

ECONOMICS AND THE DEVELOPMENT
OF FARM BUSINESS MANAGEMENT
IN THE
SA DEPARTMENT OF AGRICULTURE
1955-1970

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Venton Cook



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Figure 1: Organisation Chart Extension Branch Circa 1968

1 PREFACE

Before an economist was appointed to the SA Department of Agriculture, several staff members at Roseworthy College pioneered the study and application of economic principles to South Australian agricultural production. Professor A J Perkins, whilst Principal of Roseworthy Agricultural College presented detailed papers on wheat cost of production and crop responses to fertiliser at annual conferences of the Agricultural Bureau. One paper presented in 1913 at Cowell, reported the economic results of fertiliser experiments at Roseworthy College.

Much later, in 1933, as Director of Agriculture, Professor Perkins provided "itemised statements of Costs of Production of wheat at Turretfield and in the Mallee" as evidence given in Adelaide before the Commonwealth Grants Commission.

In 1939 the Principal of Roseworthy, Allan Callaghan, wrote of the need for trained agricultural economists. Later, Allan Callaghan, when Director of Agriculture, sought to appoint an economist and introduce economic thinking into extension and advisory work.

D B [Don] Williams, who later became Director of Roseworthy Agricultural College, was the first rural economist to be appointed at the College. He wrote in the Journal of Agriculture [September 1948] in an article on Farm Records "In recent years the attention of farmers has been forced upon the business aspects of farming by the rapid movements in costs and prices..... For this reason farmers think of their farm as a business as well as a home, and realise that business methods must be combined with scientific methods and skilled craftsmanship".

These people and others were the forerunners of professional economists and farm business management specialists in the SA Department of Agriculture. This review attempts to encapsulate the personalities of the first economists in the Department of Agriculture and give an overview of the major theme of economic work carried out at that time viz whole-farm management work through groups.

I wish to thank those who responded to my correspondence seeking information. Namely, Allan Callaghan, Graham Itzerott, Jack McAuliffe, Geoff Robinson and Clark Catt. The latter is to be thanked for providing the comprehensive notes on which Section 7 is based. I also thank those who gave interview time including Peter Trumble and Allan Callaghan. I particularly thank Deane Crabb, an agricultural economist and a valued colleague who in January 1982 interviewed both David Penny and Allan Dawson in Canberra, ACT.

I also record appreciation for the information provided in written form and at the interview in his home by Lindsay Thomas, a marvellous character and friend.

Venton Cook
Adelaide
March, 1992

2 A SENIOR MARKETING RESEARCH OFFICER

An initiative of the Director of Agriculture Dr Allan R Callaghan [now Sir Allan] led to the appointment of the first economist in the SA Department of Agriculture. Dr Callaghan wished to have an "officer of Senior Research Officer status" to cope with Departmental work associated with the marketing of rural products. It was intended that such an officer would enable the Department to advise the Minister with more confidence. The Director saw two other audiences for the economist, the Standing Committee on Agriculture [and Agricultural Council] and the rural producers of South Australia.

In a minute to the Minister of Agriculture [16/6/54] the Director referred to the necessity to do work on economic and marketing problems himself and to "inaccuracies" which had occurred, through reliance on untrained officers, to the embarrassment of the Department and the Minister. According to Mr Peter Trumble, who later became Deputy Director-General SA Department of Agriculture, a theme of the Director before the appointment of an economist was the need to encourage farmers to get out of the "sideline mentality" and to develop enterprises on a sound economic basis.

Dr Callaghan also pointed out that all other Departments of Agriculture, except Tasmania, had economic and marketing advisors. He, therefore, recommended that a Senior Research Officer [Marketing] be appointed at the salary range £1 035 - £1 140 with the following duties and qualifications:

The preparation of reports and interpretation of data to enable the Department to disseminate information relating to marketing and economic trends within rural industry, and to undertake such other advisory and investigational work as required by the Director. Applicants should hold a senior degree, preferably an honours degree, or higher, in economics or agriculture, with experience in economic research and marketing analysis. Some specialist experience in agricultural economics is desirable.

