9.9</td>
<td>7.4</td>
<td>3.5</td>
<td>1.7</td>
</tr>
<tr>
<td>1976</td>
<td>10.1</td>
<td>19.2</td>
<td>11.3</td>
<td>3.1</td>
<td>0.4</td>
</tr>
<tr>
<td>1977</td>
<td>14.1</td>
<td>24.3</td>
<td>15.5</td>
<td>5.4</td>
<td>1.9</td>
</tr>
<tr>
<td>1978</td>
<td>17.0</td>
<td>19.3</td>
<td>10.7</td>
<td>13.6</td>
<td>0.3</td>
</tr>
<tr>
<td>1979*</td>
<td>1.6</td>
<td>13.5</td>
<td>9.3</td>
<td>10.3</td>
<td>4.5</td>
</tr>
</tbody>
</table>

| Live Sheep 1979 Carcase Equivalent | 18.5 | 36.6 | 8.0 | 63.1 |

* 10 months ended October
(Source - AMLC)
prevailing world prices. If mutton consumption decreases it will most likely be due to a swing to lamb.

There were some significant shipments of lamb and mutton (being mostly hogget) to Iran during November and December which would improve the tonnage figures. I would expect when the total sheep meat exports for the year are known in total they will exceed 1978.

To assist in understanding the Middle East and especially the Arabian Peninsula and Iranian sheep meat markets, it requires an appreciation of the part live sheep play in the market.

The addition of the carcase equivalent of the live sheep exports to the meat exports adds around 63 000 tonnes for 1979, making the Middle East our largest market by far.

Wealth has only come to these countries in the last 20 years and has not yet filtered down to all the people in all the countries. There has been a strong drift of people to the cities and there are a large number of expatriate workers. Supermarkets and western styled shopping are a recent introduction in these areas. The traditional form of food selling is through markets or souks. These vary but comprise of stalls in either a large hall or room or in a section of a food market or even a series of small shops, usually grouped together. They have no refrigeration or at best a small upright cabinet which can take one or two carcasses. The meat is delivered to the market in the early morning after having been killed only two or so hours previously. It is cut up, sold and consumed that day. Traditionally the meat never sees refrigeration and is quite often cooked and eaten in a pre rigor state. The consumption of live sheep is increasing due to the influx of bedouin, other Arab and eastern workers.

The increasing income of the poorer classes is resulting in a greater consumption per head of sheep meats which results in increased imports. In addition to this, there is generally, in the Arabian Peninsula, and until recently in Iran, an enormous development in shopping centres, supermarkets and cold stores. The most recent of these would be as good as the best in the world and stocked with the best brands that money can buy. It is through these outlets that most frozen, aged frozen and chilled meats are sold. The major clients of these stores are western expatriots and the westernised and generally more affluent Arabs. It is logical to assume in the long term supermarkets and western shopping will dominate.

It is most likely that the demand for live sheep will continue to grow in the area for some time but the demand for processed meat will grow at a greater rate. Eventually the demand for live sheep will decrease.

Iran is obviously worthy of special comment. It has been the major importer of Australian lamb and live sheep. Western Australia has been dominant in both these areas as a supplier.

Last years' lamb exports from Western Australia were completed just prior to currency restrictions being imposed by the U.S.A. If the situation deteriorates and no lamb from Australia or New Zealand is able to be imported there could be an additional 80 000 tonnes of sheep meats to be
absorbed into other markets. Considering Australia exports 30 000-40 000 tonnes of lamb per year and New Zealand 300 000-400 000 tonnes, this would have a significant effect on world prices for lamb.

The live sheep story is similar except the blow would be somewhat softened. Iran has taken up to 40% of Australia's live sheep exports but this has been reduced to around 33% over the last few years.

The Australian supply situation is being stretched to its limits with 5.2 million sheep leaving Australia in 1979, 2.75 million of these from Western Australia. Although the loss of Iran as a market would hit those exporters involved very hard, I do not think there would be a great drop in shipping wether prices except maybe as a result of some initial panic selling. The demand from other markets and the good prospects for wool would support the current market prices.

U.K. - E.E.C.

The potential for increasing exports is very slight. Any change in this market will probably be to the detriment of Australia. The E.E.C. still have no agreement on a common sheep meat policy. It is almost certain that any progression towards agreement by E.E.C. members will result in a tightening of demand for Australian sheep meat products.

In summary I feel adult sheep prices will remain firm with normal seasonal fluctuations. The price of lamb for 1980 lies in the hands of Allah and his servant, the Ayatollah Khomeini.
If we are going to discuss trends in pig meats and try to crystallize the future, we need first of all to build up a picture of what has happened in the past. Because pigs in Australia are regarded as very much a minor livestock industry, it is very difficult to form this picture as, apart from the usual total numbers, slaughterings and tonnage produced, there are very few meaningful figures available. The figures which I will quote throughout this paper are from either the Bureau of Agricultural Economics "Meat - Situation and Outlook" publications, or the Australian Bureau of Statistics figures. Predictions on a National basis are from these sources, while W.A. predictions are largely a matter of adding two and two for an answer of five not four.

In 1972-73, Australian pig producers produced approximately 236,000 tonnes of pig meat. This was the highest yearly total ever produced in Australia and it caused a major crisis in the pig industry. On figures currently available, it would appear that this year's total production will be the second highest.

In the year ended 31st March, 1971, 367,000 sows in Australia produced approximately 10.6 pigs each, at an average dressed weight of 48.5 kg giving a total of 189,000 tonnes of pig meat. Since 1971, there has been a steady increase in the number of pigs per sow per year and also an increase in the average dressed carcase weight. For the year ended 31st March, 1979 the last year for which complete figures are available 301,000 sows averaged 12.1 pigs per year with an average carcase weight of 54.7 kg. This represents a total of 199,000 tonnes of pig meat (see Table 1).

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Sows ('000)</th>
<th>Pigs Slaughtered ('000)</th>
<th>Pigs per Sow</th>
<th>Average Carcase Weight (kg)</th>
<th>Pig meat Produced (tonnes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970-1971</td>
<td>367</td>
<td>3 890</td>
<td>10.6</td>
<td>48.5</td>
<td>189 000</td>
</tr>
<tr>
<td>1978-1979</td>
<td>301</td>
<td>3 640</td>
<td>12.1</td>
<td>54.7</td>
<td>199 000</td>
</tr>
<tr>
<td>1979</td>
<td>(Provisional)</td>
<td>3 650</td>
<td>11.85</td>
<td>56.2</td>
<td>205 000</td>
</tr>
<tr>
<td>1980</td>
<td>(Estimated)</td>
<td>3 890</td>
<td>12.1</td>
<td>57.8</td>
<td>225 000</td>
</tr>
</tbody>
</table>

* Sources: ABS and BAE
It is estimated that, in the current year, there will be a 6-7% increase in the national sow herd, i.e. up to 320 000 sows. If we use this number of sows as a base and add to the 1979 figures the average yearly increase in pigs per sow per year and in dressed carcase weight, we can forecast a production level of just over 12.1 pigs per sow at an average weight of 57.8 kg, representing 225 000 tonnes of pig meat, or an increase of 13% in pig meat available on the market in 1980 when compared to the year ended 31st March, 1979.

