Rumblings in the Rural Sector

The recent upsurge in farmer militancy has focused public attention on the plight of the rural sector. Adrian Shackley examines the causes of this rural crisis and argues that the new farmer politics of deregulation would only benefit a small, wealthy elite. Will farmers follow these new policies or can they avoid such dead-end conservatism?

Recent media comment on the rural sector has emphasised words such as “crisis” and “depression”. Previously, rural problems have generally been perceived in terms of particular commodities — wool crisis, beef crisis, milk crisis and so on. The image now is that the problems are of a general nature and are both social and economic. This article aims to give some background to present farmer militancy, its origins and future directions.

Agricultural commentators use various information from the Bureau of Agricultural Economics and Bureau of Statistics to paint a picture of the farm situation. For example, prices of farm inputs have risen 41 percent in the last four years compared with only a 14 percent rise in farm output prices. Average farm incomes in the last four years have been $11,000, with some $20,000 in the previous few years. Several thousand farmers leave the industry every year. More than half the farming land in Australia is suffering some serious environmental degradation.

Behind the Figures

The use of total and average figures presents a distorted view of the situation and needs some analysis. As a rough generalisation, most rural industries have a skewed distribution of ownership and production, such that the 20 percent of producers who are “better off” own half the capital resources and produce half the commodities in their industry. Translated into figures — if the average farm income is $10,000, 80 percent of farmers will average $6,300 and 20 percent of farmers will average $25,000. When the average was $25,000, 80 percent averaged $15,800 while 20 percent averaged $63,000.

Income figures for farms are not comparable with those of wage earners. Farm costs will include the cost of a home and part of the cost of motor vehicles, telephone, insurance and other items of dual enterprise/household use. The net income figure would cover work of the farm owners, allowance for superannuation, and return on farm capital. Thus it is possible for many farmers to “survive” with a regular zero income with small increases in debt for household consumption balanced against nominal dollar rises in farm value.

Income figures do not include figures for capital gain. Comparing farm and non-farm small business shows a difference. During the 1970s, non-farm businesses returned, on average, 7-9 percent per annum on capital investment (inflation accounted) mostly in the form of income. Farms averaged about the same, but this consisted of less than two percent of income and the rest as capital gain. Again, the capital gain figure should be looked at with many factors in mind — for example, inflated land values around expanding urban centres and transfer of income to capital by development of tree crops and buildup of farm resources including equipment, sheds and soil fertility.

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The Food Chain Gets Longer

Massive changes have occurred in the composition of farm costs over the last 30 years. Inputs from outside the farm, such as fertilisers, chemicals, machinery and fuel have risen, replacing the previous reliance on paid farm workers. Other service industries such as equipment repair and parts and insurance have also become more important as the complexity of farming has increased. The level of borrowings has increased rapidly in the last few years from the previous low levels of the 1950s, '60s and '70s, but is still nowhere near the high debt levels of the two decades prior to that.

Handling and processing of raw food leaving the farm has increased. While the price of food going more directly
to the consumer, such as meat, fruit and vegetables has fallen well behind inflation rates, products which are extensively processed and packaged have become relatively dearer, e.g. biscuits and breakfast cereals. While the percentage of GDP has fallen consistently for farm products, the whole agribusiness and processing and marketing sector has remained much more stable.

**Corporate Agriculture**

Corporate involvement in agriculture attracts attention from many angles. As a generalisation, over recent years direct corporate involvement in agriculture has not increased greatly. Corporate control over agriculture and farmers has, however, increased rapidly. Whereas previously, corporate involvement was extensive in the pastoral industries, recent areas of activity have been centred in areas which have become more "industrialised" — for example, poultry, pigs and cotton. Generally, corporations have been happy to allow farmers to take the risks associated with climate, disease and price fluctuations - the corporations have concentrated on control of inputs and products leaving the farm.

For example, a broiler farmer often puts up the capital cost of land and buildings. The broiler company provides all the chickens, feed, veterinary advice, and so on, and pays farmers a fixed price for each bird delivered to the required standard. The farmer has become a de facto piece rate worker, albeit with considerable capital investment (and no inclination to go on strike).