In reply to this minute, the Chairman of the Public Service Board, after reviewing the arguments for the appointment concluded that "the Board feels that there is some justification for the appointment of an appropriate officer" but did not consider the status should be as requested by the Director. The Board recommended that approval be given for the creation of a new office as follows:

AGRICULTURAL ECONOMIST - Third Division, Professional Section, Salary - Minimum £780, Maximum £1 040 per annum.

When advised by the Board of the decision the Director responded [21/9/54] by indicating that an experienced economist would not be attracted by the salary offered and that new terms of references were needed in view of "the younger and less experienced officer who will be attracted at the lower salary."

The Director stated that an "entirely fresh approach is necessary" and suggested the following new qualifications and duties:

A graduate in Economics prepared to specialise in the study of the economics and marketing of rural commodities is required. Duties will be to collect and collate data concerning marketing trends and developments as they affect agricultural products and assist in the formulation of Departmental policy and advice on economic and marketing matters.

The situations vacant column of "The Advertiser" on 9/10/54 sought an agricultural economist to "collect and collate data concerning marketing trends and developments as they affect agricultural products; assist in formulation of departmental policy, and advise on economic and marketing matters". The salary range was £857 - £1,117 per annum.

It was not until July 1955 a graduate in Economics from Adelaide University, who had completed a post graduate course at the Food Research Institute at Stanford University, was appointed Agricultural Economist at a salary of £1 150 per annum.

3 "THE LUCKY FIRST" THE FIRST AGRICULTURAL ECONOMIST

The "lucky first" agricultural economist was David H Penny, B.Ec[Hon] who was appointed Agricultural Economist on March 22nd, 1956. He graduated in economics with first class honours from Adelaide University in 1951. At the time of his appointment he had just completed a post-graduate course at the Food Research Institute of Stanford University, California. He was appointed in 1955 initially for six months and was made permanent after that time.

He stayed with the Department for almost two years until June, 1957. At the time of David Penny's appointment, Peter Trumble was the Department's Scientific Liaison Officer and had attempted to assist the Director with analysis of economic problems until David Penny arrived. David joined Peter Trumble in a cramped office on the ground floor of Agriculture Building [formerly the Simpson factory], 133 Gawler Place, Adelaide. Peter Trumble became Penny's supervisor after Callaghan told him on his arrival to get to know the Department and not to see him for two months, when he should report back.

David Penny, said to be both brash and enthusiastic, had several brushes with some of the more technically trained officers. However, the Chief Dairy Officer, Graham Itzerott had recognised the need for collection and analysis of financial figures from dairy farms. This led to David Penny's work with the dairy industry in close liaison with Frank Jarrett of the Economics Department of the University of Adelaide.

Among his many duties David Penny's work covered land development in the South East [Masters thesis], an economic survey of reclaimed areas of the lower Murray and some policy work on wheat cost of production.

Deane Crabb has reported that in an interview in January 1982, David Penny commented that the Director, Dr Callaghan "continually wanted economic concepts explained in a straight forward, down-to-earth way". David Penny was also involved with farmers, attending many Bureau meetings and taking part in inservice extension courses held for departmental officers at Roseworthy College, under the leadership of the Chief, Division of Extension Services, Mr R I [Bob] Herriot.

During his time in the Department, David Penny undertook a thesis on land development in the South East. It is reported that on his first day in the South East he had the choice of visiting a farmer or a Lands Department Officer. He chose the farmer, was invited to stay a while and this became several months. The farmer gave him a list of essential reading and got David's supervisors to check that he had read them! Articles by David Penny published in the SA Journal of Agriculture indicate the scope of his work:

- * Dairy Farm Record Book [January 1957]
- * Pasture Irrigation - Does it Pay? [July 1957] and with Frank Jarrett
- * Fodder Conservation Costs on the Murray Swamps [February 1957]
- * Hay Making Costs on Murray Swamps Dairy Farms [March 1957]

After leaving the Department in 1957, David Penny had a distinguished career as an agricultural economist obtaining a doctorate from Cornell, working in Indonesia and teaching at the University of North Sumatra for seven years and then at the Australian National University. He became Director of Research in the Department of Aboriginal Affairs in Canberra.

