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**Rural Sector:
Agriculture to Agribusiness**

by

John Wilkinson

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Stewart Smith (BSc (Hons), MELGL), Research Officer, Environment ... (02) 9230 2798

John Wilkinson (BA (Hons), MA), Research Officer, Economics (02) 9230 2006

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EXECUTIVE SUMMARY

- The agricultural sector is relatively small but contains certain well-performing areas (pp.1-12,23-24)
- In recent years, there have been substantial changes in the organisation of the sector (pp.14-16,17,20)
- Large-scale overseas companies are assuming a greater presence in Australian agriculture as the sector is transformed into agribusiness (pp.17-18)
- Certain problems, occurring within this transition, remain to be resolved (pp.22-23)

1. INTRODUCTION

Two previous papers, produced by the research service, have looked at the changes that have taken place in the rural sector as it has been transforming from pure primary production into agribusiness. The aim of this paper is to examine the current performance of the sector and to look at the changes that have recently taken place.

2. CURRENT PROGRESS OF PRIMARY PRODUCTION: BY SECTOR

(a) Cotton

New South Wales is the leading state in Australia for cotton production (there are effectively only two states in Australia where cotton is grown: New South Wales and Queensland). Two-thirds of production of cotton occurs in New South Wales. Cotton production has expanded dramatically, as the following statistics show:

Cotton Production in NSW and Queensland by Weight: 1985-1986 to 2000-2001¹

	New South Wales	Queensland
1985-1986	216,300 kilograms	51,000 kilograms
1990-1991	330,600 kilograms	102,400 kilograms
1995-1996	270,400 kilograms	150,200 kilograms
2000-2001	501,700 kilograms	249,200 kilograms

The value of production for Australia overall (i.e. New South Wales and Queensland) has been as follows:

Cotton Production in Australia by Value: 1990-1991 to 2000-2001²

1990-1991	\$981 million
1995-1996	\$1 billion
2000-2001	\$1.6 billion

Most of the cotton produced in New South Wales and Queensland is exported. The following statistics indicate both the proportion of cotton exported and the rapid increase in exports of cotton:

¹ Australian Bureau of Agricultural and Resource Economics (ABARE), *Australian Commodity Statistics 2001* (ABARE, Canberra, 2001), p.63.

² Figures from Australian Bureau of Statistics, *Value of Agricultural Commodities Produced: Australia*, ABS Catalogue 7503.0 and *Australian Commodity Statistics 2001*, p.64.

*Cotton Production in Australia by Value of Exports: 1990-1991 to 2000-2001*³

1990-1991	\$737.7 million
1995-1996	\$762 million
2000-2001	\$1.96 billion

Indonesia currently takes the largest proportion of Australia's exports of cotton. The principal export destinations for Australian cotton are as follows:

*Australia Cotton Exports by Destination: 2000-2001 (in percentages of overall exports)*⁴

Indonesia	222,190 kilograms (26%)
Japan	139,605 kilograms (17%)
Thailand	114,408 kilograms (14%)
South Korea	75,364 kilograms (9%)
India	66,057 kilograms (8%)
Pakistan	39,498 kilograms (5%)
Taiwan	31,553 kilograms (4%)
Italy	29,283 kilograms (4%)
Philippines	11,577 kilograms (1%)
China	11,350 kilograms (1%)

(b) Wheat

New South Wales is the second largest wheat producing state in Australia accounting for nearly 30% of Australian production. Although the amount of wheat produced in Australia declined during the mid-1990s (with the onset of drought) production revived in the late 1990s. This is indicated by the following table:

³ *ibid.*

⁴ Australian Bureau of Statistics, *Value of Agricultural Commodities Produced: Australia*, ABS Catalogue 7503.0 and *Cotton Yearbook 2002* (The Australian Cottongrower, Toowoomba, 2002), p.61.

*Wheat Production by State: 1994-1995 to 1998-1999 (five year average)*⁵

Western Australia	7,165,000 tonnes
New South Wales	5,331,000 tonnes
South Australia	2,627,000 tonnes
Victoria	1,702,000 tonnes
Queensland	1,309,000 tonnes
Australia-wide	18,127,000 tonnes

In financial year 1998-1999 the overall value of Australian wheat exports amounted to around \$3.5 billion.⁶ Recent results have also been good for wheat producers. Between September 2001 and September 2002, the Australian Wheat Board (which has the monopoly over exports of wheat) recorded a profit of \$107.2 million. 19.6 million tonnes of wheat (out of a crop of 24.5 million tonnes) were exported.⁷

About 80% of Australia's wheat is exported. The principal markets for Australian wheat during the second half of the 1990s were as follows:

*Australian Wheat Exports by Destination: 1994-1995 - 1998-1999 (five year average)*⁸

Indonesia	1,866,000 tonnes
Iran	1,599,000 tonnes
Japan	1,185,000 tonnes
Egypt	928,000 tonnes
India	824,000 tonnes
South Korea	800,000 tonnes
Pakistan	751,000 tonnes
Iraq	725,000 tonnes
Malaysia	714,000 tonnes
China	666,000 tonnes
Yemen	411,000 tonnes
Thailand	245,000 tonnes
Oman	238,000 tonnes
Bangladesh	224,000 tonnes
Turkey	209,000 tonnes

⁵ Jeff Arney, Malcolm Irving and Bob Lindner, *National Competition Policy Review of the Wheat Marketing Act 1989* (National Competition Policy – Wheat Marketing Authority Review Committee, Canberra, 2000), p.21.

⁶ *ibid.*

⁷ Asa Wahlquist, "Drought to Crop Bumper Profits" in *The Australian*, 21 November 2002, p.21.

⁸ *National Competition Policy Review of the Wheat Marketing Act 1989*, p.31.

(c) Wool

New South Wales remains the state with the greatest share of the national sheep flock (approximately 30%). The recent years have seen a downturn in the overall numbers of sheep in Australia. In the late 1980s, Russia and China withdrew from wool sales and, by the early 1990s, a massive stockpile of wool accumulated. Total numbers of sheep in Australia, which were at peak of 173 million in 1990-1991, dropped overall by around 55 million by 2000-2001: as shown by the following figures:

*Sheep Numbers by State: 1990-1991 to 2000-2001*⁹

	NSW	WA	Victoria	SA	QLD	Tasmania	Australia
1990-1991	62.8 m.	38.2 m.	30.6 m.	18.8 m.	17 m.	5.6 m.	173 m.
1995-1996	41.1 m.	30.2 m.	21.4 m.	13.3 m.	11.6 m.	3.9 m.	121.3 m.
2000-2001	43.5 m.	26.1 m.	22.7 m.	13.8 m.	9.2 m.	3.3 m.	118.6 m.

