

SECTION 1

Introduction: Policy and Planning Issues for the Australian Wheat Industry

1.1. Agriculture in the Australian Economy

The emphasis in Australian agriculture is on large, extensive farming operations, reflecting adaptation to both the physical and economic environments. In general terms, Australia is a flat, dry country with very variable weather conditions, where soils are not highly fertile and the availability of water is a major limiting factor. Such conditions, combined with a small domestic market and the need to export a large proportion of the country's agricultural products, favor large farms with an emphasis on extensive grazing and cereal growing.

The total number of agricultural establishments has shown a long-term downward trend, although in 1980–1981 rural holdings covered 499 million hectares, about 7% more than in 1959–1960. The average size of Australian rural holdings has risen significantly over the last 40 years, to the present average farm size of about 2800 hectares. A relatively large proportion of the total area of all holdings is, however, occupied by a few very large properties, mostly in pastoral and more arid regions with relatively low carrying capacities. In 1977–1978, 18.7% of farms surveyed by the Bureau of Agricultural Economics were smaller than 200 ha, while 18.1% were larger than 2000 ha (BAE, 1983a).

Agriculture is playing a progressively smaller role in the Australian economy (*Table 1.1*). The contribution made to export earnings, however, continues to be very significant. Up to the early 1950s, it was metaphorically true that Australia “rode on the sheep's back”. More recently, however, beef and (very recently and most significantly) wheat have become very important in terms of both gross value (*Table 1.2*) and export earnings.

The importance of wheat in the Australian agricultural economy, and the fact that much of it is grown in semi-arid, marginal areas, make it the clear choice for the primary focus of this case study. Wheat is Australia's most important crop in terms of area, value of output and value of exports. In the three seasons to 1980–81, wheat averaged 60% of the area sown to annual crops, its

Table 1.1. Agriculture in the Australian economy. Source: BAE (1985).

	<i>Gross domestic product (GDP)^a</i> (A\$ billion)	<i>Contribution by agriculture, fishing and forestry to GDP</i> (%)	<i>Total exports</i> (A\$ billion)	<i>Contribution by agriculture, fishing and forestry to exports</i> (%)	<i>Index of prices paid^b</i>	<i>Index of prices received^b</i>
1953/4 ^c	8	19	2	84	37	19
1963/4 ^c	15	13	2	79	36	24
1973/4 ^c	40	8	6	54	42	35
1976/7 ^c	64	6	10	47	60	59
1979/80 ^c	91	6	15	46	78	79
1980/1	116	6	19	46	100	100
1981/2	131	6	20	43	99	111
1982/3	142	4	22	37	105	123
1983/4	161	6	25	37	111	133

^a At factor cost.^b BAE indices based on 1980/1 averages = 100.^c Averages for the 3 years ended in the designated fiscal year ending 30 June.**Table 1.2.** Gross value of Australian rural production (GVRP) and its major relative contributions. Sources: Stoeckel and Miller (1982) and BAE (1985).

	<i>GVRP</i> (A\$ billion)	<i>Wheat</i> (%)	<i>Wool</i> (%)	<i>Beef</i> (%)	<i>Other cereals</i> (%)
1951/2 ^a	2.0	13.4	43.1	7.7	3.4
1959/60	2.6	10.4	29.5	14.2	3.6
1964/5	3.4	15.1	24.6	14.1	3.9
1969/70	3.7	14.2	19.7	16.8	4.0
1974/5	5.9	21.4	16.2	8.9	7.5
1977/8	7.0	13.3	17.2	16.8	5.8
1978/9	10.3	22.2	13.4	21.0	6.3
1979/80	11.7	20.7	13.9	10.2	6.9
1980/1	11.5	14.6	14.5	17.9	7.3
1981/2	12.6	10.6	14.2	15.0	7.2
1982/3	11.6	13.5	15.1	17.8	5.6
1983/4	15.5	23.3	13.1	13.3	9.3
1984/5	15.6	22.2	14.6	13.3	8.7

^a Average of 3 years ending in 1951/2.

gross value averaged A\$1903 million (41% of the gross value of all crop production), and its export value averaged A\$1345 million (just over 50% of the total value of crop exports and about 20% of the total value of all rural exports) (BAE, 1983a). Major markets for Australian wheat and flour in recent years have been China, Egypt and other Middle Eastern countries, and Japan, with the USSR being an occasional large purchaser.