After David Penny and before the appointment of Allan Dawson an interim "economist" provided basic economic services. Mr D J [Doug] McKenzie was appointed Temporary Officer, Dairy Research, on May 31, 1958 and conducted dairy farm management studies. An agricultural scientist by training Mr McKenzie was emphatic about the place of nitrogen and potassium in agriculture.

4 MR "DOES IT PAY"

Dr AA [Allan] Dawson PhD. MSc. was appointed Agricultural Economist from October 6, 1958 and stayed in the Department until March 1963 when he left for Canberra to work with the Australian Primary Producers Union [APPU], as he said for a "less conservative salary".

Among his credentials, Dr Dawson cited work for his thesis "The Economic Organisation of Small Farms in the North East of Scotland" for which he was awarded a Doctor of Philosophy.

Allan Dawson was advised by letter [3/10/57] of a vacancy for an agricultural economist. He applied to the Public Service Board and was interviewed by the Agent-General in London "as no suitable applicant was available in Australia." He was appointed agricultural economist at a salary of £1 556 pa subject to 4 years service. Allan Dawson was a character, who was remembered by farmers throughout South

Australia long after his departure for his humorous and forthright presentations on farm economics. Bureau meeting addressed by Dr Dawson were a highlight of his time in South Australia. In an interview on January 25, 1982 in Canberra, Deane Crabb recorded that Allan Dawson had wanted to come to Australia for the warmth of the climate as he was "freezing to death" in Northern England. Dawson's own words in his letter of application were: "My reason for wishing to settle in Australia is that the experiences of my family in the Eastern Mediterranean has shown us the advantages of living in a warm and sunny climate" [letter dated February 23, 1957].

On October 3, 1957, Dr Dawson was informed by letter from the Director of Agriculture to make application for the position of Agricultural Economist at a salary £953 - £1 543 with "assured progression to £1 653".

In accepting the position in 1958, Allan Dawson entered into an agreement to remain in the Service of the Department for a term of four years in return for the cost of "steamer passages and other agreed costs incurred in transfer from the UK to South Australia". These costs were itemised as follows:

Passages on "Strathmore"	£ 932-18-0
Rail Fares Hull/Tilbury	£ 8-12-0
Furniture and Effects Allowance	<u>£ 100-00-0</u>
	<u>£1041-10-0</u>

After six months temporary service Allan Dawson was appointed a permanent officer on 18/6/59 at the salary of £1650, vice D H Penny resigned.

Allan Dawson's arrival coincided with Allan Callaghan's departure on sick leave and later the appointment of A G [Geoff] Strickland as Director who "wasn't interested in economics". Dawson reported to Bob Herriot, Deputy Director. Dr Dawson was nicknamed "Mr Does-it-Pay" by the Chief Extension Officer of the time, P C [Peter] Angove, because Dawson's predictable response to technical explanations was "but does it pay?"

He addressed over 100 meetings in his 4½ years in the Department, his usual Bureau topic being "Does farming pay? If not, why not". Dawson said that his favourite response to farmers going to sleep in the back row was to shout out "probate, which usually had the desired effect on the audience". He is also said to have told farmers, to their amusement, that although it was a fact that returns on capital in farming in the early 1960's were very low, they should not sell out as the country needed them!

Dr Dawson recalled to Deane Crabb in 1982 the circumstances of a farmers meeting in the Mallee. He arrived at the meeting hall on time to find no-one else there. He continued on to the next town where there was nobody so he returned to the first place. On being told he was late he admonished them for lateness. After these pleasantries the meeting must have been a success because he missed the last Blanchetown ferry at 10:00 pm and finally caught the 6:00 am ferry the next day.

Lindsay Thomas, a farm management clerk at the time, recalled that nearing the end of Dr Dawson's employment with the Department, Lindsay Thomas said to him, "Look I've worked for you for four years and I still enjoy coming to work each morning!" Dr Dawson replied, "Do you really old chap - what a terrible home life you must have".

Dr Dawson was reported to be a good man to deal with under all circumstances. He was described in all sincerity by a colleague Lindsay Thomas as an "officer and a gentleman". He was also an excellent speaker. He was called on at one large meeting to fill in as the speaker had not arrived. It is said that he held the attention of the audience for over an hour with an impromptu speech.

