1. **2A ECONOMICS**

**The Price Mechanism**

The newspaper articles provided about the efforts of one grower (Mr Galati) to break the power of the Potato Marketing Corporation show one side of what can happen to a market when ‘the invisible hand’ isn’t allowed to operate.

1. What are the arguments in favour of, and against, the formation of marketing bodies like the Potato Marketing Corporation?

2. Draw a Demand and Supply graph for potatoes in the days before a marketing body existed. Give thought to the price elasticity of demand and supply for potatoes, and explain why you made the choices you did.

3. Copy the graph you drew above, and on it show the effect of the creation of the Potato Marketing body. What effect did it have on the market price for potatoes?

4. Draw a graph to show the Demand and Supply for potatoes as it exists now. Then show what would happen if Mr Galati is allowed to defy the power of the Potato Marketing Corporation. Explain what the effect will be.
Potatoes go for 30¢ a kilo in my shops, says rebel grower

SUELLIE JERRARD

Rebel potato grower Tony Galati will start selling spuds directly to the public for 30¢ a kilo today.

Potatoes cost from $1.98 to $2.48 a kilo in Coles and Woolworths shops.

Mr Galati's sales are part of his challenge to the validity of Australia's last statutory potato regulator, the Potato Marketing Corporation, which controls all domestic table potato production and sales in WA.

He plans to sell up to 530 tonnes of potatoes through his shops, the Spud Shed, in Boddington and Mundaring.

He said he had no option after processors no longer wanted his potatoes and the corporation refused to buy them at a reduced rate so they could legally be sold cheap to shoppers.

Individuals who breach the WA Marketing of Potatoes Act face fines of up to $5000. The maximum penalty for a body corporate is $25,000.

Mr Galati said he would rather pay fines or go to jail than see his potatoes go to waste and the corporation continue to stifle the industry in WA.

Today this man will defy WA's potato laws. Will the spud nazis shut him down or will you get a bargain?

Tension grows: Fed up with statutory regulator the Potato Marketing Corporation, which refused to let him sell his produce locally as it was grown for export — even after domestic supplies ran low — rebel grower Tony Galati is breaking the rules and selling spuds direct to the public for a mere 30¢ a kilo. Report, P7 Picture: John Melody
Sixty years of pulling strings

IN AN effort to protect the local potato industry from hard times caused by the Depression, the WA Government introduced the Marketing of Potatoes Act in 1946.

To oversee the functions of the Act, the WA Potato Marketing Board was set up in 1948. The role of the board was "to assure the continuous and adequate supply of WA grown potatoes at all times with a reasonable return to growers and at reasonable cost to consumers".

It was decided the best way to do this was to grow potatoes under a licensing system. This system set out the areas of potatoes that could be planted and the times to plant and harvest them.

These times were at defined periods, or pools, according to geographic area and climatic conditions of the region in question. In 1987 the Marketing of Potatoes Act was amended in response to the McKinley review held in 1984.

The Potato Marketing Authority then replaced the Potato Marketing Board, and potato licencees were made negotiable, export of potatoes was deregulated and greater priority was attached to promotion, potato quality and development of export and processing markets.

Regular five-yearly reviews of the legislation were introduced. In 1995 further changes were made following the Hawkins review of 1992.

The Potato Marketing Authority then became the Potato Marketing Corporation.

Domestic and export pools were separated.

The legislation was again reviewed and retained in 2004.

The Potato Marketing Corporation now trades under the name of Western Potatoes and administers an industry with an annual domestic production of about 47,000 tonnes of potatoes. Western Potatoes is a grower-controlled public company.

Marketing boards a political hot potato

The AWB scandal was not predictable, but it is hardly surprising

TONY RUTHERFORD

Standing at the kitchen sink the other night, peeling potatoes and then removing the suspiciously rotten-looking bits, an insight came to me: the people who are responsible for my expensive dud potatoes don't actually care, because they don't have to use them.

They all probably eat potatoes, but I'd be willing to bet that they don't go to the supermarket and either about making a choice between three or four bland varieties, all overpriced, many substandard, and then take them home and turn them into a meal.

As insights go, this was not a major one. But it does fit in with what we know about the behaviour of politicians and bureaucrats when it comes to dealing with something like the Potato Marketing Corporation: the interests in favour of regulation and price maintenance are strong and concentrated; the interests in favour of choice in quality and variety and price are much more numerous, but diffuse and more or less powerless.

With another of retail grocer Tony Galati's heroic efforts to batter down the State's potato monopoly, the Potato Marketing Corporation is in the news again.

The Agriculture Minister and his minions have trotted out all the predictable arguments about maintaining regular supplies and price stabil-
The Production Possibility Curve

What is the point of the Production Possibility Curve? That is, what is it trying to show us?

This story is a ‘real life’ example of the Production Possibility Curve model in operation. Show graphically (and explain) how Mr Shanahan’s idea will push the PPC outwards.

Minning lobby urges schools to fill skill gap

Kim MacDonald

WA’s peak resources body wants high schools to teach mining skills such as haulpak driving and drill rigging in a bid to “sex-up” the industry and overcome a chronic labour shortage.

The Chamber of Mines and Energy says the subjects should be included in the curriculum as part of specialist programs to encourage students into professional jobs and trades in the resources industry.

Chief executive Tim Shanahan said the programs should be similar to the advanced music, sport and academic streams which existed at some government schools.

“This economic activity is the powerhouse of this economy and our education system should be aligned to it,” Mr Shanahan said. “We have schools that specialise in lots of areas from dance to tennis through to aviation, and we should have schools that focus on the resource sector.

“WA needs to play on its strengths, and our advantage as a State is our resources sector.”

The chamber estimates the industry has created an extra 14,600 jobs in WA through major projects in 2004-05.

Recruitment firm Drake International predicts the widespread skills shortage will become permanent by 2010.

Drake blames the ageing population for the shortfall, with 85 per cent of all workforce growth predicted to come from those aged over 45 by 2012, up from 32 per cent in 1992.

The potential impact on the mining sector is enormous, with one in five jobs in WA related to resources.

Mr Shanahan said failure to address the crisis would cost the State millions of dollars in lost revenue.

He envisioned that the high school program would link with industry to allow students to learn practical on-the-job skills at mine sites, for both professional engineer and laboratory workers, as well as blue-collar workers.

There should also be an emphasis on maths, science, physics and other subjects important to mining professionals.