Adrian Shackley

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 farmers 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
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 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/NNSW — 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.

"Intervention by progressive farmers, workers, conservationists and others can be a significant factor in directing farmer militancy away from dead end conservatism."

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 actively 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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