Perhaps Allan Dawson's major and most lasting contribution to agriculture in South Australia was his development of whole-farm analysis, working through advisers. Groups of up to 30 farmers were formed at Jamestown, Port Lincoln, Adelaide Hills, Keith, Naracoorte and Yorke Peninsula.

Deane Crabb reports that Dawson said he decided to work through advisers "but they did not look at things from a financial point of view - only a technical one". He started with Jack McAuliffe and a group of farmers at Jamestown which comprised twelve farmers". At one stage, Dawson asked Jack for the best and the worst farmers from this group - he named the right ones but got them the wrong way around!"

Dawson said that he liked using yardsticks of economic success, for example, "if lambing percentage is greater than 80% you will make money; if less than 80% your chances are less." He also looked at financial returns for 30 to 40 farms in the South East - "those who bred their own replacements; made money; those who bought in lost it."

By 1960 an economics section had been formed comprising, in addition to Allan Dawson, two clerks [Lindsay Thomas and Gordon McKinna] and a cadet [Clark Catt] was studying agricultural economics at the University of New England.

5 THE OLDEST AND MOST JUNIOR CLERK

Lindsay H Thomas relinquished farming at Burra and moved to Adelaide in 1960. In July 1961 Lindsay joined the Department in the Economics Section where Dr Allan Dawson was "Acting Chief" and Gordon [Darky] McKinna was a farm management clerk.

Lindsay had been with the Department many years and dealt with "The Chronicle" for much of that time providing information on farm costs. The Chronicle Reporter at the Advertiser, Mr Charles Samuel, rang Lindsay to say he would like to write a special feature about him. Assuming he had considerable rank, Samuel asked Lindsay his official title in the Department. Lindsay replied "I am merely the oldest and most junior clerk in the Department". This was met by a lengthy silence and then Lindsay added "Oh hell, I couldn't care less what you call me!"

Lindsay worked closely with his fellow farm management clerk through the 1960's, Gordon "Darky" McKinna. Darky McKinna was a double amputee, having lost both feet due to the circulatory problem, arterio sclerosis.

Gordon conducted continuous analyses of groups of poultry and dairy farms, working closely with Ray Fuge and George Durney of the Poultry and Dairy Branches respectively.

Gordon was a well known Sturt football supporter and was admired for his fierce independence and fighting spirit, although confined to a wheelchair during the latter part of his life.

Lindsay Thomas began calculating contract rates from a theoretical base. He compared these with the rates which he knew to be used by farmers.

Lindsay produced a booklet of farm costs and returns, and as a graduate economist Deane Crabb assisted with the first booklet entitled "Farm Costs and Returns".

6 STRENGTHENING THE FORCES

Between 1966 and 1970 a total of six new economists were appointed. In 1966 Michael Boyd-Turner and Venton Cook graduates from the University of New England began as Agricultural Economists based in Gawler Place, Adelaide.

Mike Turner found his forte in the art computer programming a skill which he put to use in computerising the analysis of farm accounts being collected through Bureau groups.

Venton Cook's major contribution during his term with the Department to August 1968 was an economic analysis of proposed land clearance and subdivision in County Chandos, north of Bordertown in the Upper South East. The resulting report, prepared with Clark Catt, showed the marginal profitability of development based on small farms, a conclusion which contributed to the halting of further rapid land clearance in that area.

In 1967, Roger Inglis, also a graduate in Agricultural Economics from the University of New England was appointed to the position of District Economist at Loxton.

David Synnot was also appointed agricultural economist in 1967. He became involved in beef herd modelling and the operation of FAMIS groups including those on Eyre Peninsula. Graham Trengove and Don Mulligan were appointed economists in 1969-70.

7 FARM MANAGEMENT EXTENSION THROUGH GROUPS [1958-1971]

The rapid growth of farm management groups coincided with of Clark Catt's arrival in the Department in 1962. Lindsay Thomas recollects Clark's first day in the Department after coming down from the University of New England. Walking into the

Economics Section and finding only two clerks seated at their desks and noticing that they had not moved Clark said "Be seated gentlemen". Clark Catt and Allan Dawson both had a dry and keenly developed sense of humour.

