

# Australian farmers: an endangered species

by Don Veitch and Andrew Bailey

Government policy, combined with natural disasters and bankers' usury, have converged to bring despair to farm communities and near collapse to a once-productive sector of the Australian economy, one of the world's largest exporters of agricultural products, in particular wheat, wool, and beef. There is an urgent need to build rural infrastructure, protect markets, and bring back hope to the rural producer, but the present policies of the Australian government, as well as the traditional farm organizations such as the National Farmers Federation, will ensure the near-term extinction of the private family farm.

Current rural problems can be traced back to the free-market policies initiated by the Bob Hawke government in the early 1980s, and to that government's determination to pursue General Agreement on Tariffs and Trade (GATT) priorities and to open the Australian market to cheap food imports. It was claimed at the time that if Australia pursued free-trade policies, then the world's markets would in turn be opened to Australian food producers.

But while Australia slashed tariffs, the promised expansion into overseas markets has not occurred, and the Australian rural producer is now exposed to imports produced with cheap labor, dumped commodities, and falling terms of trade.

## Costs rise, prices collapse

Farmers took heart in the 1980s from studies such as that of the Australian Bureau of Agricultural Research Economics (ABARE) and other government agencies which predicted a prolonged boom in commodity prices. The high prices in the 1980s were expected to continue. Farmers were encouraged to expand, but were left dangerously exposed when commodity prices collapsed. In addition, the government's free-trade policy has permitted the dumping of products from Canada, the Philippines, and various South American nations, in particular. The early 1980s deregulation of the banking system has permitted banks to charge usurious interest rates, with 25% interest charges not uncommon. In 1987, the Hawke Labour government abolished the Rural Credits Branch of the Commonwealth Bank, thus cutting off a reliable and traditionally relatively cheap source of agricultural credit. Rural producers are now at the mercy of

private banks.

The Queensland Grain Growers Association in a study showed that many rural producers are caught in a devastating cost-price squeeze. An average farm in 1981 had an income of around \$20,000 per year, but today that same farm, in 1981 dollars, is losing \$44,000 per year. Less than 3 out of 10 farmers are expected to make a profit, and this is the third year in a row that such losses have been recorded, according to an ABARE survey.

Federal government policy in no way attempts to tackle the problems of cost. One government scheme recently announced was an interest rate subsidy, but this was to be paid directly into the banks and hence was a form of bank bailout. This was the extent of the government's "concern" for the farmer.

But the height of absurdity in government policy can be observed in the recent culling of the sheep population. In 1990, the government reached the conclusion that there were too many sheep in Australia, and in the following year some 20 million sheep were shot at a cost of over \$40 million, with much of this money going to the cartel Elders-IXL, for near-record profits. In the very same year, \$32 million was spent on mutton and wool imports. Thus while government policy devastated the sheep population, government policy also permitted the importation of wool and sheep products to depress prices even further.

The government and rural organizations set up to "defend" farming interests endorse the line that many farmers are unviable in the face of foreign competition, and have advised farmers to quit the land. Minister for Primary Industry Simon Crean and Rick Farley of the National Farmers Federation have both been quoted as saying that one-third of beef and wool farmers must leave the industry. The NFF, the major farm organization, several years ago established what it called a "fighting fund," which raised some \$12 million. This fund was to be used to lobby for farming interests, but the money has either disappeared or has been used to establish plush offices in the nation's capital, Canberra.

The National Farmers Federation is reportedly now preparing, with an eye to profit, to take a major share in Elders, a large rural products purchaser. Donald McGauchie, head of the NFF's trade committee, stated that the NFF was the only "true believers" in free trade and the free-market philosophy.

## The destruction of infrastructure

Natural disasters, exacerbated by government failure to provide necessary infrastructure, are also devastating the rural sector. In the relatively prosperous fruit-growing area in Central Victoria, the greatest floods in over 100 years have destroyed much of the fruit industry, and predictions have been made that it will take 10-15 years for destroyed fruit trees to be regenerated. The state government's failure

to build levee banks has become obvious, and some local governments are so strapped for funds as a result of government austerity measures, that they have been charging local farmers the cost of bags used in the construction of levee banks as the floods peaked. In the northern part of Australia, in Queensland, a three-year drought has wrought devastation, with livestock numbers down by 30-40%. In Queensland, a total of 36 shires, with more than 1,400 individual properties representing 45% of the state, have been officially declared drought zones. Wool production is now down by 30-80% across the region, and wool producers' income is down 50-75%. Grain growers in this southeastern area of Queensland face the possibility of losing 60% of their winter cereal production.