To carry this interpretation a little further, the average per capita consumption of pig meat in Australia would have to increase to 15.2 kg per year, in this year, otherwise it will be very difficult to quit the surplus of pig meat. The Bureau of Agricultural Economics prediction is that per capita consumption in 1980 will be 14.2 kg, which in itself is an 8.4% increase over the 1979 figures of 13.1 kg, but that 14.2 kg level of consumption will certainly not account for the predicted 225 000 tonnes of pig meat.

Western Australian statistics and predictions are even more difficult to find and a more detailed analysis of production and slaughter figures would be a big help in the future. However, in 1978, 34 000 sows produced 307 500 pigs and 17 300 tonnes of pigmeat, while in 1979, 40 000 sows resulted in 362 000 pigs being slaughtered, an increase of 17.7%. The amount of pig meat produced in 1979 was 20 029 tonnes, an increase of only 15.5% which indicated a drop in average carcase weight in 1979 when compared with 1978 (see Table 2). This decrease was certainly not predicted by the pundits with the active and expensive promotion for the so-called "Super Porker" during the year. A combination of high prices and drought shortage of feed appears to have amounted to nearly a panic situation to sell traditional weight porkers.

**TABLE 2**

Production Figures - W.A.*

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Breeding Sows - '000</td>
<td>34</td>
<td>40</td>
<td>+ 17.6%</td>
<td>?</td>
<td>?</td>
<td>?</td>
</tr>
<tr>
<td>Slaughterings - '000</td>
<td>307.5</td>
<td>362</td>
<td>+ 17.7%</td>
<td>440</td>
<td>+ 21.5%</td>
<td>+ 43.1%</td>
</tr>
<tr>
<td>Production Weight - kt</td>
<td>17.3</td>
<td>20.0</td>
<td>+ 15.6%</td>
<td>24.6</td>
<td>+ 23%</td>
<td>+ 42.2%</td>
</tr>
<tr>
<td>Average Carcase Weight - kg</td>
<td>56.22</td>
<td>55.33</td>
<td>- 1.6%</td>
<td>56.0</td>
<td>+ 1.2%</td>
<td>- 0.4%</td>
</tr>
</tbody>
</table>

* Sources: ABS Monthly Summary - W.A. Feb'80
Private Communication
Over the same period, National sow numbers increased by 2.3%, slaughtering by 0.3%, and average carcase weight by 2.7%. (See Table 3).

**TABLE 3**

**PRODUCTION FIGURES - AUSTRALIA**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Breeding Sows - '000</td>
<td>301</td>
<td>308</td>
<td>+ 2.3%</td>
<td>320</td>
<td>+ 3.9%</td>
<td>+ 6.3%</td>
</tr>
<tr>
<td>Slaughtering - '000</td>
<td>3640</td>
<td>3650</td>
<td>+ 0.3%</td>
<td>3890</td>
<td>+ 6.6%</td>
<td>+ 6.9%</td>
</tr>
<tr>
<td>Production Weight - kt</td>
<td>199</td>
<td>205</td>
<td>+ 3.0%</td>
<td>225</td>
<td>+ 9.8%</td>
<td>+ 13.1%</td>
</tr>
<tr>
<td>Average Carcase Weight - kg</td>
<td>54.7</td>
<td>56.2</td>
<td>+ 2.7%</td>
<td>57.8</td>
<td>+ 2.8%</td>
<td>+ 5.7%</td>
</tr>
</tbody>
</table>

* Source : ABS and BAE

For 1980, it has been estimated that pig slaughtering in W.A. could reach 440 000 or an increase of 21.5% over 1979 figures, compared to a National slaughtering increase predicted at 6.6%. Even the lowest estimated of the W.A. kill for 1980 at 420 000 animals is still a 16% increase over the kill in 1979.

Just what do all these figures mean?

The production of pig meat in Australia, as in most other countries in the world is increasing, and the predicted production level for 1980 indicates a surplus of pig meat, even with the hoped for increase of 8.4% in per capita consumption.

Any increase in consumption will depend on three main factors:

1. Price
2. Quality
3. Consumer awareness of the first two factors.

**1. PRICE** - the retail price of pig meats relative to all other meats is of major importance in determining the level of consumption. The retail price for beef is expected to rise in 1980, due to a tightening of world supplies and the expected increase in pig meat production, provided price can remain competitive, is expected to result in an increase in consumption. In September 1979, the retail price of pork in Australia averaged
417.1 cents/kg, an increase of 25.6% over the price in September, 1978. Opposed to that were a 61.8% increase in retail beef prices and an 18.3% increase in sheep meat prices. Poultry increased in retail price by 14% in the same period. (See Table 4).

### TABLE 4

**RETAIL MEAT PRICES - AUSTRALIA***

<table>
<thead>
<tr>
<th>Meat Type</th>
<th>September 1978</th>
<th>September 1979</th>
<th>% Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beef &amp; Veal</td>
<td>247.5</td>
<td>400.5</td>
<td>61.8</td>
</tr>
<tr>
<td>Sheep meat</td>
<td>193.7</td>
<td>229.1</td>
<td>18.3</td>
</tr>
<tr>
<td>Poultry</td>
<td>170.8</td>
<td>194.6</td>
<td>14.0</td>
</tr>
<tr>
<td>Pork</td>
<td>332.2</td>
<td>417.1</td>
<td>25.6</td>
</tr>
</tbody>
</table>

* Source : BAE

Beyond 1980, the outlook for pig meats will depend largely on movements in beef prices and the prices for feed grains. Increased herd building in nearly all the major beef producing countries indicates the probability of an upswing in beef production in the mid-1980's. This is expected to bring world beef prices under downward pressure, especially if world output of other meats also expands as predicted, and pig producers should bear this in mind as far as expansion in the 1980's is concerned.

Therefore, producers must look to more efficient management practices and take a leaf out of the poultry production manual if prices for pig meats are to be kept competitive in the 1980's. With the national average at around 12 pigs per sow per year and the W.A. average at 10, producers must tidy up their own backyards before forcing the consumer to pay for producer inefficiency.

2. QUALITY - It has been stated that the reason for the fall in pig meat consumption since 1973 was due to a change in consumer tastes and a preference for leaner meats. This statement says it all. Pig producers have been complacent about quality far too long. It is significant that the consumption of bacon and ham products has been increasing since a low of 6.8 kg per head in 1975 to 8.8 kg in 1978, when compared to consumption of fresh pork at a high of 8.1 kg in 1973 and decreasing ever since to a level of 4.3 kg per head in 1978. (See Table 5).
Pork is consumed "au natural" from the carcase, while ham and bacon can be trimmed of excess fat by the processor, although at a large unnecessary cost, before presentation to the consumer. Both the consumer and the processor do not want this extra fat or this extra cost. It is a saddening reflection on the standard of pig presented for killing that the Pork Promotion Committee had to reduce its standards from a maximum P2 reading of 16 mm to 18 mm after their "Eat More Pork" promotion started, because there were just not enough pigs falling into the 16 mm or below category.