From 1958 to 1965, whole-farm management groups were established throughout South Australia which covered all districts and enterprises. There were dairy groups in the hills and south east, poultry groups were established in a number of areas and there were groups which represented the wheat sheep zone, based on Jamestown.

By 1963 when Allan Dawson left the Department, farm management was an established part of the Department's activities. Whole-farm groups grew rapidly in the period 1965-1968, until there were 25 groups involving up to 400 farmers. This was a great achievement considering there was initially one professional officer and at most four professional officers in Economics. The term "FAMIS" was coined meaning Farm Management Information Services.

The objective of FAMIS was "...the provision of information on farm economics....., plus education in farm management principles....."¹ The origins of FAMIS were the whole-farm management groups formed around Jamestown in the mid-North.

Wilf Bowen a dairy adviser at Jamestown was a keen user of the figures calculated from these farms. He would scrutinise the figures as soon as they were sent to him and any errors were immediately reported to the Economics Section. To Wilf Bowen the group comparative analysis and the individual figures were a most valuable tool. He would use the figures as the starting point for his advisory work.

The officers most closely involved with FAMIS were Clark Catt and Geoff Robinson whose positions at the time were Senior Economist and Senior Advisory Officer Agricultural Bureaux respectively.

"What's this FAMIS?" was typical of the attitude of most of the Department [indeed of the farming community in general] to FAMIS in its early stages.

The objectives of the FAMIS scheme came under two main categories - education/extension and farm economics. The first extension aim was to introduce farm management concepts to farmers. The formation of groups of farmers was a means of attracting and sustaining interest in the programme. Following the collection and analysis of data, meetings were held with groups to discuss results. When figures for three full years were available, usually within 2 to 2½ of after the start, 2-3 day schools were conducted which covered basic farm management concepts from record keeping to simplified programming with gross margins. These schools provided an opportunity for farmers to apply the knowledge they had received from the analysis of their own farm and from lectures and formal instruction.

¹ Farm Management Extension through Groups in the South Australian Department of Agriculture by C C Catt and G K Robinson. Melbourne notes on Agricultural Extension No. 5 October 1970 pp 5-11.

The extension aims included provision of data and training for district advisers. Advisers were invited to participate fully in the scheme and inservice farm management schools were conducted for them at Roseworthy College in the years 1966-69. In terms of numbers of groups, and numbers of farmers who participated, the scheme was very successful. There are specific examples of how FAMIS succeeded economically. The figures showed plainly that wheat production in some traditionally barley producing areas was profitable.

Groups on Yorke Peninsula tackled the question of how wheat would fit into the farming programme. The same question was tackled in the Upper South East where sheep were the major enterprise. The question of sheep versus cattle was also debated at this time with FAMIS figures to guide thinking.

A second objective of the scheme was to provide a data base for agricultural economics research. FAMIS provided a source of data and reliable information for budgeting. Simple gross margins and partial budgets were developed by the economists from the data. This led to the utilisation of the data in many Bureau groups, and at Bureau conferences.

This analysis led to the development of more complex decision making tools. Computer programs were developed for long term development budgets using discounted cash flow techniques, for cattle and sheep herd/flock simulation [numbers and profitability], and for a simulation model of the impact of wheat quotas. A detailed analysis of machinery costs was obtained from the figures and a production function of dairy production in the Adelaide Hills developed.

Obviously, FAMIS was much more than "mere" comparative analysis - a charge that has been levelled at the scheme, especially after its demise and in the face of criticism of the theoretical basis of comparative analysis.

The rapid decline and eventual demise of FAMIS has raised questions in many observers minds about the reasons for the decline and whether it achieved its objectives. For more detailed explanation and evaluation of the scheme see Catt and Robinson [1970]. To understand why it declined it is necessary to consider the following points about the scheme:

- Each group was established for a period of 3 years, and it was not intended that it would continue. In fact, some groups continued beyond three years.
- There was a lack of staff to service the scheme after a rapid turnover.
- The scheme was the first of its kind in Australia, preceding New England and West Australian computerised analysis programmes. South Australian Group Analysis ran for ten years.
- FAMIS was a purely management analysis tool, not a continuing data collection or accounting service.