The deterioration of infrastructure and the failure to insulate the nation's food and fiber supply against the vagaries of Mother Nature are compounded by outright vandalism of infrastructure by governments. After a tour of Queensland by the deputy premier of Queensland, Tom Burns, a decision was made on the economic viability of some 29 branch rail lines. As a result, the Queensland Labour government of Wayne Goss is planning to close down some 2,800 kilometers of rail lines. This is about one-third of the state's total rail track of 9,000 kilometers. It is claimed that this will save the state some \$40 million.

### **Wool industry ravaged**

A further problem, for the wool industry in particular, is that traditional markets have disappeared, as other nations feel the financial pinch. Contrary to what free traders predicted for Australia, the loosening of protection in Australia and other nations has led to a fall in purchasing power around the world. This is confirmation of the observation of the 19th-century American System economist Henry Carey, that free trade in fact leads to a decline in real trade, for the simple reason that free trade reduces purchasing power of potential customers. In recent years, Russia and China, two of Australia's biggest wool customers, stopped buying wool. As a consequence, the domestic wool stockpile soared and prices collapsed by up to 70%. Currently there are over a million bales of wool in stockpile. A recent attempt by one of the high-flying entrepreneurs of the 1980s, John Elliot, to do a billion-dollar credit deal between Australia and Russia to help clear the wool stockpile, has collapsed amidst rumors of corruption. Russia still owes hundreds of millions of dollars from a previous wool deal. One recently suggested method of removing the wool stockpile was simply to burn it!

Studies by ABARE estimate that only 10% of woolgrowers broke even last year, and cumulative losses over the past three years now average \$104,500 per wool grower. The average debt of properties is now \$500-700,000 per property, with average equity now down to only 30% per property in some shires. This has devastated farmers' ability to rede-

velop and reinvest, even if banks were willing to lend. This is impinging upon the balance sheets of banks and imposing further restrictions on credit availability. Last year the four biggest banks—Westpac, ANZ, National Australia, and the Commonwealth—had a combined rural industry debt of \$8.8 billion.

This economic collapse is now becoming a social disaster. In 1992, some 700 farmers committed suicide, and recorded youth suicide rates have jumped some 600%. Many men are forced to look for work elsewhere, while wives and children are left to look after the family property. In many cases children have been forced to leave school. Youth unemployment is almost 50% and some 43% of farmers rely on social welfare.

### **Stealing farmers' land**

Government policy, nature, and bank practices are not the end of the catalogue of woes descending on rural Australia. The producers are being assaulted by environmentalists and the land claims of aborigines. In 1992 in Queensland alone, some 116 sheep and cattle stations, comprising millions of acres, were taken over as national parks, after claims were made against them in the name of "conservation." In some of these cases, no compensation will be paid. So too for the Queensland section of the Eyre Basin, which is known as the Channel Country, and contains some of the best naturally irrigated cattle-fattening country in the world. In addition, aborigine land claims have been made on large slabs of territory, and there is great confusion and doubt as to whether the Australian government will give any guarantee to land which farmers currently work under long-term leases.

All these factors have led to a slump in the production of beef cattle. In the Northern Territory, where cattle and buffalo 10 years ago numbered approximately 6 million, today they number around only 1 million.

There is little hope on the horizon for agriculture in Australia, unless there is a complete turnaround in agricultural policy. Despite the devastation in the rural sector, government advisers without exception advise more of the same disastrous free-trade policies. One recent guest in Australia, the director general of the International Food Policy Research Unit, stated to a National Press Club event in Canberra that "reducing protectionist trade policies through GATT will be the best aid package that can be given to developing countries whose farmers, like those in Australia, are reliant on world prices for their income."

The only voice being raised against the free-trade insanity is that of the Citizens Electoral Councils, a national political party which has drafted a debt moratorium bill and is calling for the establishment of a national credit bank based on the principles established by Alexander Hamilton, U.S. secretary of the treasury under President George Washington.