The concept of the "Super Porker" pig is an excellent one, but it seems that it has been the old story of putting the cart before the horse, where a marketing idea was signed, sealed and delivered before the product was available.

In the three year period since P2 measurements were first introduced at Midland Abattoir, and subsequently at all other major slaughterhouses, it would appear that the average reading of the P2 measurement for all pigs measured in W.A. has not been reduced to any significant extent, with most baconer size pigs slaughtered falling in the 20-25 mm category. This is obviously too fat and producers have been altogether too slow in heeding the warning given by the consumer since 1973.

Let us all hope that it is not too late from an overall industry point of view, that all sectors of the industry can work together even more closely to try to improve pig quality.

3. Once the price competitiveness of pig meats has been established and the quality, in sufficient quantity, is available, and not beforehand, then the consumer must be coerced to buy. It is then that an active marketing campaign is necessary. If we look enviously at what the other main intensive animal industry has done in Australia over the last 10 years, we can gain some idea of how to successfully produce and market a competitive and quality product.

In 1972, Australians ate 15.1 kg of pig meat per head, while the prediction for 1980 is 14.2 kg per head of population. During this period, consumption of beef and sheep meats also decreased. However, consumption of chicken meat in 1972 was 13.3 kg with an expected
consumption in 1980 of 21.1 kg, an increase of 59%! (See Table 6). In other words, if we take Australia's present population, in round figures, at 14 million, then Australians are eating around 100 000 tonnes more poultry than in 1972, compared with a decrease of about 12 000 tonnes in pig meat. Consumers have to be given a reason before they can be prised away from other meats, and so far, the pig industry has not given them one.

### TABLE 6

DOMESTIC CONSUMPTION PER HEAD*

<table>
<thead>
<tr>
<th>MEAT TYPE</th>
<th>Beef and Veal</th>
<th>Mutton</th>
<th>Lamb</th>
<th>Total Sheep Meat</th>
<th>Pig Meat</th>
<th>Poultry</th>
<th>Total Meat</th>
</tr>
</thead>
<tbody>
<tr>
<td>1972</td>
<td>38.8</td>
<td>14.4</td>
<td>18.9</td>
<td>33.3</td>
<td>15.1</td>
<td>13.3</td>
<td>100.5</td>
</tr>
<tr>
<td>1973</td>
<td>40.7</td>
<td>8.2</td>
<td>16.0</td>
<td>24.2</td>
<td>14.3</td>
<td>13.7</td>
<td>92.9</td>
</tr>
<tr>
<td>1974</td>
<td>64.7</td>
<td>8.6</td>
<td>18.1</td>
<td>26.7</td>
<td>12.8</td>
<td>13.9</td>
<td>118.1</td>
</tr>
<tr>
<td>1975</td>
<td>67.1</td>
<td>7.6</td>
<td>17.0</td>
<td>24.6</td>
<td>11.9</td>
<td>14.8</td>
<td>118.4</td>
</tr>
<tr>
<td>1976</td>
<td>61.9</td>
<td>8.0</td>
<td>16.9</td>
<td>24.9</td>
<td>11.6</td>
<td>15.5</td>
<td>113.9</td>
</tr>
<tr>
<td>1977</td>
<td>70.6</td>
<td>3.3</td>
<td>15.7</td>
<td>19.0</td>
<td>12.6</td>
<td>16.1</td>
<td>118.3</td>
</tr>
<tr>
<td>1978</td>
<td>65.3</td>
<td>2.9</td>
<td>13.9</td>
<td>16.8</td>
<td>13.1</td>
<td>17.5</td>
<td>112.7</td>
</tr>
<tr>
<td>1979</td>
<td>48.0</td>
<td>5.5</td>
<td>15.7</td>
<td>21.2</td>
<td>13.1</td>
<td>19.3</td>
<td>101.6</td>
</tr>
<tr>
<td>Predicted 1980</td>
<td>39.8</td>
<td>6.0</td>
<td>16.0</td>
<td>22.0</td>
<td>14.2</td>
<td>21.2</td>
<td>97.2</td>
</tr>
<tr>
<td>% Change 1980 Over 1979</td>
<td>-17.1</td>
<td>+9.1</td>
<td>+1.9</td>
<td>+3.8</td>
<td>+8.4</td>
<td>+9.8</td>
<td>-4.3</td>
</tr>
</tbody>
</table>

* Source: Bureau of Agricultural Economics

The "Superporker" was hailed as the panacea of pig producers, but so far in the last two years it seems to have had little effect nationwide and certainly little effect in W.A. in the last 12 months.

The original idea was to eliminate the traditional 30-40 kg porker by allowing the pigs to grow to heavier weights and so create a dual purpose pig at around 60 kg - where the meat can be used either for processing or sold fresh. No figures are available concerning the slaughter weights of pigs in W.A., but reports from Midland Saleyards still indicate that in
excess of 30% of the weekly yardings are traditional size porkers. Therefore, it would appear that most producers have not changed their outlook at all in respect of traditional porkers, and that communication is necessary throughout the whole industry so that the left hand knows what the right hand is doing.

So it would seem that whatever "Superporkers" are being used at present, are diverted bacon pigs. If, as we have previously discussed, baconer sized pigs are still much too fat, and a large proportion of baconers have to be trimmed to acceptable fat levels, then what real chance does the present "Superporker" have in today's discerning market. It is all very well for producers to accept inflated prices for baconer sized pigs to be used as fresh pork, when compared to current prices for processing pigs, but the processing trade cannot exist on fat pigs either and in the long run, the producer will lose, as costs of processing increase, and the consumer will have to pay more for the product.

In the two years from 1977 to 1979, production of ham and bacon in W.A. declined by 4.1%, whereas, for the whole of Australia, production increased by 17.7%. What is so different about W.A.? I venture to suggest that one of the main reasons is lack of a standard quality article.

Improvement of quality in pigs can be achieved most rapidly through their mouths, and this improvement will remain a dream until producers cost their feed on the basis of cost per unit weight gain instead of cost per tonne of feed.

In conclusion, let us summarise the implications for our pig industry in the immediate and in the medium-term future.

The outlook for pig meats, at least until about 1984, appears good, with consumer demand on the increase because of projected tightening of availability of other meats and consequent increases in retail prices. However, consumers expect a lean and price competitive product, and unless this can be supplied, the advantage will be negated. Let us ensure that we can supply the already captive ham and bacon market with product it wants, as efficiently as possible in terms of numbers, quality and cost. Once this is achieved, the "Superporker" is automatically a viable proposition, but not before. Complacency and apathy have no place in the attitudes of the entire pig industry, (as well as the producer) of the 80's, where intelligent and enthusiastic application of the technological and management aids which have been available for years, but have been little used, are essential for survival.