The corporations active in agribusiness — the best known being Elders IXL, Dalgetys, CSR, Industrial Equity, Amatil and Adelaide Steamship — have all been restricting their involvement in farming to relatively low levels, sufficient to give them some continuity of supply and an insight into production economics. Most of the resources being sold by smaller farmers quitting agriculture are, in fact, being bought by expanding family farms. The success of corporations in squeezing the returns of farmers by control of inputs and outputs also acts as a disincentive to them expanding in farming enterprises.

**Finance Internationalism**

Many farmers have benefited from the devaluation of the Australian dollar, but the long-term effect of deregulation of the finance sector is a topic of considerable speculation. Farmers are often advised to use the futures market to try to stabilise their income. The fact that over 90 percent of farmers who use futures for hedging lose money seems to be ignored. Both the Queensland Grain Growers Association and the NSW Sorghum Marketing Board have been almost bankrupted recently by losses on futures markets. Easier access to Chicago and London futures markets would seem more likely to fill speculators' pockets than assist farmers, given that often ten lots of goods are sold on the futures market for every one produced on farms.

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**Environmental Issues**

Not since the eroded fields of the 1930s have environment issues been of so much interest to farmers. Chemicals are particularly worrying for many farmers concerned about their own health as well as...
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that of their land and animals. The interest in use of
“organic” farming methods has been increasing steadily.
However, the chemical companies’ well-funded promotion
of their products, backed up by state Departments of
Agriculture research, is still winning because of the short-
term gains which farmers can make. Farmers and
consumers are increasingly asking what the long-term
costs will be.

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Soil conservation and restoration is an issue facing
farmers as pressure, particularly for intensification of
cropping, is increasing. This is not a new problem — our
heritage of over-cleared land, over-grazing and
inappropriate tillage methods means that over 50 percent
of farming and grazing land is reduced in productivity
already. Changes to different technology, particularly
stubble retention cropping, have been rapid over the last
ten years. The fight over vegetation clearance in South
Australia has looked like a fight between all farmers and
conservationists. In fact, the majority of SA farmers
favour retention and regeneration of vegetation for
environmental and economic reasons. The failure of
agricultural research to integrate environmental,
production and economic factors is an ongoing problem
for farmers under pressure from many directions. Many
farmers, of course, still have an exploitative attitude to
land use, and are easily stirred up against perceived threats
from “greenies”.

Farmer Politics

Traditionally, there has been a clear distinction
between the “graziers” and the “farmers”. Graziers —
descended from the old squatters, producing
primarily wool, beef and mutton for export overseas,
closely linked to stock and station agents and urban
businesses, often educated at private city schools, with
laissez faire anti-tariff economic policies, often with close

links with the Liberal Party and its predecessors. Farmers
— many in number but small in capital, primarily
producing products for consumption in Australia, in
favour of government and farmer co-operative activity to
mitigate the effects of market changes, and traditionally

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inclined to the Country Party; in periods of great land
settlement (late 19th Century and the immediate years
after World Wars I and II) having links with organised
labour and populist and socialist politics, but losing this
after the attrition of time.

The perceived need for unity and the partial breakdown
of some of the differences led to the formation of the
National Farmers Federation (NFF) in 1979. In SA,
Victoria and NSW, amalgamations have also taken place
at state level. Despite much smaller numbers, the old
Graziers Association leaders have, through a combination
of better education, more political experience and more
freedom from economic restraints of farm work, generally
come out on top in the ongoing leadership struggles which
have occurred.

Millionaire grazier Ian McLaughlin, the NFF president,
fits the mould exactly: former vice-president of SA
Stockowners Association, educated at St. Peter’s College
and Cambridge University, family involved over many
generations in SA and NSW grazing industry, director of
Elders-GM and now Elders IXL, and closely associated
with the Liberal Party; a thoroughly professional
rightwing agitator with the ability and knowledge of
business, law and politics to look as though he can win and
inspire confidence in others to back him up. Others in the
same mould are Michael Davidson and Michael Tooth
from NSW.