Production of wool correspondingly declined as statistics also illustrate:

*Wool Production by State: 1990-1991 to 2000-2001 (in millions of kilograms)*¹⁰

	NSW	WA	Victoria	SA	QLD	Tasmania	Australia
1990-1991	403.6	222.3	190.6	118.6	105.9	23.3	1,066.2
1995-1996	227.4	181.5	129.9	90.8	48.3	18.3	696.9
2000-2001	216	129	119	76	47	15	602

Prices for wool, which had reached over 900 cents a kilogram by 1988, declined to around 400 cents a kilogram by 1991. Even by 1998, prices for wool were still only around 500 cents a kilogram. Just recently, however, the pastoral industry has seen prices for wool increase. By the middle of 2001, however, the stockpile had been eliminated and by early 2002 prices had reached around 950 cents a kilogram.¹¹

Australia remains the largest exporter of wool in the world with China being the biggest single importer (taking around 40%). Between 2001 and 2002, approximately 623 million kilograms of wool was exported with China importing over 240,700,000 kilograms (worth nearly \$1.4 billion). The value of wool exported from Australia during 2001-2002 amounted to around \$3.5 billion. The top 15 destinations for Australian wool, during 2001 to 2002, were as follows:

⁹ Australian Wool Exchange, *Australian Wool Statistics Yearbook 2001-2002* (Australian Wool Exchange, Sydney, 2002).

¹⁰ *Ibid.*

¹¹ *Sydney Morning Herald (SMH)*, 16 February 2002, p.45; Asa Wahlquist, "Wool Caught in Downturn" in *ibid.*, 3 July 2002, p.27

*Australian Wool: Top 15 Export Destinations by Volume and Dollar Value 2001-2002*¹²

China	240,726,449 kilograms (\$1,389,370,957)
Italy	106,290,038 kilograms (\$593,258,739)
South Korea	48,097,491 kilograms (\$273,791,899)
Taiwan	36,310,794 kilograms (\$180,621,389)
India	32,149,177 kilograms (\$165,935,861)
France	24,589,288 kilograms (\$137,231,999)
Germany	21,646,656 kilograms (\$123,330,001)
Japan	17,506,356 kilograms (\$97,516,552)
Czech Republic	13,508,724 kilograms (\$70,269,401)
Thailand	12,660,912 kilograms (\$75,522,609)
Spain	7,330,164 kilograms (\$32,246,326)
USA	6,474,068 kilograms (\$34,381,099)
Belgium-Luxembourg	5,552,962 kilograms (\$32,312,80)
Turkey	5,315,889 kilograms (\$59,441,137)
Macau	4,906,190 kilograms (\$19,812,152)
Other Destinations	40,484,190 kilograms (\$248,866,175)
Total	623,520,046 kilograms (\$3,533,909,104)

(d) Beef

The peak figure for the Australian beef herd was in the 1970s when, in 1976, it numbered 33 million. However, the closure of the UK market (after Britain joined the EEC in 1973) plus the worldwide recession caused by the oil prices rises of the same period, led to an international decline in the beef industry and the Australian national beef herd was reduced to 22 million by 1983. At the beginning of the new millennium, the total number of beef cattle in Australia is around 27 million, of which NSW accounts for around 5.5 million as the following table indicates:

*Cattle and Calves by State: 2001-2002*¹³

Queensland	11.4 million
New South Wales	6.2 million
Victoria	4.4 million
Western Australia	2.1 million
Northern Territory	1.7 million
South Australia	1.2 million
Tasmania	0.6 million
Australia-wide	27.7 million

¹² *Australian Wool Statistics Yearbook 2001-2002.*

¹³ Meat and Livestock Australia (Market Information Services), *Statistical Review: July 2001-June 2002* (Meat and Livestock Australia, Sydney, 2002), p.1.

Between 2001 and 2002 around 1.9 million tonnes of beef and veal was produced from the national herd. The figures, for each state, are as follows:

Beef and Veal Production by State: 2001-2002¹⁴

Queensland	977,600 tonnes
New South Wales	474,000 tonnes
Victoria	354,700 tonnes
Western Australia	95,600 tonnes
South Australia	86,200 tonnes
Tasmania	44,800 tonnes
Northern Territory	1,200 tonnes
Australia-wide	2,034,000 tonnes

Until recently, prices received by producers, for beef, have been relatively good. Peter Weeks, manager of marketing and information analysis at Meat and Livestock Australia, was reported in January 2002 as stating that “By September [2001]. . .prices were about 40 per cent above levels a year ago, and year-ago levels themselves were close to records. . .it. . .was a sharp lift in returns to producers.”¹⁵

Nearly 70% of the beef produced in Australia was exported in 2000. The USA taking (39% of exports) and Japan (taking 34%) were the major export destinations, as shown by the following figures:

Australian Beef Exports by Major Destinations: 2000¹⁶

USA	352,540 tonnes
Japan	326,390 tonnes
South Korea	73,030 tonnes
Canada	41,480 tonnes
South East Asia	37,870 tonnes
Taiwan	28,850 tonnes
Other	42,380 tonnes

Exports of live cattle have also remained at a high level. In 1997, Australia exported 883,000 live cattle: 705,100 going to South East Asia (principally Indonesia and the Philippines).¹⁷ By 2001 the total number of live cattle exports had only dropped by around

¹⁴ Meat and Livestock Australia, *Statistical Review: July 2000-June 2001*, p.5.

¹⁵ Asa Wahlquist, “A Golden Year Down on the Farm” in *The Australian*, 4 January 2002, p.21.

¹⁶ Meat and Livestock Australia.

¹⁷ Florence Chong, “Money on the Hoof” in *The Australian*, 6 March 2001, p.32; Stephen Lunn, “Our Beef on a Roll in Japan” in *ibid.*, 13 September 2002, p.30.

30,000. New South Wales, however, only exports a relatively small quantity of live cattle, as Meat and Livestock Australia's figures indicate:

*Live Cattle Exports by State: 20001-2002*¹⁸

Western Australia	331,258
Northern Territory	265,190
Queensland	150,829
Victoria	44,785
South Australia	24,184
New South Wales	3,877
Tasmania	16
Australia-wide	820,139

However, in late 2001, a case of bovine spongiform encephalopathy (BSE) occurred in Japan and Japanese shoppers reduced their purchases of beef. In the first half of 2002, Japan took only 23% of Australia's beef sales. Meanwhile, in the second half of 2002, the onset of the drought forced many producers to sell cattle they could not feed. The Australian Eastern States Young Cattle Price fell from \$3.47 a kilogram, in 2001, to \$2.55 a kilogram by July 2002.¹⁹

(e) Dairy

Victoria continues to be the state with by far the greatest amount of milk production (just over 64% of Australian production), as the following figures demonstrate:

*Milk Production by State: 1998-1999 to 2000-2001 (in millions of litres)*²⁰

	Victoria	NSW	QLD	SA	Tasmania	WA	Australia
1998-1999	6,400	1,300	826	645	603	403	10,177
1999-2000	6,869	1,394	848	713	603	412	10,839
2000-2001	6,783	1,326	760	698	590	388	10,545

Between 1980 and 2002, the value of Australian dairy exports has increased by around

¹⁸ Meat and Livestock Australia, *Statistical Review: July 2000-June 2001*, p.24.