The opportunity is now and the ball is in your court.
To state the obvious, profitability in pig production is the gap between the cost of producing pigs for market and the returns achieved.

The successful producer is constantly preoccupied with widening this gap. At a meeting such as this I feel we should be examining not only factors over which the producer might appear to have little control, but also those production factors over which the pig breeder at least can have a large influence on the profitability of his enterprise. It is my intention then to demonstrate a number of production strategies which producers might well concern themselves with to widen the difference between costs and returns.

Firstly in relation to pig prices, it seems highly probable that the retail prices of beef and sheep meats will at least remain at their current level on a year round basis. This will give the fresh pork trade the opportunity of improving its position as a serious competitor in this area. In fact, it can be expected that the consumption of pig meats may well increase on the basis of comparative price, and producer financial promotion efforts for the super porker.

Any increase in the supply of pig meats on to the market might well be offset by increased consumption. Returns to producers, therefore, can be expected to at least remain at their present level, or more probably increase.

**INCREASING COSTS**

The bad news is that costs of production can be expected to increase further.

Feed prices in particular could well increase by up to 20 percent due to substantially increased grain prices and a relative shortage of meat meal and lupin seed on which the pig industry is heavily dependent. Price increases in these protein sources are very possible - meat meal in Victoria sells at $360 and in South Australia up to $380, compared with $290-310 in Western Australia.

With such an increasing cost, there is every incentive for pig producers to improve efficiency. In fact, I feel there are a great many factors affecting profitability which are under the control of the producer.
In the 1978-79 Victorian pig management survey of 20 farms, the gross margin per sow ranged from $73 to $1,029 per year, with an average of $463. However, the five most profitable farms returned a gross margin of $801 per sow. These figures are simply the total returns less all costs except labour on a per sow basis.

It was concluded that, apart from price factors, this large variation in margins between farms was due to management factors which included:

(i) the number of pigs produced per sow per year
(ii) feed conversion efficiency
(iii) growth rate
(iv) grading percentages (carcase quality)

SOW PRODUCTIVITY

The efficiency of the sow is not only concerned with litter size, but more importantly, the number of piglets she produces and rears each year. In the Victorian survey the number of litters per sow per year averaged 1.9 while the range was 1.1 to 2.4. Again, the number of pigs weaned per sow averaged 15.2, but the range was 7.6 to 20.2. These large differences surely indicate the potential for substantial improvements in many herds. The five top herds in this survey weaned 17.7 pigs per sow per year. The higher figure for these herds was attributed to a combination of larger litters and more litters per sow in the year.

The sow is in the herd simply to produce weaners, but she costs money in food whether she produces a large number of weaners or few. The feed cost of producing each weaner is determined by the number of weaners produced in the year.

With sow food costing $150/tonne, the annual feed cost of keeping a sow plus a proportion of her gilt replacement, is in the order of $190. If the sow herd is only producing an average of 10 weaners per year, then each weaner has cost $19 of feed to produce. With 18 weaners per sow, the feed cost of producing each weaner drops to $10.55. This difference, $8.45, is clear profit to the producer who can achieve the higher level of sow productivity. If we take into account other per sow fixed costs, the difference would be even greater.

How then can we produce more weaners per sow per year. Before we look into this I must mention at this stage that one vital component to understanding the productivity of sows in the herd is keeping sow records. This rather arduous task really pays off. It enables the identification of unproductive sows, problem boars, mating failure and other breeding problems. It also establishes the vital statistics of the herd from which diagnosis of problem areas can more readily be made and corrective measures implemented.
FARROWING INTERVAL

The farrowing interval is the average number of days between farrowings. For the best herd in the Victorian survey this interval was 152 days while the average was 192 days. The farrowing interval is greatly affected by the weaning to oestrus interval and by the age at weaning.

It is essential that sows are either pregnant or lactating as much as possible and that the number of animals in neither state be kept to a minimum. Careful record keeping will identify whether a reasonable farrowing interval is being achieved.

Problems in this area may be due to mating failure, difficult breeders, sows not coming into oestrus after weaning, failure to detect oestrus, extended weaning to oestrus interval, abortions, failure to hold weaned sows or replacement gilts near mature boars.

AGE AT WEANING

Earlier weaning can significantly reduce the farrowing interval and increase the number of weaners produced per sow per year as the United Kingdom data in Table 1 illustrates.

<table>
<thead>
<tr>
<th>Age at weaning (weeks)</th>
<th>3-4</th>
<th>5-6</th>
<th>7-8</th>
</tr>
</thead>
<tbody>
<tr>
<td>Litters per sow per year</td>
<td>2.2</td>
<td>2.0</td>
<td>1.9</td>
</tr>
<tr>
<td>Pigs born alive per litter</td>
<td>10.2</td>
<td>10.4</td>
<td>10.1</td>
</tr>
<tr>
<td>Pigs reared per litter</td>
<td>8.8</td>
<td>8.8</td>
<td>8.8</td>
</tr>
<tr>
<td>Pigs weaned per sow per year</td>
<td>19.2</td>
<td>17.7</td>
<td>16.5</td>
</tr>
</tbody>
</table>

Bringing weaning back from 7-8 weeks to 5-6 weeks produces 1.2 more pigs per sow per year. With baconers worth $85 and feed costing $150 per tonne, this amounts to an additional profit of about $60 per sow.

This improvement is not difficult to achieve, but weaning at 3-4 weeks of age requires good facilities for weaners, a high level of stockmanship and a good early weaning ration.

Weaning earlier than three weeks significantly reduces piglets born alive, conception rate and extends the weaning to oestrus interval. It is not recommended.

Litter size and preweaning mortality are other vital components of productivity of the breeding herd.
GROWTH RATE, FEED CONVERSION AND CARCASE QUALITY

These three performance characteristics are considered together because they are closely related, both biologically and economically. Improved growth rate is invariably associated with better feed conversion efficiency.

Probably more has been written or spoken on the nutrition of the growing pig than all other aspects of pig production; understandably since it represents such a high proportion of total production costs.

I will simply restrict my remarks to the prospect of higher feed costs in the immediate marketing climate of 1980. In this context I must mention that carcase quality is becoming an increasingly important production and marketing consideration. At present about 80 percent of the pigs slaughtered in Western Australia are classified - the fat depth is being measured objectively with an introscope. Certainly not all of these carcases are being sold grade and deadweight, but an increasing consciousness of and competition for quality pigs is evident. In addition, producers of quality pigs are seeking more recognition.

FEED QUALITY

Feed quality usually refers to the amount of protein it contains. With increasing prices for the protein sources, meat meal and lupin seed, there is a tendency for producers to think in terms of reducing the amount of protein in their grower pig rations. The effects of doing this can best be illustrated by the following data obtained largely from experiments at Medina.