Farmers and Political Parties

The claims of the NFF and farmer marches to be non-
political need some examination. Marches have been
organised in WA, SA, Victoria, and Canberra/NW
— all in states with ALP governments. None yet in
Queensland and Tasmania, despite the huge problems in
Queensland, particularly among the sugar farmers. With
respect to the ALP, the NFF wants to be seen to be
supporting a "farmer log of claims" — not anti-ALP as
such, only anti-ALP policies it doesn’t agree with. In fact,
the NFF has been active in supporting the ALP
government in financial deregulation and would be aware of ALP governments' record in implementing long-term successful marketing authorities such as the Australian Wheat Board and the Australian Wool Corporation.

The major battleground is in the National Party/Liberal Party arena. The National Party has traditionally had the allegiance of most Australian farmers — it appeals to their generally conservative pro-religion, pro-family, anti-urban, anti-union attitudes. Its attitude to the "free market" is very flexible. Claims of agrarian socialism are misleading, but it has supported farmers wanting government intervention on input subsidies and marketing schemes which protect higher commodity prices in Australia. The free traders, however, have opposed its support of tariffs, its failure to get on the deregulation bandwagon and its failure to ensure the efficient working of many statutory marketing boards through incompetent political appointments.

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The clash between McLaughlin and Sinclair is not a matter of personalities; it reflects political differences and an attempt to use the NFF as a means of reorienting conservative politics in Australia. Australian farmers are very active politically — the National Party has the best grass roots political involvement of any of the parties in Australia. One in six of people voting for the National Party are paid-up members and one in every three Australians in a political party is in the National Party. (Not all NP members are farmers, of course). Clearly, the battle for the hearts and cheque books of Australian farmers is important behind the smokescreen of talk about new political parties.

In fact, most smaller farmers stand to lose from the McLaughlin recipe. During the Fraser years, farmer leaders argued for reduction in protection — they got it in rural industries but protection of secondary industries remained the same. ALP government proposals for the dairy industry could see another dose of the same medicine. Similarly, most farmers would benefit from steep progressive capital and capital gains taxation — only the wealthy elite gain from the present free-for-all.

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Farmer Militancy — What Direction?

The diversity of Australian rural industry makes for a variety of responses to social and economic pressures. Farmers' interests will be pitted against various economic and political forces — some recent examples illustrate this.

Grape producers selling to the Langwarra Winery in SA's Riverland last season found no payments for their grapes, and possible company collapse. Some 150 growers were owed an average of $20-30,000. The producers, including Greek, Italian and Turkish as well as Anglo-Saxon growers, united to picket the winery to stop removal of all wine. The end result was that the growers took over the winery as the "Eureka Co-operative", with their grapes as equity and a state government-backed ANZ bank loan.

Broiler growers contracted to Manos Chickens are not being paid for their chickens until 20 weeks after delivery. The growers have united to try to force Manos Chickens to stop expansion of broiler production facilities until this is reduced to six weeks. Egg producers have a very profitable industry because of restrictive government legislation and quotas — they are antagonistic to any deregulatory moves.

Pork producers are attempting to maintain a viable "free market" for their pigs in the face of various attempts by processors to tie them up with contracts. They are also at loggerheads with stock agents over who will control a future computer market auction for pigs. Pork producers are among many industries which have campaigned against subsidised imports recently. None of these disputes has excited the NFF leadership which is targeting capital gains taxes, wage deregulation and meatworkers' tallies.

Wage workers in the rural sector are mainly in the Australian Workers' Union (AWU), Australasian Meat Industry Employees Union (AMIEU) and the Food Preservers Union (FPU), but many other workers are involved through processing and transport. Union intervention can assist the political development of farmers. A recent example was the FPU-sponsored action, supported by the waterfront unions, in stopping imports of cheap dried grapes. These imports were making life even more difficult for embattled growers in the Sunraysia.

Many farmers are reacting to a combination of poor economic conditions and various perceived threats to their image of independent individualists. The present collective response will need to be expanded into more collective production and marketing if living with the free market is not to continue to mean dying with the free market. Intervention by progressive farmers, workers, conservationists and others can be a significant factor in directing farmer militancy away from dead end conservatism.