¹⁹ *The Australian*, 11 July 2002, p.21.

²⁰ figures from the Australian Dairy Corporation.

250%, with a strong export emphasis on Asia as the following figures illustrate:

Australian Dairy Exports by Region: 2001-2002²¹

<i>South East Asia</i>	\$1,044 million
Japan	\$570 million
Other Asia	\$528 million
Middle East	\$411 million
Americas	\$329 million
Africa	\$178 million
Europe	\$116 million
Other	\$80 million
Total	\$3,256 million

The main items exported fall into the following categories:

Australian Dairy Exports: 2001²²

Cheese	218,896 tonnes
Skim Milk and Butter Milk Powder	217,704 tonnes
Whole Milk Powder	182,534 tonnes
Liquid Milk	81,075 tonnes
Butter	56,623 tonnes
Anhydrous Milk Fat (AMF) and Ghee	53,226 tonnes

(f) Wine

Wine has been a major success story. Between 1991 and 2000, 288 million litres of wine were produced in Australia: the total value of which was \$1,352 million. The following year (2001) 772,816 tonnes of red wine grapes and 618,266 tonnes of white wine grapes were produced.²³ New South Wales has the third highest amount of land planted to wine grapes, amongst the states, and over the last four years there has been both a major increase in the amount of land planted for wine production, and in the amount of wine produced, as the following figures demonstrate:

²¹ Sandy Murdoch, "Australian Dairy Industry – An Analysis", paper presented to the *Australian Agribusiness Congress*, Sydney, 12 November 2002.

²² Figures from the Australian Dairy Corporation.

²³ *The Australian*, 23 April 2001, p.31; *SMH*, 30 January 2002, p.6.

*Area under Wine Grapes by State: 1997-1998 to 2000-2001 (in hectares)*²⁴

	SA	Victoria	NSW	WA	QLD	Tasmania	Australia
1997-1998	43,557	26,251	22,197	4,534	1,405	535	98,612
1998-1999	52,551	32,299	28,744	6,172	1,739	671	122,915
1999-2000	59,807	36,257	32,269	8,281	2,171	761	139,861
2000-2001	62,164	36,940	34,559	10,017	2,335	925	148,275

Despite Victoria having slightly more land planted to wine grapes, than New South Wales, NSW is second only to South Australia in the average production of drinking wine, as the following figures show:

*Drinking Wine Produced by State: 1997-1998 to 2000-2001 (in thousands of litres)*²⁵

	SA	NSW	Victoria	WA	QLD	Tasmania	Australia
1997-1998	339,516	210,690	116,283	12,722	na	1,027	680,239
1998-1999	368,756	266,144	137,328	20,173	na	989	793,2389
1999-2000	365,648	284,739	132,711	22,200	na	1,074	806,371
2000-2001	523,413	312,703	159,453	37,178	401	1,618	1,034,766

Over 50% of Australia's wine is exported, with the value of Australia's exports reaching \$1.6 billion in 2000-2001.²⁶ South Australia is the state from which most wine in Australia is exported. While New South Wales ranks third in terms of the dollar value of its wine exported, it ranks second in terms of the volume of wine it exports. This is illustrated by the following statistics:

*Wine Exports by State: 1998-1999 to 2001-2002 (in thousands of litres)*²⁷

	SA	NSW	Victoria	WA	QLD	Tasmania	Australia
1998-1999	168,269	27,581	17,845	1,472	672	223	216,087
1999-2000	220,253	42,867	20,373	2,085	751	106	286,503
2000-2001	260,904	49,778	25,040	2,615	347	150	338,931
2001-2002	312,086	63,437	37,399	3,933	40	197	417,267

²⁴ Figures from the Australian Bureau of Statistics, *Vineyard Survey*, ABS Catalogue 1329.0 and Australian Wine and Brandy Corporation (Adelaide).

²⁵ *Ibid.*

²⁶ *The Australian*, 30 January 1995; *ibid.*, 27 July 2001, p.38.

²⁷ *Ibid.*

*Wine Exports by State: 1998-1999 to 2001-2002 (in thousands of dollars)*²⁸

	SA	VICTORIA	NSW	WA	TASMANIA	QLD	AUSTRALIA
1998-1999	746,700	120,131	104,552	14,845	2,506	1,536	990,564
1999-2000	1,005,907	160,011	156,180	22,025	1,199	1,047	1,347,376
2000-2001	1,230,655	175,622	173,516	30,215	1,648	905	1,613,840
2001-2002	1,494,797	231,914	227,322	41,979	2,198	177	2,000,372

The main export market for Australia wine is Britain, with the latter taking 41% of Australia's wine exports in 1994 and 47% of Australia's wine exports between 2001 and 2002. Meanwhile exports to the USA have increased with the latter now taking around 23% of Australia's wine exports. The major export destinations for Australian wine are accordingly:

*Australian Wine Exports by Major Destinations: September 2001-September 2002*²⁹

Britain	206,234,179 litres (\$860,850,749)
USA	104,370,344 litres (\$639,530,812)
New Zealand	25,716,499 litres (\$87,796,102)
Canada	20,744,418 litres (\$140,078,624)
Germany	13,533,602 litres (\$50,577,788)
Netherlands	8,551,671 litres (\$34,483,054)
Denmark	7,715,754 litres (\$27,706,614)
Ireland	7,202,183 litres (\$39,679,748)
Sweden	6,589,350 litres (\$27,611,443)
Japan	5,177,823 litres (\$30,119,606)
Switzerland	5,153,255 litres (\$31,361,297)
Total World Sales	437,652,801 litres (\$2,108,392,460)

(g) Fruit and Vegetables

New South Wales, and indeed Australia generally, is a substantial producer of fruit and vegetables. The statistics for fruit production in New South Wales, vis a vis the rest of Australia, is as follows:

²⁸ *ibid.*

²⁹ Australian Wine and Brandy Corporation.