- In the history of farm business management it pioneered the use of computers, and such techniques as linear programming, development budgeting and simulation. It was noteworthy for other achievements too for instance in showing how many gallons of milk could be obtained per day from a bull!

With very limited staff at this time many areas of work were neglected. The objectives of the Department did not include much, emphasis on rural policies, or marketing in the 1966-70 period. As a result and due to staff restrictions, little work was done in these areas by the Economics Section.

8 CONCLUDING COMMENT

Comments by Clark Catt [in 1982], quoted below, provide a suitable conclusion for this era in the history of economics applied to agriculture in South Australia:

"In the Dawson period, the emphasis was on convincing district advisers [and dairy advisers] of the value of the farm management [whole-farm] approach to advisory work, as distinct from the then current technical problem solving approach. District advisers who were converted were encouraged to form a group [as small as 3-6 farmers] at a Bureau to obtain whole-farm data, and Dawson undertook to provide the group with a simple comparative analysis, based on tax records.

Jamestown was the leading district in this activity, with Geoff Robinson also very interested. The whole-farm approach was originally intended to change the method of the department's extension work: the objective did not succeed as intended. Advisers were not trained in economics/business thinking nor did they have the time to devote to whole-farm budgeting etc.

The FAMIS developments resulted in farm management extension being aimed at the farmer, with the information gained being available to help the district adviser to take a broader approach to advisory work. When Dawson left in 1963 there were groups in existence and farm management was an accepted part of advisory work. But the objective of converting the Department's advisory services to a "whole-farm" basis had not succeeded."