TABLE 2
Effect of Level of Dietary Meat Meal on Performance (Growers 15-18 kg Liveweight)

<table>
<thead>
<tr>
<th>Dietary meat meal %</th>
<th>Growth rate g/day</th>
<th>Feed conversion ratio</th>
<th>Back fat P2,mm</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>440</td>
<td>3.85</td>
<td>24.5</td>
</tr>
<tr>
<td>10</td>
<td>510</td>
<td>3.45</td>
<td>20.5</td>
</tr>
<tr>
<td>15</td>
<td>560</td>
<td>3.30</td>
<td>18.5</td>
</tr>
<tr>
<td>18</td>
<td>580</td>
<td>3.20</td>
<td>18.0</td>
</tr>
</tbody>
</table>
Reducing the meat meal content from 15 to 10 percent, for example, increases the number of days taken to reach baconer weight by 12 days, the feed conversion ratio by 0.25 and back fat by 2.0 mm. The cost and profitability of doing this are shown in Table 3 which suggests that the feed cost of producing the baconer pig is very much the same for the two dietary levels of meat meal - assuming grain costs of $120/tonne and meat meal $300/tonne. However, when differential returns for carcase quality are taken into account, the gross margin over feed cost (carcase return less feed cost) strongly favours the 15 percent level of meat meal. The gross margin per pig place per year, which takes growth rate into account, further favours the higher level of meat meal in terms of profitability.

LYSINE

The addition of synthetic lysine to farm-mixed pig rations offers another means of reducing the cost of feeding growing pigs despite its apparently high price - $4.60 per kilogram. Preliminary results from an experiment with growing gilts at Medina suggest it is profitable to add up to 3 kg of lysine per tonne of 15 percent crude protein grower ration. The main effect was a reduction of 3-4 weeks in the time taken to reach baconer weight. Feed conversion efficiency was also improved, more than sufficient to cover the cost of adding the lysine.

Lysine, of course, is one of many amino acids in natural protein. Interest in it stems from the fact that most pig diets in Australia have less than optimum levels of lysine so that responses to its supplementation can be expected. However, the economics of its use is determined by the benefits relative to cost. At present these favour its addition.

To what extent lysine might replace meat meal is another matter. Other natural amino acids in meat meal are also essential. Perhaps further experimentation will answer this question. In any event, synthetic lysine could not be used to reduce meat meal to less than 10 or 11 percent of the ration.

In summary then, increased costs of producing pig meats can be countered by improved sow productivity and feeding techniques and the pig producer has merely to apply himself to the task.
PROSPECTS FOR WHEAT

C.T. Mann
President
Australian Wheat Growers' Federation

The New Wheat Marketing Plan has been legislated for at a Commonwealth level and complimentary State Legislation is now proceeding. What does this mean for the individual grower?

The legislation means that the Australian Wheat Board will continue to be the sole authority for sales of wheat on both the export and domestic market. However the legislation does provide another option for growers with the authority of the Board to arrange direct delivery. (This should not be confused with permits for inferior wheat, seconds, or seed wheat which apply with Board approval as in the past).

DIRECT DELIVERIES (GROWER TO BUYER)

Growers may, with the approval of the Board, arrange to deliver direct to a buyer. Details of the transaction are as follows:

The buyer pays the Board the appropriate home consumption price dependent on the end use of the wheat. The basic A.S.W. price is adjusted for allowances for quality and freight agreed between the two parties.

The grower participates in the pool and the Guaranteed Minimum Delivery Price (GMDP) arrangements. The grower is paid the GMDP adjusted for the quality and freight allowances agreed with the buyer. However his bulk handling deduction will be lower than the standard charge and will represent the relevant State Bulk Handling Authority costs for capital items, maintenance and depreciation.

It is important to note that whilst a grower may arrange the direct delivery of his own wheat to a buyer and may negotiate his own allowances for quality and freight, the transaction is subject to approval by a State Branch of the Australian Wheat Board with all payments being made through the Board. That is, buyer pays the Australian Wheat Board and Australian Wheat Board pays GMDP to the grower, less any allowances negotiated.

A Guaranteed Minimum Delivery price will replace the first advance payment of previous years. The GMDP will guarantee growers a minimum price of 95% of the average net pool returns of the "subject" year and
the two preceding years converted to a net basis. Movements in the GMDP from one season to the next will be limited to 15%.

On delivery of their wheat, growers will be paid the GMDP less deductions for Grower's individual freight, Bulk handling and storage charges, Wheat Research Tax, Wheat Finance Fund levy and C.B.H. tolls. (The latter two being returnable at a later date). The GMDP for 79/80 has been set at $114.71 per tonne.

If there is any deficiency between final net Pool Return and the GMDP this will be met by the Commonwealth when the Pool is finalised. When a Pool Return is higher than the GMDP growers will receive subsequent payments.

The facility of discounting of subsequent payments has also been included for the next 5 years, however the scope for the continuation of discounted payments should lessen as the plan continues and the GMDP is set at 95% of the three year average.

As in the past the financial provisions will allow the Australian Wheat Board to borrow money to pay the GMDP from the Rural Credits Department of the Reserve Bank, additionally the Australian Wheat Board will have the power to borrow commercially. However, if the Board is requested by the Government to borrow commercially for these purposes within the Statutory twelve month period applicable to R.C.D. monies. these borrowings will be at no additional cost to growers.

The R.C.D. borrowings will be guaranteed by the Commonwealth, but must be repaid at the conclusion of the statutory period. A Wheat Finance Fund has been established to allow the Australian Wheat Board to refinance any R.C.D. indebtedness at the end of the statutory period. The Finance Fund will have a ceiling of $100 m. The monies currently held in the Wheat Stabilisation Fund will be transferred to the new Fund and growers will pay a $2.50 per tonne levy in future. Any monies received over the ceiling of $100 m. will be repaid according to deliveries to the oldest Pool that has equity in the Fund - first-in-first-out basis. Unlike the previous Stabilisation Fund a grower will always retain his equity and the Fund will never be at risk.

The legislation provides for a stable home consumption price for wheat for human consumption of $127.78, plus Tasmania freight for the first year. The price for each succeeding year of the 5 year plan to take into account movements in:

(i) Prices paid by farmers  
(ii) Export prices of a season  
(iii) A margin above export parity

The movement in this price will be limited to 20% from year to year. The home consumption price for industrial and stockfeed wheats will be set from time to time by the Australian Wheat Board using its commercial judgement.

The Australian Wheat Board will be assisted by a consultative group of growers and users, who will have the role of providing a range of data and assessments which will assist in the setting of prices with the aims of balancing the commercial interests of producers and users, but continuing
to maintain the orderly marketing of wheat for stockfeed and industrial purposes. The consultative group will not make recommendations on price levels.

These are the basic features of the New Wheat Marketing legislation and should provide a framework which will -

* be conducive to efficient orderly marketing;
* allow the Australian Wheat Board to effectively compete in the International Market;
* recognise that the Industry may expand production;
* ensure some reasonable equity between growers in sharing the costs and returns of the Industry;
* ensure equal opportunity to growers to participate in the options that are available for marketing of their grain;
* "signal" to growers the World trend of market prices;
* provide at least potential levels of support in times of a downturn in prices;
* quicken the cash flow to wheat growers thereby minimising the effects of inflation in the value of money; and
* provide equity between buyers

The next five years will show if all of the above objectives have been met.