*Fruit Production in NSW and Australia: 2000 (in tonnes)*³⁰

	New South Wales	Australia
Oranges	235,000	626,000
Apples	66,992	319,606
Rock and Water Melons	24,810	172,216
Peaches, Apricots etc.	38,693	166,080
Table Grapes	14,155	66,792

Production of vegetables in New South Wales, contrasted against production in the rest of Australia, is indicated by the following figures:

*Vegetable Production in NSW and Australia: 2000 (in tonnes)*³¹

	New South Wales	Australia
Potatoes	156,391	1,199,622
Tomatoes	60,344	413,618
Onions	34,732	247,069
Carrots	15,536	233,303
Lettuce	11,819	151,945
Pumpkin	20,751	108,762
Cauliflower	11,256	76,436
Cabbages	11,189	68,808
Sweet Corn	14,258	45,216
Mushrooms	13,046	36,527

3. AGRICULTURE INTO AGRIBUSINESS

(a) From Primary Production to Agribusiness

As far back as the 1950s, Earl Butz (who later became Richard Nixon's Secretary for Agriculture in the 1970s) declared that agriculture "is now a big business" and that "just like the modern business enterprise. . .[it] must 'adapt or die'".³² In 1997 the State Treasurer of NSW (Michael Egan) stated in parliament that "there is enormous potential for further growth in agribusiness in New South Wales."³³ The blueprint for future

³⁰ Horticulture Australia, *The Australian Horticultural Statistics Handbook* (Horticulture Australia, Sydney, 2002), pp.6,46,64,80,105.

³¹ *Ibid.*, pp.34,38,40,7183,90,99,101,114,116

³² cited in A.V. Krebs, *The Corporate Reapers: The Book of Agribusiness* (Essential Books, Washington DC, 1992), p.214.

³³ Questions with Notice: "Agribusiness Export Opportunities". NSW Parliamentary Debates. Legislative Council. 21 October 1997, p.1015.

development of agriculture in Australia is via agribusiness. The influence for this, in international trade, is the concentration of food trading and production in the hands of large-scale multinational companies. This is demonstrated by the following table of value of sales, of the eleven largest global food companies:

*World's Eleven Largest Food Processors and Manufacturers by Value of Sales: 2000*³⁴

Cargill	US\$49 billion
Nestle	US\$48 billion
Philip Morris	US\$40 billion
Unilever	US\$32 billion
PepsiCo	US\$25 billion
ConAgra	US\$21 billion
Coca Cola	US\$20 billion
Tyson	US\$19 billion
Danone	US\$13 billion
Diageo	US\$13 billion
General Mills	US\$13 billion
Total	US\$293 billion

The remaining section, of this paper, looks at the progress of agribusiness in each of the major sectors of primary production in New South Wales.

(b) Wool

The wool sector has progressed through a considerable series of changes in operating environment: from one that had relatively little government involvement, to one that did and back to one without. Until the late 1960s, wool tended to be sold through the great wool auction houses but, in response to a dramatic decline in the price, the Gorton government (in 1970) introduced government intervention to sustain the returns for wool through the establishment of the Australian Wool Commission. Loans were made, to the commission, which were repaid when the price of wool recovered in the early 1970s. The Whitlam government transformed the Australian Wool Commission into the Australian Wool Corporation: but the mission of the AWC, to intervene in the market to maintain the price of wool (through buying large amounts itself) remained. A crisis came, in this situation, when in the early 1990s, Russian and Chinese (and other) buyers withdrew from wool purchasing. The AWC tried to maintain a price level of \$8.70 a kilogram for wool but, by May 1990, the reserve price had fallen to \$7 a kilogram and in July 1991 the then Hawke government decided to abandon further government intervention to maintain the price, and AWC was left with between 3 million and 4 million bales of unsold wool and a debt of around \$2 billion (in terms of money it had borrowed from the federal government to underwrite the purchasing of wool to maintain the reserve price). The following Keating

³⁴ Rabobank, *Australian Agriculture in Focus* (Rabobank, Sydney, 2002), p.2; information on Cargill supplied by Cargill company headquarters, Minneapolis, USA.

government established Wool International (WI) to oversee the disposal of the stockpile and, in 1999, the Howard government essentially privatised WI by transferring disposal of the stockpile to a conventional company: Woolstock Australia (WA). WA completed the sale of the last bale, from the stockpile, in August 2001.

Wool has traditionally been produced by a substantial number of large producers, rather than by a small number of giant organizations. Nevertheless the last few years have seen the consolidation of a group of sizeable undertakings in Australian wool production. The ten foremost operations are as follows:

Ten Largest Woolgrowing Undertakings in Australia: 2002³⁵

Company	Area of Operations	Bales Produced
Jumbuck Pastoral	NSW (Hay and Hillston); QLD (Windorah); SA (Mount Pleasant, Tarcoola and Yunta); WA (Nullabor and West Kimberley)	8,600
Clyde Agriculture	NSW (Bourke, Brewarrina, Coonamble, Walgett and Warren); QLD (Longreach and Quilpie)	6,500
A.J. and P.A. McBride P/L	SA (Burra, Kingston, Lucindale, Millicent, Tarcoola, Kidgoonya and Yunta); WA (Esperance)	4,500
Twynam Agricultural	NSW (Forbes, Hay, Hillston, Moree and Warren)	4,000
Bell Securities	NSW (Deniliquin, Hay and Booligal)	3,700
Mutooroo Pastoral/Morgan Family	NSW (Broken Hill); SA (Olary); Victoria (Edenhope)	3,600
T.A. Field Estates	NSW (Carrathool, Hay and Hillston)	3,500
Tom Brinkworth	SA (South East region)	3,300
Russell Pastoral	QLD (Blackall, Cunnamulla and Dalby)	3,000
Jones Family	WA (Kalgoorlie and Norseman)	2,100

(c) Beef

Beef production has seen a definite prominence of agribusiness in operations, in the last twenty years. This is shown by the number of cattle maintained on large holdings, as demonstrated by the following statistics:

³⁵ Fiona Cameron, "Prices Up as the Wool Clip Dips" in *The Australian*, 24 October 2002, agribusiness supplement, p.9. A bale of wool is typically considered to be around 180 kilograms.

*Australia's Biggest Beef Producers: 2002*³⁶

	Area of Operations	Head of Cattle	Beef Produced (tonnes)
Stanbroke Pastoral	QLD; NT	551,351	36,617
Australian Agricultural Co.	QLD; NT	417,000	34,400
Consolidated Pastoral	NSW; VIC; QLD; NT; WA	242,000	15,634
Kidman Holdings	NSW; SA, QLD; WA	165,000	14,750
North Australian Pastoral Company	QLD; NT	188,000	12,955
Heytesbury Beef	NT; WA	201,049	9,406
Colonial Agricultural Company	NSW; QLD; NT	128,277	8,359

Large-scale overseas companies hold significant positions in the abattoir section of the Australian meat industry. While 53% of the top 25 meat processing undertakings in Australia are owned by Australian companies, 25% are American-owned and 11% are Japanese owned. Until recently the foremost meat processing company in Australia (AMH) was owned by ConAgra. In late 2002, ConAgra reduced its share in AMH to 46%. The ownership of the top 6 meat processing companies in Australia is as follows:

*Top 6 Meat Processing Companies in Australia: 2000*³⁷

Organisation	Meat Processed (tonnes)	Kill Share	Employees	Ownership
AMH (ConAgra)	370,000	12%	2,600	USA
Nippon Meat Packers	170,000	5.5%	1,700	Japan
Consolidated Meat Group	160,000	5%	1,600	Australia
Tey's Brothers	146,000	5%	1,300	Australia
Bindaree Beef	90,000	4%	1,200	Australia
Cargill	88,000	3%	750	USA

³⁶ Fiona Cameron, "Close Run in Beefbaron Stakes" in *The Australian*, 24 October 2002, agribusiness supplement, p.6.