ORGANISATION CHART - EXTENSION BRANCH CIRCA 1968

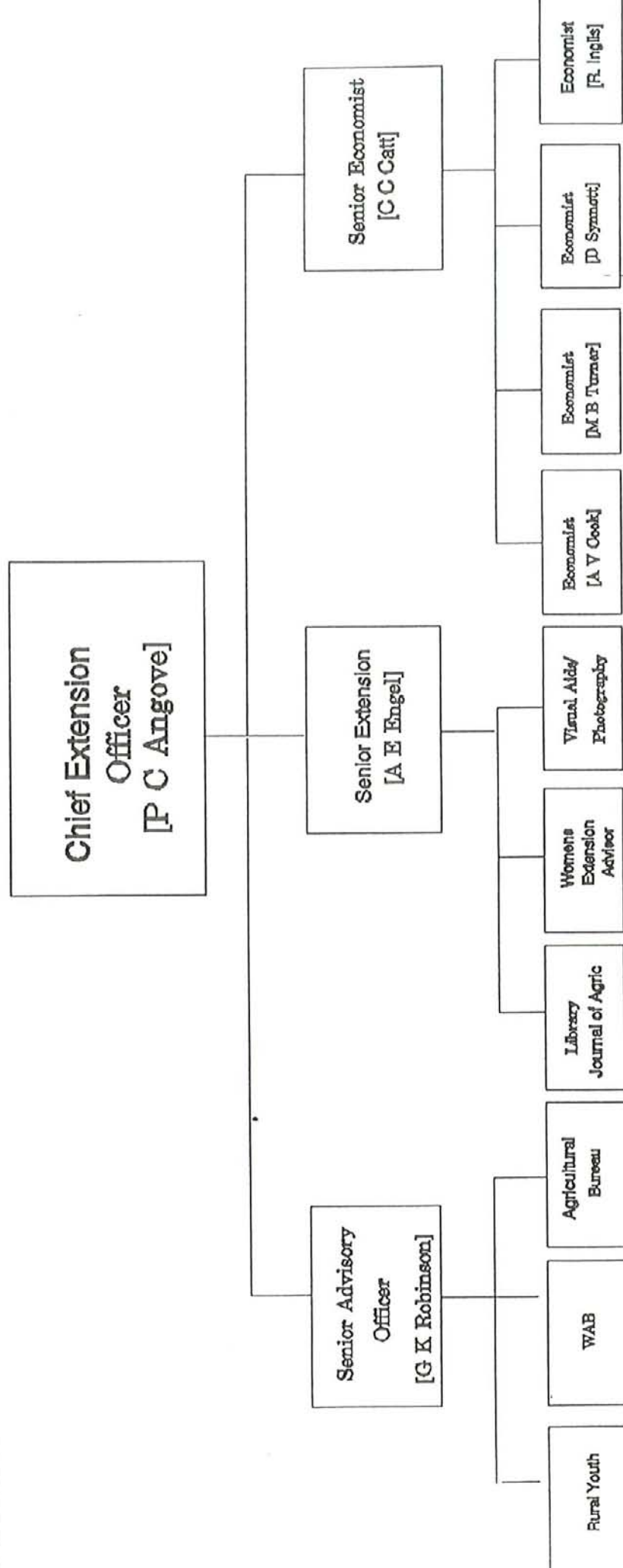


Figure 1:

ORGANISATION CHART - EXTENSION BRANCH CIRCA 1968

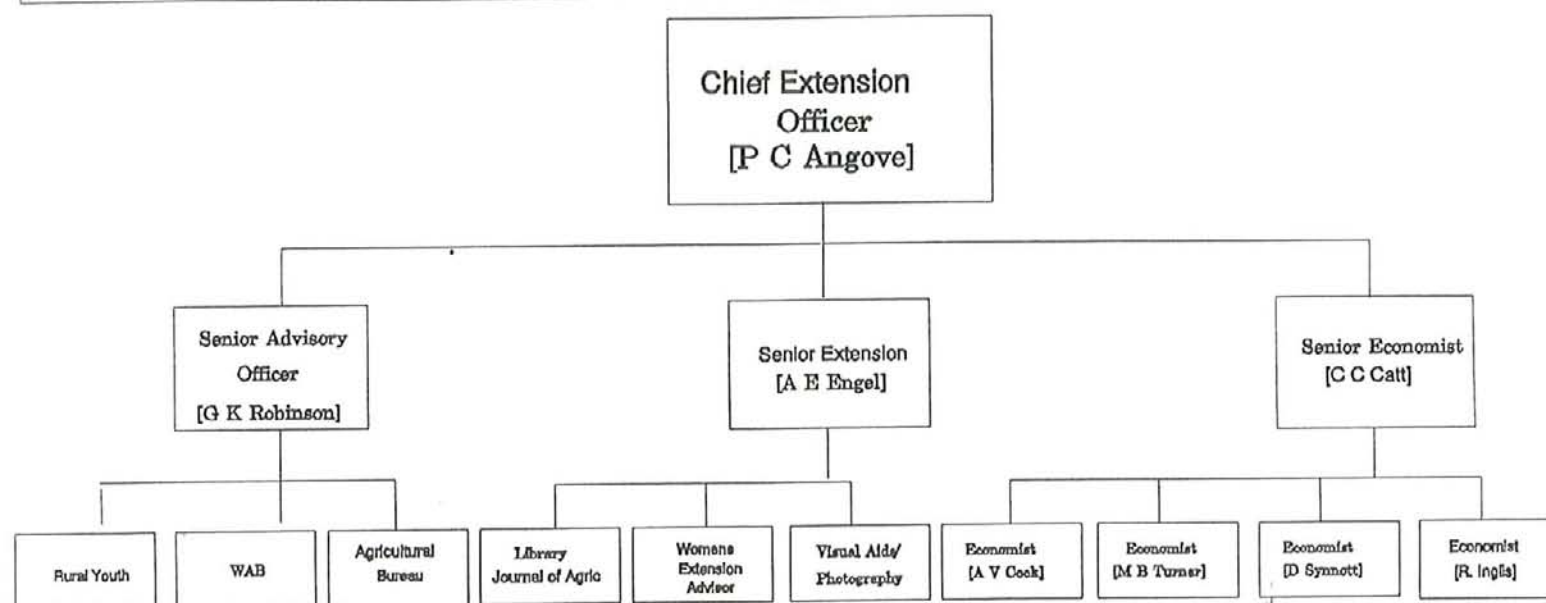


Figure 1: