Clearing the air

Mike Carroll

Follow this and additional works at: https://researchlibrary.agric.wa.gov.au/journal_agriculture4

Part of the Agricultural and Resource Economics Commons, Business Administration, Management, and Operations Commons, and the Communication Commons

Recommended Citation
Carroll, Mike (1994) "Clearing the air," Journal of the Department of Agriculture, Western Australia, Series 4: Vol. 35 : No. 1 , Article 7.
Available at: https://researchlibrary.agric.wa.gov.au/journal_agriculture4/vol35/iss1/7

This article is brought to you for free and open access by Research Library. It has been accepted for inclusion in Journal of the Department of Agriculture, Western Australia, Series 4 by an authorized administrator of Research Library. For more information, please contact jennifer.heathcote@agric.wa.gov.au, sandra.papenfus@agric.wa.gov.au, paul.orange@dpird.wa.gov.au.
From Mike Carroll, Director General of Agriculture

This edition of the Western Australian Journal of Agriculture contains an exchange of letters between 20 farmers and myself, prompted by the article by Ross Kingwell in the last issue of the Journal (Volume 34, No. 4, 1993).

The article was entitled 'Agriculture's Economic Performance', and dealt with some of the economic forces in agriculture, including the terms of trade, productivity growth and the growth of exports. However, it is evident from the following letter and from other comments that the worthwhile content of the article was negated by some unfortunate phrasing, and a too compressed treatment of a complex subject.

This is the letter to me signed by 20 farmers in the Northern Agricultural Region.

Dear Mr Carroll

We, the undersigned farmers, refer you to the article by Mr Ross Kingwell, Acting Manager, Economic Management Branch of the Department of Agriculture, in the Journal of Agriculture, Volume 34, No. 4, 1993.

We are deeply concerned with the philosophic position, as stated, on the function of agriculture.

The opening paragraphs set the scene:

The function of farmers is to provide a "...low cost source of food..." to:

(a) benefit consumers who "...can (then) spend more on other goods and services..."; and,

(b) benefit processors who are then able to compete by "...profitably transforming the local materials."

The concluding paragraph enforces the insulting perception firmly established in the opening paragraphs:

"However, so long as agriculture fulfils its economic role, it will support and promote economic development elsewhere in the country."

We wish to have clearly understood that Mr Kingwell is under a serious misapprehension.

The purpose for which we farm is:

1. To make a profit;
2. To make a profit to benefit ourselves and our families;
3. To make a profit so that we can proudly contribute to, and assist, our communities, our industries and our nation; and,
4. All other purposes.

We would suggest Mr Kingwell could have commented thus:

'The consumers and processors (that is, users of high cost imports and luxury items) appear to have an almost total disregard for their responsibility in the monotonous monthly increase in Australia's balance of trade figures.

They would be well advised to support and nurture agriculture which performs outstandingly well considering the level of world political agricultural protection.

Our agriculture is STILL viable under these adverse circumstances and STILL produces 25 per cent of our export income.'

We very much resent the implication that our function is to perform as a peasant class to benefit the rest of the community.

We urge you to make these facts clear to Mr Kingwell and, in fact, to any other individual who may be involved in the making of policy - because if this article represents the basis on which policy is established, in the colloquial expression "With friends like these, who needs enemies"?

We trust an appropriate article will be printed in this publication at the earliest opportunity - and not buried on the back page - which redresses the totally erroneous and offensive perceptions of Mr Ross Kingwell.

Yours sincerely
This was my reply:

"Thank you for your letter on Ross Kingwell’s article in the last issue of the Journal of Agriculture. I appreciate the feedback.

I can see that it is possible to read the passages quoted and find an objectionable interpretation. However, that was not Mr Kingwell’s intention, nor is it of course Department policy to view farmers as a peasant class. The understanding which you reached in reading the article is certainly not the policy of the Department of Agriculture!

The point which Mr Kingwell was trying to make is that agriculture has been a low cost source of food, and this has been of benefit to consumers, processors and the economy generally. The wider economy in Australia has, and is, benefiting from an efficient low cost agricultural sector.

Agriculture generally must be low cost to be competitive, particularly on export markets. However, low cost, productivity, and efficiency do not equate with low farm incomes, or with relegate agriculture to a second class industry status. The opposite is the case.

Agriculture is nearly always a price taker. This is the case, whether it is a broad market such as large bulk tonnages of ASW wheat going to Middle East markets, or niche markets for specialty products such as high quality ice cream into Japan. Australian agriculture is in competition with the rest of the world. It competes on quality, and at any particular quality level, it competes on price.

Agriculture must be profitable, and the key to profitability is to be able to compete in the market place without subsidies or tariff protection. Australian agriculture aims at quality to maximise price, and at efficiency and low cost production to maximise farm incomes.

The fact that agriculture needs to be competitive does result in benefits elsewhere in the economy. It means that surplus consumer spending is available for other purposes, and it provides opportunities for processing industries to be established in Australia using Australian agricultural raw materials.

The central point of Mr Kingwell’s article was that the productivity of Western Australia’s broadacre agriculture, in terms of production per hectare, per person and per dollar invested, has increased strongly, averaging 2.7 per cent per year. This productivity growth has been stronger than for agricultural industries in most other countries, and for most non agricultural industries in Australia. If this productivity growth had not occurred, Western Australian agriculture would have become increasingly uncompetitive on world markets.

This good performance reflects the efforts of farmers, of advances in machinery and chemicals, and of the research, development and extension efforts of the Department of Agriculture and other organisations. All of this has provided the basis of technological change which drives growth and productivity.

Mr Kingwell pointed out that productivity gains were not enough, because at the same time, the terms of trade - prices received by farmers compared with the prices they pay for their inputs - has moved against them at an average rate of 4.3 per cent per year. On an overall basis profitability, therefore, has been declining, and the challenge is to reverse the trend.

There are many aspects to achieving this. An important one for governments is through continuing micro economic reform throughout the Australian economy to ensure that farmers can operate, and value adding industries develop, within an efficient low cost environment.

A second is through market developments, and a third one is clearly the need to continue to seek productivity and efficiency gains through improved technology. That particular effort needs to be directed at producing products of the type and quality which the market values, and which can extract a premium and return a profit. There are numerous examples throughout agriculture where industry and government are working together towards that end.

I accept the passages that you quote from Mr Kingwell’s article could have been better worded and were open to your interpretation. We will try and make sure that possibility doesn’t happen again."