TABLE 1
1980/81 GMP EXERCISES

<table>
<thead>
<tr>
<th>Year</th>
<th>Price</th>
<th>Comment</th>
<th>Average</th>
<th>( \times 0.95 = \text{GMP} )</th>
<th>Subject to 15% annual limitation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1978/79</td>
<td>$126</td>
<td>low</td>
<td>114</td>
<td>$108.30</td>
<td>no</td>
</tr>
<tr>
<td>1979/80</td>
<td>$108</td>
<td>low</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1980/81</td>
<td>$108</td>
<td>low</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1978/79</td>
<td>$126</td>
<td>likely</td>
<td>123.34</td>
<td>$117.17</td>
<td>no</td>
</tr>
<tr>
<td>1979/80</td>
<td>$136</td>
<td>likely</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1980/81</td>
<td>$108</td>
<td>low</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1978/79</td>
<td>$126</td>
<td>possible</td>
<td>137.33</td>
<td>$130.47</td>
<td>no</td>
</tr>
<tr>
<td>1979/80</td>
<td>$136</td>
<td>possible</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1980/81</td>
<td>$150</td>
<td>possible</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
From the above table you may form the impression that the 1980/81 GMP will be between $108.30 and $131.92 per tonne. It cannot move outside the range of $97.50 to $131.92 per tonne because of the 15% annual limitation.

OUTLOOK

Before attempting any forecasts it is worth looking at some of the features of the past season.

The Wheat Industry moves into the 1980's with an outstanding record in production, handling, shipping, prices and marketing.

In fact 1978/79 was an exceptional year for the Industry and for the Wheat Board.

The Board marketed 13.65 million tonnes, including exports of 11.52 million tonnes, a rise of 45 per cent on the previous year.

Wheat was exported to 42 countries and flour to 23 countries. Some 535 ships were loaded at an average of 44 ships per month or two every working day. In the peak month of November, when a record 1.669 million tonnes were shipped, 70 vessels were loaded including the biggest single cargo of 78 500 tonnes.

Mention should also be made that these achievements are only possible with the overall co-operation of growers, Co-operative Bulk Handling, Westrail and the Australian Wheat Board.

For 1980, the Board expects to have 19.5 million tonnes to market, including 13 million tonnes for export.

Forward sales totalling more than 8 million tonnes have so far been contracted for shipment in 1979/80 as a result of successful selling at good prices during 1979 and to date in 1980. These sales include 2.27 million tonnes to be shipped to U.S.S.R., 2.24 million tonnes for China and 1.73 million tonnes for Egypt.

**Table 1 (cont.)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Price</th>
<th>Comment</th>
<th>Average</th>
<th>x.95 = GMP</th>
<th>Subject to 15% annual limitation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1978/79</td>
<td>$126</td>
<td>high</td>
<td>132.33</td>
<td>$125.72</td>
<td>no</td>
</tr>
<tr>
<td>1979/80</td>
<td>$163</td>
<td>low</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1980/81</td>
<td>$108</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1978/79</td>
<td>$126</td>
<td>high</td>
<td>146.33</td>
<td>$139.02</td>
<td>yes becomes $131.92 per tonne</td>
</tr>
<tr>
<td>1979/80</td>
<td>$150</td>
<td>possible</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1980/81</td>
<td>$163</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Our export shipping program has begun well, with 1.19 million tonnes shipped in December and a loading of about 1.5 million tonnes for this January. We hope to keep up a shipping rate in excess of 1 million tonnes per month at least until July of this year.

Credit for this shipping achievement must also be given to the Union movement because it does show what can be done if everyone is working. (1.5 million tonnes per month does give a theoretical figure of 18 million tonne shipping). Every opportunity to liaise with Unions must be taken to show that any stoppages ultimately effects the whole community.

Thus in two years, the Board will have received 32.4 million tonnes of wheat, and hopefully will have exported 24.9 million tonnes of wheat and flour, sold the equivalent of 4.0 million tonnes of wheat on the domestic market and could have a carryover of less than 4.3 million tonnes by November 30 this year.

A creditable performance I'm sure you will agree and a very satisfying answer to knockers of statutory marketing boards and orderly marketing.

Recent international political events have caused some minor distortion in prices, but the fundamental supply-demand situation points to continuation of a firm market.

The big influence in prices in 1979 was a decline in the Russian wheat harvest of 35 million tonnes, with reduced production also in India, and a number of countries in Western and Eastern Europe and North Africa.

This created a marketing environment where global consumption was expected to outstrip production, leading to strong prices.

The scenario for 1980 is as follows:

* Russia has increased the area sown to wheat by 10 per cent, but weather conditions have been very patchy.

* In China the weather has stunted efforts to expand the area sown.

* United States farmers have also run into weather problems in expanding the area sown by 10 per cent, but weather in May and June is the most important yield determinant.

* Inadequate monsoon rains have upset a rising production trend in India, which may soon re-enter the world wheat market after an absence of several years.

* Late rains and frosts have taken toll of the crop in Argentina; and the E.E.C. is expected to have only a minor influence.
Add to this scenario the twin evils of inflation and higher energy costs and you have all the ingredients for price optimism.

The major factor clouding the outlook is the short, medium and long term impact of the United States embargo on wheat shipments to the Soviet Union introduced in response to the crisis in Afghanistan.

It is obvious that the 13 million tons of corn withdrawn from shipment will have more impact on the market than the 4 million tons of wheat involved. After an initial downward reaction, the wheat market has steadied and firmed, but coarse grains have not shown the same recovery.

It is impossible to assess at this time what the longer term effect on the world market and prices will be, but the fact that the grain is physically there cannot be overlooked.

The situation will need to be carefully monitored if the burden of this disruption to established trade is not to fall disproportionately on one or more exporting countries, or sections within those countries.

To sum up - General optimism BUT to quote Geoff Miller, Chief of B.A.E., "Expect the unexpected!".