³⁷ *Feedback*, August 2002.

(d) Wine

Wine is another sector of primary production where there has been considerable concentration in production. Although there are, on the one hand, around 1,400 small wine producers, almost 65% of overall production is undertaken by 4 major wine producers. This is demonstrated by the figures for tonnes of grapes crushed by the wine companies in Australia:

*Australia's 20 Largest Wine Companies (per Tonnes of Grapes Crushed): 2001*³⁸

Company	Grapes Crushed (in tonnes)
Southcorp	271,500
BRL Hardy	260,500
Orlando Wyndham	175,000
Simeon Wines	174,400
Beringer Blass	89,100
McWilliams	not available
De Bortoli	46,000
Cranswick	36,000
Riverina Estate	35,000
Miranda Wines	31,100
Casella Wines	28,000
Kingston Estate	25,000
Wingara Wines	21,000
Yalumba	20,000
Zilzie Wines	16,200
Angove's	15,700
Brian McGuigan	15,500
Peter Lehman	15,400
Andrew Peace	15,100
Brown Brothers	12,200

(d) Wheat

Wheat has so far not seen the same emergence of agribusiness in the sector, as has occurred in the case of beef or wine. Currently the Australian Wheat Board retains its position as the sole overseas marketing organization for Australian wheat.

Until the late 1940s, wheat production (and marketing) was organized internationally, and within Australia, on a conventionally commercial basis. Michael Atkin has written that, by

³⁸ Winetitles, *The Australian and New Zealand Wine Industry Directory* (Winetitles, Adelaide, 2002), p.21.

the 1920s,

There. . .[were] five major international grain trading companies. They. . .[were] Cargill. . .Continental Grain, Louis Dreyfus, Andre and Bunge and Born. Together they probably account[ed] for three-quarters of the grain shipped internationally. . . they. . .grew up around families and. . .[were] still controlled by family interests: Cargill by the MacMillans, Bunge and Born by the Born and Hirsch families and Continental by the Fribourgs. The families who gave their names to Andre and Louis Dreyfus still control[led] those companies. . .³⁹

The Louis Dreyfus and Bunge companies were large traders and exporters of grain, in Australia, during the 1920s and 1930s.⁴⁰ However, during that same period, many small-scale wheat producers in Australia felt that the price they received for their wheat was constantly bargained down by the large-scale companies. According to Greg Whitwell, the small-scale wheat growers considered that were “up against many combines”. In response to these sentiments, the ALP government of Ben Chifley obtained passage of the Wheat Industry Stabilisation Act 1948 which established an Australian Wheat [Marketing] Board (AWB). This arrangement allowed small-scale growers to avoid the great grain trading companies. According to Greg Whitwell and Diane Sydenham, the means which Chifley established for the marketing of wheat involved,

a guaranteed price and a home consumption price. . .a stabilisation fund and compulsory pooling. . .The board was made the sole buyer of wheat from growers and the sole marketer of wheat on both the domestic and export market. It was also the board’s responsibility to administer the stabilisation fund to make payments to growers.⁴¹

In the late 1980s the Hawke government decided to reduce the intervention of government, in Australian wheat selling, through securing passage of the *Wheat Marketing Act 1989* which removed the role of the AWB in Australian domestic wheat sales. This eventually provided both Cargill, and the second-biggest food trader and processor in the USA (ConAgra), the opportunity to move into local wheat (and other grain) dealings in Australia. Two years after Hawke obtained passage of the *Wheat Marketing Act 1989*, in Queensland (with Wayne Goss as premier) the former Barley Marketing Board of Queensland was merged into Grainco Australia Ltd with ownership of Grainco passing to Queensland graingrowers. During the same year in NSW (with Nick Greiner as premier) the NSW Barley Marketing Board was transformed into the NSW Grains Board (into which was merged the NSW Oilseeds Marketing Board, the NSW Oats Marketing Board and the NSW Grain Sorghum Marketing Board). A year later, as the office of premier of NSW passed from Nick Greiner to John Fahey, the NSW government oversaw the selling-off of the (by

³⁹ Michael Atkin, *The International Grain Trade* (Woodhead Publishing, Cambridge, 1992), p.112.

⁴⁰ B.D. Graham, *The Formation of the Australian Country Parties* (Australian National University Press, Canberra, 1966), p.97; Bunge and Born Limited, *Bunge (Australia) Pty Ltd: The First Half Century* (1973).

⁴¹ Greg Whitwell and Diane Sydenham, *A Shared Harvest: The Australian Wheat Industry 1939-1989* (Melbourne University Press, Melbourne, 1991), pp.43,59-60.

then corporatised) NSW Grain Handling Authority to the NSW graingrower controlled Prime Wheat Association (PWA). In 1997 the PWA then listed the new entity, under the name GrainCorp, on the stock exchange. A year later in NSW, with Bob Carr as premier, a review of grain dealing in the state was initiated (under National Competition Policy guidelines). As Kronos Corporate has described, in its own review of grain trading in Australia, “As part of this process the economic unit of the NSW Department of Agriculture conducted a thorough price and market analysis. . .The [NCP] review committee [subsequently] recommended 6-2 that the majority of grains be deregulated in NSW.” The committee’s report was released in April 1999.⁴² Just over a year later, the NSW Grains Board announced that it had losses of around \$60 million and in November 2000 the operations of the Grains Board were sold to Grainco (of Queensland).

