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Editorial.

WHEAT MARKETING AND PRICE STABILISATION.

Since 1920, wheat marketing and price stabilisation have been contentious issues in Australia, the separate elements in the problem largely hinging upon producer reactions to the advantages and disadvantages of compulsory pooled marketing on a Commonwealth-wide basis, the varying nature of State interests, the taxation rights of Governments, and the extent to which Government financial aid should be committed to guarantee prices or grant funds for the relief of the wheat industry. Constitutional prohibitions upon direct Federal interference in internal marketing or in the control of production, and the particular section (92) of the Constitution guaranteeing absolute freedom of trade, commerce and intercourse between the States, have been other stumbling blocks to the reaching of agreement upon detailed plans. Yet the economic and social importance of the issues involved has been universally recognised by both wheat growers and Governments, and is self-evident from the fact that wheat constitutes 60 per cent. of the total area under crop in Australia, and that in normal seasons a large wheat surplus has to be exported on to an uncertain world market, peculiarly subject to violent price fluctuations.

It is important to note that wartime emergencies have on past occasions necessitated compulsory pooled marketing. During the 1914-18 war, the difficulties of shipping wheat from Australia caused the Commonwealth to regulate for centralised marketing. This scheme, administered jointly by the Commonwealth and States, continued to the 1920-21 harvest. For a season or two following, voluntary pools were established in certain States, but these schemes soon lapsed for the want of producer support. In Queensland alone, a Wheat Board with compulsory powers of acquisition, established in 1920-21, has been maintained. No further measures involving direct control of wheat marketing were introduced until September, 1939, when again with the outbreak of war, the Commonwealth regulated for the compulsory acquisition of wheat and sole rights of handling and selling. Notwithstanding that in the inter-war period there was strong agitation for an Australia-wide compulsory pooling system, efforts made were unsuccessful, mainly because of the constitutional difficulties involved.

Until 1930, no direct Commonwealth financial aid had been given to the wheat industry, but with the onset of the world depression and precipitous falls in export prices, such assistance became unavoidable. Between 1930 and 1936 wheat growers were assisted financially by bounties and relief payments. This form of assistance was discontinued in 1936 when prices improved. Later, in 1938, with a further fall in wheat prices, the principle of a fixed home consumption price was adopted, involving complementary legislative action by both Commonwealth and States. This scheme provided for the stablisation of prices by means of a tax on flour at times of low export prices, and of a tax on wheat at times of high export prices. Such largely remained the position until the outbreak of war.

It is now clear as a result of a July, 1948, agreement between Commonwealth and State Ministers and of later plebiscites of growers in the main producing States, that a compulsory Australia-wide pooled marketing scheme, as operated by the Commonwealth during the war, will apply to the 1948 and four subsequent wheat crops, and that there will also be continued for at least the same period, a price stabilisation scheme involving guaranteed prices to growers, and to be wholly or partly financed by a tax on wheat exports. The main advantage of this agreement, taking into account the pre-war history of the industry and the largely abortive attempts to achieve international agreement on wheat prices, is that under singularly propitious circumstances, an insurance is being taken out against the possibility of a calamitous fall in wheat export prices over the next five years. Whether compulsory pooled marketing of wheat will remain a permanent feature of the Australian wheat industry, and whether a stabilisation scheme of the present type can be indefinitely maintained, it is impossible to foretell. The indications are, none the less, that if governments continue to directly interest themselves in price supports for primary products, which, for example, has been done in U.S.A. since 1933 and in England since 1939, and international trade in foodstuffs continues to be maintained on the lines of barter agreements and inter-governmental dealings, a return to free and open market conditions will be to that extent postponed. The necessary corollary, of course, to such direct government participation in the problems of primary production is the maintenance of some controls over marketing and the evolution of internal long term plans for price equalisation and stabilisation.