POOL POSITIONS:

<table>
<thead>
<tr>
<th>Year</th>
<th>Remaining Equity</th>
<th>Stabilization/Finance Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>76/77 Pool</td>
<td>Nil</td>
<td>3.40 plus interest</td>
</tr>
<tr>
<td>77/78</td>
<td>$10</td>
<td>3.52 &quot;</td>
</tr>
<tr>
<td>78/79</td>
<td>* $40 - $50</td>
<td>1.72 &quot;</td>
</tr>
<tr>
<td>79/80</td>
<td>not less than $10</td>
<td>2.50 &quot;</td>
</tr>
</tbody>
</table>

PAYMENTS:

- 3rd payment on 77/78
- 2nd payment 78/79 $10 per tonne
- 2nd half of 1980
- July 15 (discount offer of $9.73 on April 15 1980)

* Growers should note that from the No.78/79 Pool the new system of State responsibility for handling and storage applies. This means that from the approximate total outstanding in the No.78/79 Pool, State storage and handling charges have to be deducted. Thus, in arriving at a farm gate return, growers will have to deduct from the Pool return of approximately $115.00 to $125.00 per tonne their individual rail freight, dockages, and State handling and storage charges.
<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>INDIVIDUAL FREIGHT DEDUCTIONS</td>
<td>(Freight rate per tonne set by Government)</td>
<td>$10.66</td>
</tr>
<tr>
<td>HANDLING AND STORAGE</td>
<td>(Under control of Bulk Handling Authorities, but under new remuneration agreement is known prior to harvest).</td>
<td>$11.10</td>
</tr>
<tr>
<td>PAYMENT TO STABILISATION FUND</td>
<td>(Under new legislation 79/80 will be known as Finance Fund and will be $2.50 per tonne regardless of size of harvest and will revolve on a first in first out basis).</td>
<td>$1.72</td>
</tr>
<tr>
<td>PAYMENT TO WHEAT RESEARCH</td>
<td>(Matched by Commonwealth on $1 for $1 basis. Monies raised within a State are spent within that State - matching monies are spent on a Commonwealth basis).</td>
<td>20¢</td>
</tr>
<tr>
<td>C.B.H. TOLLS - W.A.</td>
<td>(May be altered at Annual Meeting of Shareholders returnable at a later date).</td>
<td>$3.31</td>
</tr>
<tr>
<td>EXCESS FREIGHT</td>
<td>(Additional to individual freight deductions and caused by freight rate increase during a Pool year. In future will be debited to growers within the State making the freight increase).</td>
<td>0.05¢</td>
</tr>
<tr>
<td>SHIPPING AND FOBING CHARGES</td>
<td>(Costs related to removal from storage onto ship).</td>
<td>17¢</td>
</tr>
<tr>
<td>QUALITY DISCOUNTS</td>
<td>(Allowance to buyers because of quality defects - should balance out with dockages from growers).</td>
<td>26¢</td>
</tr>
</tbody>
</table>
**Where the Money Goes (cont.)**

<table>
<thead>
<tr>
<th>Category</th>
<th>PER TONNE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EXPORT FINANCE INSURANCE COVER</strong></td>
<td></td>
</tr>
<tr>
<td>(Insurance cover in case of default of payment on term sales).</td>
<td>28¢</td>
</tr>
<tr>
<td><strong>INTEREST ON BORROWINGS</strong></td>
<td></td>
</tr>
<tr>
<td>(Interest on monies borrowed from R.C.D. and Commercial borrowings less interest received from credit sales).</td>
<td>75¢</td>
</tr>
<tr>
<td><strong>AUSTRALIAN WHEAT BOARD ADMINISTRATION &amp; MARKETING</strong></td>
<td></td>
</tr>
<tr>
<td>(Rate per tonne is dependent on size of harvest - includes Administration Grower and Market Service and Sales Promotion).</td>
<td>44¢</td>
</tr>
<tr>
<td><strong>CARRY-OVER, HANDLING AND STORAGE</strong></td>
<td></td>
</tr>
<tr>
<td>(Carry-over costs are a total Pool charge and will vary depending on tonnage carried into the new season).</td>
<td>$1.16</td>
</tr>
</tbody>
</table>
Australian grain growers came out of the 1960s facing a bleak future. World stocks were at high levels, delivery quotas operated for wheat, and grain prices were depressed. Yet the decade turned out differently. World trade in grains and oilseeds more than doubled in volume during the 1970s, from 100m to over 200m tons. Notwithstanding rapidly rising input costs, especially for labour and fuel, and mixed seasonal conditions, Australia's cropping farms generated rates of return that were high, and strongly rising, throughout the decade.

The important point to draw from all this is that the experience of the 1970s was the opposite of the expectation that most growers held at the beginning of the decade. I think it is worth repeating a point that I made in my address to the Outlook Conference: it doesn't matter how good the analysis of future prospects, we live in an uncertain world. Keep on expecting the unexpected!

Having said that, I guess many of you will doubt the value of my saying any more. Yet I think that would be a bit like going to sea without having studied the available charts. The charts do help you to navigate a course, even though you must always stand ready to modify that course as unexpected conditions develop.

Well then, let's look at the charts. What can be said about the economic conditions that the grain industries are likely to face during the next decade? We should first look at world markets, then at world market prices. After that, our capacity to compete with other suppliers in those markets becomes important. Our capacity to compete raises a whole lot of domestic issues - issues about exchange rates, tariffs, inflation, energy policy - but it also relates to our capacity to improve on-farm performance.

WORLD MARKETS

Apart from the BAE's own work, there are two authoritative studies available on the long run world grain outlook - the FAO's projections to 1985 and a more judgmentally oriented paper released last month by the International Wheat Council. Let me read from the summary of the IWC paper:

"World trade in grains and oilseeds more than doubled in volume during the 1970s demonstrating the ability of a handful of exporting countries to produce, move, load and ship grain in response to the world's increasing needs. A similar expansion of trade over the next decade would call for enormous investment in their transportation and handling facilities. It would also require heavy
"expenditure on storage and ports in importing countries."

Wheat consumption will continue to increase, though perhaps at a less rapid rate than in the 1970s. Much of the steady expansion in demand will come from developing countries. Although there is scope for further increases in production in many of them, their combined wheat requirements seem likely to rise by even larger amounts. A problem for the coming years will be the ability of many of these countries, already suffering massive balance-of-payments deficits, to afford to buy the grain they will need. More food aid and other financial assistance will undoubtedly be necessary. Centrally-planned countries will continue to make large imports in the years of domestic production shortfalls, although the balance of their trade may shift towards increasing imports of coarse grains.

To satisfy world demand, production will have to increase in the five major exporting countries. Producers will no doubt respond to the challenge as they did during the 1970s, but expansion of their output may become increasingly difficult and costly, especially if energy prices continue to increase. Even if the world food security situation improves on a global basis, reserve stocks will be required to cover years of poor crops. The major share will inevitably be held in the exporting countries. They need not be a burden on the market if their acquisition, maintenance and release can be coordinated at the international level. To improve their own food security, importing countries will also need to maintain larger stocks, but developing importing countries will require substantial financial assistance to do so."

These conclusions are not markedly different from the FAO's. However the FAO is more definite about a slowdown in the rate of growth, forecasting a 1.8% per annum increase in wheat production, and a 2.1% per year increase in coarse grain production. These rates of growth are much lower than those of the past decade.

In any event, the overall size of the market seems likely to expand at a sufficiently rapid rate to accommodate significant expansion in Australian supplies. But at what price?

PRICES

The first thing to be said about prices is that nobody - least of all me - would have forecast the price increases that took place during the 1970s. And nobody can forecast the path that prices will follow during the 1980s. What can we do, however, is to use an understanding of the market to get a bearing on prices.

For all intents and purposes the course of world grain prices will be determined by events in two countries: the USSR - the world's biggest producer - and the USA - the world's biggest exporter. If, notwithstanding the embargoes this year, the USSR maintains its presence in the market, it
will be US policies that determine the course of prices. But if the
Russians decide to play the ball back into the Americans' court, we
could see very volatile international grain prices. Let's assume they
don't.

The international grain market is effectively "managed" by US domestic
policies. The main instruments are the target price, the loan rate,
the set-aside program and the supplementary farmer-held reserve program.
The US loan rate effectively places a "floor" under world prices. The
loan rate moves generally in line with US cost conditions. So we can
expect the loan rates for each of the grains to move broadly in line
with movements in US costs and the set-aside and reserve program to be
used, if necessary, to keep market prices at or above this level.

Of course there are limits to the extent to which a market like the
grain market can be "managed" - the weather, chance and other historical
accidents can upset the applecart - as was the case in the late 1960s.

An important feature of the system by which the US "manages" the grains
market is that there are no comparable limits to the possibility of
price rises. And once rises occur they quickly become institutionalised
because of the increases that occur in US land values.

A hypothesis worthy of more attention is one that was advanced a few years
ago by US economist Harold Cochrane. Cochrane's argument was that more
grain could only be supplied to the world at rising real prices i.e. at
prices that rose at a rate higher than the inflation rate. That view, in
slightly different form, was advanced by J.B. Penn - a top economist with
the USDA - at the Outlook Conference five weeks ago. A great deal of
evidence can be adduced to support it. But there is also significant
contrary evidence.

One last point on prices. There exists, in world grain markets, a
'hierarchy' or prices for different types and qualities of grain. This
hierarchy is quite stable over long periods, and is normally only upset
by major technological developments. Its implication is that prices of
all grains are likely to move broadly in line over the longer term. So
even though trade in feed grains will expand more rapidly than trade in
wheat, this is unlikely to result in a persistent relative price improve-
ment for feedgrains.

CAPACITY TO COMPETE

In charting the waters of the economic sea through which grain producers
will sail during the next decade, we have so far distinguished one clear
landmark - expanding trade - and taken a bearing on another - grain
prices - although that bearing tells us the relative position of prices
rather than their absolute level. Looking at our capacity to compete is
somewhat more complex. To forecast that, we would have to forecast:

(1) The movement in the value of the $A relative to other
(particularly North American) currencies.

(2) The relative rate of inflation in Australia.
(3) The relative rates of increase in on-farm efficiency.

All of these questions are complex, so I shall simply try to give you my judgements, rather than all the factors that lead up to them.

Without any other changes in domestic policies, the $A is likely to improve, relative to the $US over the next decade. This is because we are rapidly becoming significant net exporters of energy and minerals. Other things being equal, a relative increase in the value of the $A will make our grain producers less competitive; you will get less $A for every unit of international currency you earn.

Now before you get too alarmed about this, let me muddy the waters:

First, this is the phenomenon known as the "Gregory thesis". We have been through it before with the expansion of mineral exports in the 1960s and 1970s. Despite the relative rise in the value of the $A, grain producers kept their heads above the water.

Second, part of the increase in the value of the $A could be offset by a sustained and concerted program of tariff reform.

The relative rate of inflation is the second factor that will affect your capacity to compete. Setting a straight course through the turbulent inflation waters is a tough assignment. However the means are available to do it. It is up to all Australians, especially farmers, to stand behind governments in their efforts to control inflation - unpalatable as the measures may sometimes be.

In this respect I'd like to repeat the conclusion of my Outlook Conference address: "the rural sector will be best served if its voice is firmly and consistently used in a sophisticated stand against inflation, even if the short term costs to farmers themselves sometimes appear to be significant."

Controlling inflation is bitter medicine. It is sometimes necessary for farmers to accept increases in some costs, especially interest rates and prices of fuel, in order that inflation can be controlled.

To illustrate the complexities, I'd like as I did at Outlook, to take the case of revenue from the crude oil levy. Notwithstanding the fact that this revenue exceeds budget estimates, it remains true that if it were now used to subsidise fuel users, the Government deficit would be greater than it would otherwise be. To finance that increased deficit, either money would have to be printed, or the Government would have to borrow from the public. Printing more money is inflationary. Borrowing from the public by selling more Government bonds would result in higher interest rates.

So it can be seen that although fuel costs would be subsidised, other costs (at the very least, interest rates) would rise. There remains no such thing as a free lunch!

Another option facing the Government is to use the revenue to reduce wage demands, through reductions in personal income taxes and/or reductions in indirect taxes (e.g. excise duty and sales tax). If this were done
successfully, farmers would benefit from the tax cut itself, and also from the lower rate of increase in wages.

The last, but by far the most important factor affecting our capacity to compete is on-farm performance. The experts on that subject are in the audience, rather than on the rostrum! Nevertheless I'll make a few observations.

First, the size of wheatgrowing properties in the BAE wheat industry survey has more than doubled since 1960.

Second, recent studies of machinery use have shown that there still remain substantial unexploited economies of scale in wheatgrowing. This is probably because the rest of Australia has yet to catch up to W.A.

Third, the decline in real price per kilowatt of tractor power that has accompanied the expansion in machinery capacity, has a long way to go to work itself out. In this respect we are better placed than our US competitors.

Fourth, the fact that land prices in Australia are less institutionalised gives us greater flexibility to take advantage of periods of low wool and or meat prices to expand area cropped.

Fifth, farming systems involving reduced cultivation and direct drilling, developed for the higher rainfall areas, seem likely to be modified and extended into drier areas in the years ahead.

Finally, a large part of the potential for improved farm performance lies outside the farm gate. Expenditure on research and extension is managed outside the market system by governments and research committees. The adequacy of funds and the relevance of programs must be continually scrutinised.

Mr Chairman, my review of the economic conditions that grain farmers are likely to experience during the next decade is incomplete. To return to the seagoing analogy, the charts don't provide enough information for incompetent navigators to map out a safe course. But fortunately, the trials and tribulations of the past decade have ensured that those who will navigate Australia's grain farms through the next decade are competent professional men. For that reason I am confident of the future of the grain industries of Australia. And of Western Australia!

I am sure, Mr Chairman, that those sounded like concluding remarks, but let me add two further points. First, new Wheat Industry Stabilisation arrangements provide growers with greater protection against sudden price falls than ever before. In a recent detailed technical paper Garry White and I outlined the evolution of the new arrangements and the rationale that underlay them. I think that paper warrants close and careful study by people in the grain industries. I would direct your attention particularly to the comments regarding the provision of finance for AWB operations.

The second point relates to marketing efficiency. I have said before that the wheat marketing system in this country is good. Looking for faults in the system is like trying to find blemishes on the body of Miss
Australia. No doubt John O'Neill would say that finding faults in the system of coarse grain marketing in W.A. was like trying to find blemishes on the body of Miss World!

But my point is this: if efficiency breeds complacency, complacency will breed inefficiency. And inefficient marketing would be the simplest way to undermine the otherwise favourable outlook for grain production in the next decade.