The recent entry of Cargill and ConAgra into these operations, via these events, has been described by Asa Wahlquist in *The Australian* as follows:

GrainCorp merged with the Victorian company Vicgrain in 2000, the same year that Grainco purchased the state grain monopolies held by the NSW Grains Board. . . Both companies also have partnerships with US food companies. GrainCorp and US-based commodities giant Cargill won an intense battle for Goodman Fielder’s flour milling and mixing business. . .in August last year [2002]. . .The joint venture supplies flour-based products to Goodman Fielder. In late 2001, Grainco and ConAgra put together Marketlink, which last year exported significant quantities of sorghum and feed barley.⁴³

The role of the AWB in overseas sales, however, remained as before. In the late 1990s, however, the Howard government obtained passage of the *Wheat Marketing Amendment Act 1998* under which the AWB’s former regulatory controls over wheat exports were transferred to a new Wheat Export Authority (WEA) and ownership of the AWB was transferred to growers. The role of the new WEA, however, was still one of ensuring a monopoly role for the AWB in the export of Australian wheat. As the then federal minister for primary industries (John Anderson) acknowledged in parliament, the legislation provided for “the retention of the wheat export monopoly from 1 July 1999. Specifically the bill provides for an independent statutory body, to be known as the Wheat Export Authority, to manage the export monopoly on wheat.” The arrangement, providing for the WEA to achieve this, is facilitated via section 57(1A) of the *Wheat Marketing Amendment Act 1998*. Originally section 57(1) of the *Wheat Marketing Act 1989* specified that “A person, other than the [Australia Wheat] Board, shall not export wheat”. The recently included section 57(1A) specifies that “The prohibition in subsection (1) does not apply to nominated company B” (AWB International Ltd: the subsidiary of AWB responsible for

⁴² Kronos Corporate, *A Review of the Structural Issues in the Australian Grain Market* (Kronos Corporate, Melbourne, 2002), p.15.

⁴³ Asa Wahlquist, “GrainCorp Surges on Merger Talks” in *The Australian*, 6 February 2003, p.21. ConAgra already controls substantial malting operations in Australia as well as owning 46% of the largest meatprocessing undertaking in Australia. Barrett Burston Malting (in Victoria) is a subsidiary of ConAgra and has six malting plants. The largest is at Geelong and produces 100,000 tonnes of malt a year, for use by Carlton and United Breweries.

pooling matters). Private companies, wishing to enter into bulk wheat export operations, have to apply to the WEA for permission to do so - with the proviso that AWBI can have a veto over bulk wheat export applications to the WEA.⁴⁴

Meanwhile, during the 1990s, what were (then) the Big 5 international grain trading companies continued to lobby the Australian government to remove the AWB's control over export selling of Australian wheat. In Australia they conducted their activities under the banner of the Australian Grain Exporters Association. In 1998, Anthony Hoy reported in the *Sydney Morning Herald* that "Multinational grain companies operating in Australia are accusing the federal government of. . .'going to any lengths to exclude competition from grain marketing in Australia'".⁴⁵ In April 2000, Frank Sims (president of the north American grains division of Cargill) addressed a meeting of the Grains Council of Australia. Cargill currently has 1,200 employees in Australia and has three joint venture grain elevators in NSW: two with Graincorp (at Red Bend and Henty) and one with Brabin Firman Brabin (BFB) at Temora. Sims stated that,

For a long time, Cargill has advocated an end to single-desk marketing monopolies. . .Yes the world [grain trading] market suffers from a number of unfortunate distortions. . .All of us would like international market distortions to be phased out; the real issue is how best to do it. It's only fair to recognise that single-desk monopolies are one of those distortions. STEs [State Trading Enterprises] with monopoly powers have the effect of putting government-sponsored structures in between producers and consumers.⁴⁶

A day before Sims presented his address to the Grains Council of Australia, the federal minister for agriculture (Warren Truss) announced that the National Competition Council (NCC) would undertake a review of the *Wheat Marketing Act 1989*. The committee established by the NCC, to undertake this task, was formed of Professor Bob Lindner (dean of the faculty of agriculture at the University of Western Australia), Jeff Arney (former president of the Grains Council of Australia) and Malcolm Irving (chairman of Caltex Australia). In its own submission to the review, according to Asa Wahlquist, "the NSW Farmers' Association (NSWFA) said that. . .there is massive corruption in world grain

⁴⁴ *National Competition Policy Review of the Wheat Marketing Act 1989*, pp.18,79.

⁴⁵ Anthony Hoy, "Competition: Grain Firms Accuse Govt of Double Standards" in the *Sydney Morning Herald*, 4 February 1998, p.8.

⁴⁶ Frank Sims, *Perspectives on Single-Desk Selling*, paper presented to the Grains Council of Australia, Brisbane, 5 April 2000, pp.1,13. Sims's comments seem somewhat disingenuous given many complaints in the past about the secretive nature of the operations of the big multinational grain trading companies. Frederick Clairmonte and John Cavanagh have written that, "When in 1975. . .the staff of the Senate subcommittee on multinational corporations began investigating the grain juggernauts, it routinely asked libraries for documentation. It was not fortuitous that one library after another informed the subcommittee that no such materials existed. In the scathing rebuke of Senator Frank Church: 'No-one knows how they operate, what their profits are, what they pay in taxes. . .or much of anything else about them.'" See Frederick Clairmonte and John Cavanagh, *The World in Their Web: Dynamics of Textile Multinationals* (Zed Books, London, 1981), p.59.

markets. . .[and] the AWB was the only organisation standing in the way of Australian farmers being wiped out completely in such a market.”⁴⁷ In its report delivered in December 2000, however, the NCC review committee concluded, despite representations from the NSWFA, that “on balance the committee has come to the view that the introduction of more competition into export wheat marketing in the future would deliver greater net benefits to growers and to the wider community than a continuation of current arrangements.”⁴⁸

(f) Dairy

Ever since the dairy industry came to be assisted and controlled during the 1920s and 1930s, the industry has been subsequently undergoing a period of deregulation and adjustment. Before the First World War the industry had been essentially unassisted and was, foremost, an export industry with Australia, by 1910, supplying 15% of British butter imports.⁴⁹ During the first half of the 1920s, with the price of Australian butter exports fluctuating, the federal Liberal-Country Party government (led by Stanley Bruce) introduced government assistance for Australian dairy exports by obtaining passage of the *Dairy Produce Export Control Act 1924*. Two years later Thomas Paterson, a Country Party member of the federal government, inaugurated a scheme for export bounties on Australian butter. Both the *Dairy Produce Export Control Act 1924* and the Paterson butter scheme were devices to uphold the price of butter in Australia’s then principal market for dairy products (Britain). In 1933 the Lyons government attempted to consolidate the thrust of the 1920s schemes by setting up the Commonwealth Dairy Produce Equalisation Committee. The following Curtin government subsequently obtained passage of the *Dairy Industry Assistance Act 1942* to maintain returns to producers at a guaranteed level.

At a domestic level, with the onset of the 1930s trade depression forcing milk vendors’ to cut prices to a level within people’s reach, the Lang state government in New South Wales introduced legislation to maintain the price of domestic dairy product in the state. Under the provisions of the *Milk Act 1931*, property over all milk for consumption in (what was termed) the “metropolitan milk distributing district” - originally running from Hornsby to Sutherland and west to Parramatta - was vested in a Milk Board and the Milk Board was allowed to fix prices.

With Britain joining the EEC in 1973 (eliminating the biggest single market for Australian dairy products), and with the locus of national milk production shifting to Victoria, successive federal and state governments began withdrawing government intervention in the realm of dairy production: leaving producers to establish their own pricing arrangements with retailers. At a federal level, even before Britain joined the EEC, the

⁴⁷ Asa Wahlquist, “Losing Monopoly” in *The Australian*, 9 August 2000, p.34.

⁴⁸ *National Competition Policy Review of the Wheat Marketing Act 1989*, p.10.

⁴⁹ Warwick Frost, “Government, Farmers and the Environment: Australia’s Wet Frontier 1870-1920”, paper presented at the *Conference of the Economic History Society of Australia and New Zealand*, University of New England, Armidale, July 1994, pp.2,19-20.

Gorton government obtained passage of the *Marginal Dairy Farms Agreement Act 1970* to facilitate the exit of dairy farmers out of the industry. The Whitlam government, during 1973-1975, then embarked on eliminating price supports for export dairy products. During the 1980s the Hawke government maintained some price support assistance for farmers producing export product by obtaining passage of the *Dairy Industry Levy Act 1986* which introduced a tax on all milk production to fund a subsidy on exports of selected products. The following Keating government first of all partially reduced the price support for dairy exports, through the *Dairy Produce (Amendment) Act 1992* and the *Dairy Produce Levy (Amendment) Act 1992*, and then in 1995, through obtaining passage of the *Dairy Industry (Amendment) Act 1995* and the *Dairy Produce Levy (Amendment) Act 1995*, introduced a Domestic Market Support (DMS) scheme which maintained the partial support but without the link to exports. Five years later the subsequent Howard government obtained passage of the *Dairy Industry Adjustment Act 2000* which ended the DMS and provided for an 11c a litre levy on milk to fund a \$1.7 billion program to help those farmers, who could not stay in production without the DMS, to leave the industry.

At a domestic level in the early 1990s, seven years before the Howard government's legislation, the Fahey government (in New South Wales) obtained passage of the *Dairy Industry (Amendment) Act 1993* providing for the elimination by 1998 of price controls on milk (essentially removing guaranteed prices to producers) and providing for the greater presence of supermarkets in milk selling by removing the legislatively fixed presence of the milk run operator. From a peak level of around 15,000 in the 1930s, the number of dairy farms in NSW had decreased to around 1,800 by the end of the 1990s.

The primary aim of the changes in the dairy industry has been not only to facilitate the concentration and development of the industry in Victoria (with nearly 65% of production occurring in Victoria) but to focus production on exports: particularly to Asia. One item that has increased dramatically, in export volume, has been cheese. Out of 217,641 tonnes of cheese exported between 2001-2002, 102,830 tonnes were exported to Japan.⁵⁰

As far as the presence of multinational companies, in Australian dairy production, is concerned, only one major overseas company has attempted to enter the Australian dairy sector: the Italian company Parmalat. In 1998, Parmalat operated 162 plants (employing over 39,000 people) worldwide, and its global sales amounted to over \$9 billion.⁵¹ During that same year, Parmalat acquired the Queensland based dairy company Pauls: one of the large-scale dairy companies in Australia. A year later, Parmalat presented a merger proposal to the NSW-based Dairy Farmers operation: a proposal which was subsequently turned down. So far, it seems, what were the other big 4 dairy operations in Australia at the end of the 1990s – Murray-Goulburn, Bonlac, Dairy Farmers and National Foods – preferred to rely on their own influence with the 2 big supermarket chains, rather than turn to any association with Parmalat. Indeed, in 2000, Dairy Farmers replaced

⁵⁰ Australian Dairy Corporation, *Australian Dairy Industry in Focus 2002* (Australian Dairy Corporation, Melbourne, 2002), table 13.

⁵¹ Parmalat Finanziaria, *Financial Statements and Consolidated Financial Statements as at December 21, 1998* (Parmalat, Milan, 1999), p.12.

Parmalat as a supplier to Woolworths in Queensland.⁵²

(g) Cotton

Like wheat trading, cotton trading is undertaken internationally by a relatively small group of large companies. Julian Roche, in his study of the international cotton trade, has written that,

The world's major cotton companies can be listed. . . Firstly there are the major US companies. . . US companies together trade approximately 50% of the world's cotton trade. . . Dunavant [of the USA, is]. . . the world's most important cotton trading company. . . [handling] one-sixth of the world's cotton trade. . . [and trading] over 3 million bales [annually]. . . with an annual sales volume of over \$1.2 billion. . . The company's headquarters are in Memphis, Tennessee, the world's largest spot cotton market. . . [other] major US companies. . . [are] Amcot, Conticot, Allenberg, Hohenberg, Esteve, Ralli Bros (owned by Cargill) and Weil Bros. Very approximately these companies can be described as '1 million bale' sized companies. . . The second group of companies are those based in the UK. . . such as Meredith Jones, Alexander Eccles and Stern (now fused since 1991 with Weil Bros in the USA), Baumann Hinde, Ralli (part of Cargill), A. Hannay and Plexus. . . it is estimated that Ralli trades perhaps 350,000 bales annually. . . Meredith Jones trades approximately 250,000 bales annually. . . The third group of companies are those that trade into Japan and that are predominantly Japanese companies. . . Finally there are all the other companies, mainly trading out of Europe. . . such as Bunge, now owned by Louis Dreyfus. . .⁵³

Already Dunavant (the largest world cotton trading enterprise) plays a substantial role in the cotton industry in Australia. Out of the four million bales that it handles annually, 300,000 of those bales are Australian cotton. Dunavant also has three cotton gins in Australia, which process around 10% of the Australian cotton crop. The company has a four-stand gin at Moree (in NSW) - as well as one five-stand gin, and one four-stand gin, located near Emerald and Dalby (in Queensland) respectively.⁵⁴

(h) Fruit and Vegetables

Half of the fruit and vegetables grown in Australia, each year, is retailed via Woolworths and Coles. Woolworths alone buys about \$1.28 billion worth of fruit and vegetables

⁵² Mark Todd, "Market Share Before Profit, Says Milk Co-Op" in the *SMH*, 24 August 2000, p.25.

⁵³ Julian Roche, *The International Cotton Trade* (Woodhead Publishing, Cambridge, 1994), pp.284-287.

⁵⁴ See <http://www.dunavant.com.au/profile.htm>

annually.⁵⁵

(i) Returns to Small Producers

A prominent issue that has arisen in the transition from agriculture to agribusiness is that of the returns obtained, by small-scale producers, for their output. Complaints, in this regard, have arisen in the following areas of rural production:

Dairy

A month after the dairy industry became officially deregulated (July 2000), Dairy Farmers had to cut the price of its milk to win the contracts to supply Woolworths in Victoria and Queensland. Woolworths (with Coles following suit) was able to discount the price of its in-house brand of milk to \$1.19 a litre. On the one hand, the managing director of Dairy Farmers stated, according to the *SMH*, that his company “was willing to absorb lower milk prices. . .to win new business”. On the other hand, the president of the Dairy Farmers Association (Reg Smith) was quoted as saying that the effects of the bargaining down in milk prices, by Coles and Woolworths, “will cause enormous concern among our farmers. It’s just ridiculous that they would drive prices down to this level.” In April 2001 the Australian Competition and Consumer Commission released a report which advised that the price paid to dairy farmers for drinking milk had fallen by 19c to about 34c a litre. Meanwhile, although Coles and Woolworths discounted the prices of their own branded packaged milk, Dairy Farmers raised the price of its own milk (as sold in corner shops) to \$1.50 a litre.⁵⁶

Fruit and Vegetables

Fruit and vegetable growers have encountered commercial experiences, with supermarkets, similar to those experienced by dairy farmers. In a report, in the *Sydney Morning Herald*, Michael Bradley wrote that in the case of “Peter Davidson’s naval oranges. . .when they left his Leeton farm gate, Mr. Davidson received 13c a kilogram. A few days later they appeared in supermarket near you priced at \$3.” According to Bradley, lettuce growers were faced with a similar situation: “Given a wholesale price of \$8 for a box of 20 lettuce, researchers [have] calculated [that] the grower made a profit of \$1.29 or about 6c a lettuce. Yet instead of. . .[being retailed] at \$12 a box, or 60c a lettuce, customers were charged \$2.48 a lettuce – more than 4 times” the 60c price. In the case of apples, according to Bradley, researchers had found that “a 13 kg box costing \$21 wholesale would still produce a profit for retailers if they sold the apples at \$2.42 a kilogram. Yet the apples retailed at

⁵⁵ Gillian Bullock, “Retailers Rule in Fiefdom of Food” in *The Australian*, 24 October 2002, agribusiness supplement, p.5.

⁵⁶ Andrew Stevenson, “Price Cut Will Milk Us Dry: Dairy Farmers” in the *SMH*, 16 August 2000, p.3; Mark Todd, “Market Share Before Profit, Says Milk Co-Op” in *ibid.*, 24 August 2000, p.25; Andrew Stevenson, “Price of Milk Tumbles as Supermarket Chains Play Catch-Up” in *ibid.*, 17 August 2000, p.3; *ibid.*, 10 April 2001, p.4; *ibid.*, 18 August 2001, p.4.

\$3.99.”⁵⁷ The concerns voiced by those interviewed in Bradley’s article were echoed three months later by growers interviewed by Daniel Lewis for another article in the *SMH*. Ivan Glover, an orange grower from Castlereagh, told Lewis that “he was getting 25c to 80c a kilogram for oranges that usually ended up selling in supermarkets for \$2.99 to \$4.99 a kg”.⁵⁸

4. CONCLUSION

Currently agriculture makes a relatively small contribution, in terms of percentage, to the gross state product of New South Wales (about 3%).⁵⁹ In dollar terms, the value of that production is still quite significant, as the following figures demonstrate:

*Gross Value of Agricultural Commodities NSW/Australia: 1999-2000*⁶⁰

NSW	\$7.9 billion
Australia	\$30.2 billion

On the basis of the above figures, the share of New South Wales, in Australian agricultural production, is around 25%.

Nevertheless it does appear to be the case that, the more Australian agriculture is organised on the basis of agribusiness, the greater output it is capable of generating and the more it is capable of producing output for export. This seems to exemplified by the instance of the dairy industry. In 2002 the managing director of the Australian Dairy Corporation (Sandy Murdoch), gave a presentation at the Australian Agribusiness Congress in Sydney, in which he gave the following outline of the transition in the dairy industry in Australia,

The complete removal of government support for both the drinking and manufacturing milk sectors. . .was seen as. . .time for many dairy farmers to assess their future in the industry. . .Many Australian [dairy] manufacturers [however have] seized the opportunities offered by increased economies of scale. . .to explore opportunities for growth – particularly in. . .[Asian] markets. Between 1980 and 2002, the value of Australian dairy exports increased by more than 250 per cent in real terms. Dairy is now the largest processed food industry, and the third largest rural export behind beef and wheat. In 1980, it ranked sixth. . .⁶¹

⁵⁷ Michael Bradley, “Down on the Farm, A Mystery: Who Pockets the Profit?” in the *Sydney Morning Herald*, 8 July 2002, p.4.

⁵⁸ Daniel Lewis, “When Selling Off the Farm is Good for Everyone” in *ibid.*, 4 October 2002, p.6.

⁵⁹ Australian Bureau of Statistics, *Australian National Accounts: State Accounts 2001-2002*, ABS Catalogue 5220.0 (Australian Bureau of Statistics, Canberra, 2002), p.6.

⁶⁰ Australian Bureau of Statistics, *Agriculture 1999-2000*, ABS Catalogue 7113.0 (Australian Bureau of Statistics, Canberra, 2000), pp.17-19.

⁶¹ Sany Murdoch, “Australian Dairy Industry – An Analysis”, paper presented at the *Australian Agribusiness Congress*, Sydney, 12 November 2002.

This potential is highlighted by a summary table of the figures provided in the previous sections of this paper:

NSW Agricultural Exports: 2000 (estimated)⁶²

	Tonnes Produced in NSW	%age of national production in NSW	Estimated Value of NSW Exports	Estimated Value of Australian Exports
Cotton	471,200	67%	\$1.3 bn	\$1.9 billion
Wheat	5,373,275	22%	\$952.7m	\$4.3 billion
Wool	224,000	32%	\$943.7m	\$2.9 billion
beef products		22%	\$398.5m	\$1.8bn
dairy products	1,395,000	13%	\$215.6m	\$1.6bn
wine		35%	\$173.5m	\$1.6bn
oranges and apples	301,992	31%	\$80.6m	\$209m
potatoes and onions	191,123	13%	\$3.4m	\$25.3m

The transition from agriculture to agribusiness, in Australia, is not without complications. On a straightforward level, the transition entails Australian primary producers either dealing directly with giant global food trading (or food production) companies, or having their production directly integrated into the operations of large-scale domestic retailers such as Woolworths or Coles. At the same time, the organisation of production itself is transforming into large-scale undertakings presided over by a relatively small number of operators. Beneath the surface, however, there are a number of complications such as the position of small producers vis a vis these big combinations. Nevertheless, with the elimination of marketing boards (and other forms of assistance), rural producers (big or small) will have to deal more closely with the big domestic (or international) food traders. Over the long run, the hope is that, with the creation of further export opportunities in Asia, producers can do business with giant operators on the basis of increasing their output to take advantage of that same potential for export.

⁶² Compiled from figures in earlier tables, and from estimates provided by NSW Agriculture.