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John Wilkinson

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Rural Assistance Schemes and Programs

by

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EXECUTIVE SUMMARY

- in the early years after people from the British Isles arrived in Australia, government policy towards primary production tended to be based on an assumption of producers' self-reliance (pp.1-2)
- after observing government directly intervening in the buying and selling of rural commodities, producers began to appeal for these (wartime instrumentalities) to be made a permanent feature of commercial transactions in primary production (pp.4-8, 12, 14-15, 23-24).
- producers also became successful in persuading government to refrain from maintaining a position that producers should rely on their own efforts in dry conditions (pp.3,6,9-10,15-18,24-30)
- by the decade of the 1970s, government had also been persuaded to employ tariff duties to reinforce the prices sought by primary producers (pp.13-14)
- the 1973 loss of the market in Britain (hitherto the main destination for Australia's primary products) led to a major reconsideration of government intervention in the production and selling of rural commodities (pp.10-13, 16, 23-24)
- government aid to primary producers, in dry conditions, has also been reconsidered (p.16)
- by the beginning of the twenty-first century, however, considerable amounts of government assistance still exist in relation both to price supports and to assistance in dry weather (pp.16-18, 24-30)
- government also provides a significant number of individual programs of assistance (pp.18-23)

1. INTRODUCTION

The recent drought has focused attention on government assistance schemes for primary producers. The recent *4 Corners* program “Gambling The Farm” has also highlighted these issues. This paper examines the emergence of government assistance and how political attitudes towards it have changed during the twentieth century. Finally the paper looks at what schemes of assistance are currently available for producers in the midst of the current drought. The information in this paper is up-to-date as at 5 August 2005.

2. EVOLUTION OF GOVERNMENT ASSISTANCE FOR PRIMARY PRODUCERS

(a) Self-Reliant Phase of Australian Primary Production

In the early years of the British settlement of the continent of Australia, it was assumed that those people from the British Isles who chose to enter primary production would do so on a predominantly self-reliant basis. It is true, of course, that the first occupiers were facilitated in helping themselves to land (to raise sheep), in the interior of the continent, by its already being taken off the original inhabitants and placed in the possession of the sovereign. Nevertheless, once these sheep producers had established themselves they were expected to operate within a realm of commercial financial organisations and commercial selling organisations.

Indirect assistance to primary producers was offered in the form of provision of public works such as railways. P.N. Lamb wrote that “in the 1862 the [NSW] parliament passed a Loan Act providing for an expenditure of £2 million on railways. . .providing for the construction of three trunk lines of railway (to Goulburn, Bathurst and Murrurundi)”¹.

Involvement in the process of production itself, and in the accompanying commercial transactions, was not considered a concern of government and, in the early days of sheep raising, many unsuccessful producers simply had to sell their undertakings to more successful operators. In the Port Philip region, during the recession of the 1840s, nearly 70% of the land changed ownership.²

Primary producers also accepted the risks posed by the natural environment: particularly by drought. During the 1840s, for instance, there was a severe drought in New South Wales. Stephen Roberts wrote that,

The losses, naturally, were enormous, and instances exist of squatters whose flocks sank from 100,000 to 6,000 in a couple of years, and of drought-bound western runs sold for a little rum or tobacco, with the sheep at a few pence a head.³

¹ P.N. Lamb, “Early Overseas Borrowing by the New South Wales Government” in *Business Archives and History*, vol.IV, no.1, February 1964, pp.53-54.

² Colin White, *Mastering Risk: Markets and Politics in Australian Economic History* (Oxford University Press, Melbourne, 1992), p.132.

³ Stephen Roberts, *History of Land Settlement 1788-1920* (University of Melbourne Press,

During the drought of 1885 in New South Wales, to cite another example, one producer (who had borrowed £60,000) lost 53,000 sheep and lambs out of a total of 65,000.⁴

All in all, until the 1890s, there were at least 13 major droughts in New South Wales, during the following years:

1798 - 1799

1803

1809 - 1811

1813 - 1815

1824

1826 - 1829

1838 - 1839

1845 – 1847

1857 - 1859

1864 - 1868

1877 – 1878

1884 - 1885

1888⁵

Melbourne, 1924), p.254.

⁴ Trevor Sykes, *Two Centuries of Panic: A History of Corporate Collapses* (Allen and Unwin, Sydney, 1988), p.132.

⁵ Clem Lloyd, *Either Drought or Plenty: Water Development and Management in New South Wales* (NSW Department of Water Resources, Sydney, 1988), pp.27,31-32,63,99,130,147,180,224; Walter Boughton, "Atmospheric Processes and Runoff" in Walter Boughton and Grant McTainsh (eds.), *Land Degradation Processes in Australia* (Longman Cheshire, Melbourne, 1986), p.35; Senate Standing Committee on Rural and Regional Affairs, *A National Drought Policy: Appropriate Government Responses to the Recommendations of the Drought Policy Review Task Force* (Parliament of the Commonwealth of Australia, Canberra, 1992), p.1; *Effects of Drought in New South Wales* (NSW Department of Water Resources, Sydney, 1993), p.6.

(b) The Commencement and Expansion of Government Assistance

After Charles Cowper's NSW colonial government obtained passage of the *Crown Lands Alienation Act 1861*, people of lesser means began to move on to the land. During the next forty years it became apparent, however, that the land purchased by small operators had often been repurchased from them by bigger operators. Determined efforts to enable small operators to move into primary production, were undertaken in NSW by the Carruthers government which obtained passage of the *Closer Settlement Act 1904*: legislation which provided for the compulsory resumption of larger landholdings valued at £20,000 or more.⁶

Significant government assistance to primary production began with assistance to underpin production: particularly in regard to the supply of water. During the seven years between 1895 and 1902 there was yet another severe drought in New South Wales. The Darling River temporarily dried up and the *Australasian Pastoralists' Review* described the drought as a "far-reaching national calamity". In keeping with its intention to allow more people to move on to the land, two years after obtaining passage of its closer settlement legislation (and also in response to the representations of the state's woolgrowers) Carruthers obtained passage of legislation to inaugurate the construction of the Burrinjuck dam (just south of Yass, on the Murrumbidgee). Funding of over £500,000 was made available for the first year of the project.⁷

A year after the NSW government began building the Burrinjuck dam, the federal government (led by Alfred Deakin with the help of the Australian Labor Party) initiated a policy of (what would become) long-range government intervention in primary production itself. Initially this was done by Deakin's obtaining passage of the *Bounties Act 1907*. As it applied to primary products, this legislation was intended to promote the production of items such as cotton, flax, rice, tobacco and dried fruit. Relatively few primary producers, however, took advantage of the bounties: the commonwealth year book, for the period 1901-1918, reported that "the bounties were not availed of to any great extent". The highest amounts were paid to producers of dried fruit, with South Australian growers paid £1,698 in the financial year 1916-1917.⁸

Whereas the bounties of 1907 constituted a relatively minor form of government assistance, a much more substantial degree of assistance occurred through the needs of the First World War. Between the settlement of Australia, and the outbreak of war in 1914, there was a rapid expansion in both wool and wheat production. In wool production, output had increased from 18,958 tonnes in 1850 to 349,863 tonnes in 1913. In 1851 there were 211,000 acres of land sown to wheat; seventeen years later there were over 1 million acres

⁶ The key provision of the 1861 legislation allowed a person to select from 40 to 320 acres of land at a price of £1 an acre. See C.J. King, *An Outline of Closer Settlement in New South Wales*, part I, *The Sequence of the Land Laws 1788-1956* (NSW Department of Agriculture, Sydney, 1957), p.85. See also the *Official Year Book of NSW 1904-1905*, p.69.

⁷ Lloyd, op.cit., p.180.

⁸ See *Official Year Book of the Commonwealth of Australia 1901-1918* (Commonwealth Bureau of Census and Statistics, Melbourne, 1919), pp.376-377.

planted with wheat (with South Australia the greatest centre of production); and by 1905 there were over 6 million acres planted with wheat.⁹

Selling of wool was conducted through local or British concerns, such as Dalgety and Company, the Australian Estates Company and the Australian Mercantile Land and Finance Company.¹⁰ Selling of wheat, until 1914, had been conducted either through local commercial concerns (such as Darling and Company, and Bell and Company) or through overseas concerns (such as the Swiss company Louis Dreyfus).¹¹

In the conflict of 1914-1918, Australia became a crucial supplier of primary products that were vitally needed in Britain. The latter's dire need for these commodities to be transported from Australia, in a situation where shipping was heavily committed for troop transportation, caused the then prime minister (Hughes of the ALP) to (temporarily) introduce the role of government into the transactions of wheat production and selling. Indeed a precedent was already being established, in Queensland, by Thomas Ryan (of the ALP) who was elected premier of Queensland in June 1915: although Ryan's motives were primarily political since he had set out to secure his election by not only relying on the votes of Queensland workers, but by also appealing to Queensland sugar farmers who had been upset at the consistently low prices offered to them by the only major sugar refiner in the state (Colonial Sugar Refining or CSR). Not long after his election, Ryan secured passage of the *Sugar Acquisition Act 1915* and the *Regulation of Sugar Cane Prices Act 1915* which together provided for the establishment of local sugar cane prices boards which, in turn, had a legislative capacity to set sugar prices.¹² Douglas Copland wrote, in describing the subsequent creation of federal government intervention in the production and selling of wheat, that

[In late 1915]. . .an Australian Wheat Board was set up. It consisted of ministerial representatives of [New South Wales, Victoria, South Australia and Western Australia]. . .and had the assistance in Australia of an advisory board of well-known shippers. . .The wheat board purchased the wheat from farmers on the principle that 'all growers should participate equitably in the realisation of the harvest and proceeds thereof'. The Commonwealth Bank, and certain of the commercial banks, agreed to advance funds to the board at 5 per cent, and it was thus able to make advances to the growers on their crops. The scheme was continued for the remaining harvests during the war, and for two years after.¹³

⁹ Bruce Davidson, "Agriculture" in Wray Vamplew (ed.), *Australians: Historical Statistics* (Fairfax, Syme and Weldon, Sydney, 1987), pp.76,82.

¹⁰ Kosmas Tsokhas, *Markets, Money and Empire: The Political Economy of the Australian Wool Industry* (Melbourne University Press, Melbourne, 1990), pp.4-5.

¹¹ B.D. Graham, *The Formation of the Australian Country Parties* (Australian National University Press, Canberra, 1966), pp.97-98.

¹² See Brian Carrol, "William Forgan Smith", in Margaret Cribb, Roger Joyce and Denis Murphy (eds.), *The Premiers of Queensland* (University of Queensland Press, Brisbane, 1978), p.429.

¹³ Douglas Copland, "Australia in the War: Economic" in Ernest Scott (ed.), *The Cambridge*

A year later, Hughes oversaw the introduction of the same type of arrangements into the marketing of wool. Copland described how,

For the first two years of the war, the wool clip was sold under the ordinary auction plan, but on 15 November 1916 Great Britain purchased the balance of the 1916-1917 clip. . .The British government assumed the complete responsibility for transporting and marketing the wool so purchased. . .the work of appraisement in Australia was continued through a Central Wool Committee, consisting of representatives of wool growers, wool sellers, wool buyers and manufacturers, with a government nominee as chairman. . .the functions of the Central Wool Committee. . .[were] confined to appraising the wool as it was received. . .Within fourteen days of appraisement, the imperial government, through the committee, paid growers ninety per cent of the appraisal value, the balance of ten per cent being paid after the appraisement of each clip was completed. The wartime. . .wool pool ceased to take further supplies after 1920.¹⁴

Although the selling of wheat and wool reverted to the normal commercial arrangements, during the 1920s, the practice of government involvement, in the marketing and selling of primary produce, was reintroduced (initially) for items that had a small presence in primary production. Those inaugurating this policy, on this occasion, were not from the ALP. They were Stanley Bruce (of Hughes's wartime nationalist coalition, formed in 1917) and Earle Page (of the recently formed Country Party). A year after Bruce and Page took over leadership of the country from Hughes (as prime minister, and deputy prime minister, respectively), they secured passage of a series of acts that brought the role of government into the realm of primary products marketing. These acts included the *Dried Fruits Export Control Act 1924*; the *Dried Fruits Exports Charges Act 1924*; and the *Export Guarantee Act 1924*.¹⁵ The purpose of these acts, as Alexander explained, was to set up "boards of control to be paid for by the industries concerned and charged with the organisation of the overseas export market. . .The Export Guarantee Act authorised the government to guarantee advances by banks to such boards, up to 80 per cent of the market value of the produce, and appropriated £500,000 to be employed. . .in assisting the export and marketing of primary produce."¹⁶

This federal intervention, in the conventional commercial relationships between producers and buyers of primary products, was quickly mirrored at a state level. In New South Wales, for instance, the ALP government (led by Lang) obtained passage of the *Marketing of Primary Products Act 1927*. Under this legislation, if one hundred producers, of any

History of the British Empire, volume VII, part I, *Australia* (Cambridge University Press, Cambridge, 1933), p.594.

¹⁴ Copland, op.cit., p.95; see also F. Alexander, "Australia Since the War" in Scott, op.cit., p.619.

¹⁵ See the *Official Year Book of the Commonwealth of Australia 1925* (Commonwealth Bureau of Census and Statistics, Melbourne, 1925), p.214.

¹⁶ Alexander, *ibid.*

particular commodity, petitioned the state government to set up a marketing board, a ballot would be conducted amongst producers (and a board established) if half of 60% of those voting were in favour. A marketing board, so established, would be under the control of producers, and would have legal power to acquire all of the commodity produced in NSW and to sell it in the state at a price determined by the board. By the end of the 1920s boards had been established in NSW to market eggs, rice, honey and wine grapes.¹⁷

While the newly-introduced federal and state legislation, for marketing boards, only concerned (on a general level) the smaller areas of primary produce, the 1920s did witness the beginning of government intervention in the trading of some major commodities. In the same year that it obtained passage of legislation to establish a marketing board for dried fruits, the Bruce-Page government obtained passage of the *Dairy Produce Export Control Act 1924* and the *Dairy Produce Export Charges Act 1924*. This legislation provided for the establishment of a dairy produce control board consisting of representatives of the butter and cheese producing companies (such as Norco) and representatives of dairy farmers. The aim of the board was to manoeuvre the market to maintain the price of butter in Britain (then the main export market for Australian butter), as N.T. Drane explained:

The board was empowered to control by licence the export of all dairy produce. Its primary objective was to improve the organisation of marketing Australian dairy produce. . . [this was to be] achieved by the exercise of the board's power to withhold supplies of butter and cheese on overseas markets (within the limits set by available storage space and finance) in conditions of temporary abundance and supply.¹⁸

Meanwhile the efforts of successive governments in NSW, to ensure water for primary producers in the state, came to partial fruition with the completion (in 1927) of the Burrinjuck Dam. The surface of the water, impounded by the dam, was equivalent to 90% of the surface area of Sydney Harbour. At the same time, droughts continued to occur. During the 1920s, in New South Wales, there was a drought in 1922-1923 and again in 1926-1929. Only one year after the inauguration of the Burrinjuck Dam, the then government of NSW (led by Bavin) obtained passage of legislation to initiate the building of the Wyangala Dam (about 40 kilometres from Cowra, on the Lachlan River).¹⁹ Scientific assistance to primary production was inaugurated with the establishment in 1921

¹⁷ Bruce Davidson, "Rum Corps to IXL: Services to Pastoralists and Farmers in New South Wales" in the *Review of Agricultural and Marketing Economics*, vol.23, no.2, 1983, pp.242-243.

¹⁸ N.T. Drane, "Development of Dairying" in N.T. Drane and H.T. Edwards (eds.), *The Australian Dairy Industry: An Economic Study* (F.W. Cheshire, Melbourne, 1961), p.33. In 1932, for instance, New South Wales produced 51,900 tonnes of butter of which around 20,200 tonnes were exported (93% went to Britain). See Ambrose Pratt (ed.), *The Handbook of Australia's Industries* (Specialty Press, Melbourne, 1934), pp.37,100.

¹⁹ Laurie Walker, "Irrigation in New South Wales, 1884-1940" in the *Royal Australian Historical Society Journal and Proceedings*, vol.27, part III, 1941, p.54; Water Conservation and Irrigation Commission, *Water Resources of New South Wales* (NSW Water Conservation and Irrigation Commission, Sydney, 1971), p.144; Lloyd op.cit., p.243.

(by Hughes's federal government) of the Commonwealth Institute of Science and Industry (CISR). Six years later, the following Bruce-Page government changed the organisation into the Council for Scientific and Industrial Research (CSIR). By then CSIR had 18 staff committed to research in primary production and, as Boris Schedvin wrote, the council "was acknowledged as the temple of academic science for the agricultural and livestock industries."²⁰

Just over ten years after the Bruce-Page government's legislation for the dairy industry, Joseph Lyons's United Australia Party government obtained passage of legislation providing for government intervention in the buying and marketing of meat. Until the mid-1930s the buying of meat, from cattle producers, had been largely in the hands of two British companies and one American undertaking: Borthwicks (of Britain), Vestey's (of Britain) and Swifts (of the USA). Two local Australian buyers of meat were Angliss and Walker's. To assist meat producers coming out of the 1930s trade depression, the Lyons government obtained passage of the *Meat Export Control Act 1935* and the *Meat Export Control Charges Act 1935* under which an Australian Meat Board (AMB) was established. Although the board did not have control over the entire meat industry, it did have substantial power with regard to exports via the issuing of licences to approved bodies in the meat trade. According to R. Duncan, "the board received power to regulate the flow of meat to overseas markets [principally Britain]".²¹ The establishment of the AMB was important for New South Wales since it was (and still is) the second-largest beef producing state in Australia.²²

Further contributions to water supply, for primary production, were also being made: particularly in response to the drought that began, in New South Wales, in 1934 (and lasted until 1942). In 1936 the Wyangala Dam, on the Lachlan River, was completed and in the following year, the NSW government (now led by Bertram Stevens) obtained passage of legislation to inaugurate the construction of the Keepit Dam (on the Namoi River, near Tamworth).²³

²⁰ C. B. Schedvin, *Shaping Science and Industry: A History of Australia's Council for Scientific and Industrial Research 1929-1968* (Allen & Unwin, Sydney, 1987), p.66. See also F. G. Jarrett and R. K. Lindner, "Rural Research in Australia" in D. B. Williams, (ed.) *Agriculture in the Australian Economy*, second edition (Sydney University Press, Sydney, 1982), p.84.

²¹ R. Duncan, "The Australian Beef Export Trade and the Origins of the Australian Meat Board" in the *Australian Journal of Politics and History*, vol.5, no.2, November 1959, pp.196,201.

²² In 1935 there were nearly 3,500,000 beef cattle in NSW in contrast to just over 6,000,000 in Queensland. See Bureau of Agricultural Economics, *The Beef Situation* (Bureau of Agricultural Economics, Canberra, 1970), p.26.

²³ Lloyd, *ibid.*

(c) The Consolidation of Government Assistance 1940s-1970s

The years immediately following the end of the Second World War saw a consolidation of government assistance to primary producers. Until 1945 Australian federal governments had ignored the pleas of small-scale wheat farmers to re-introduce the Australian Wheat Board.²⁴ One year after the end of the Second World War, the then prime minister (Ben Chifley of the ALP) issued a rural policy. Like Thomas Ryan (in the Queensland election of 1915) Chifley sought to attract rural voters, as well as urban workers, to the ALP. According to Linda Botterill, Chifley's 1946 statement gave "prominence to the goals of raising the standard of living of primary producers. The policies outlined stabilisation schemes, organised marketing and floor price arrangements."²⁵ Two years after the issuing of his rural policy statement, Chifley obtained passage of the *Wheat Industry Stabilisation Act 1948* which provided for the reintroduction of an Australian Wheat Board. Once the AWB was re-established, wheat growers sold their wheat via the board and no longer dealt with the grain trading companies. According to Whitwell and Sydenham, the mechanism which Chifley established for the purchasing and selling of wheat involved "a guaranteed price and a home consumption price. . . a stabilisation fund and compulsory pooling. . . The board was made the sole buyer of wheat from growers and sole marketer of wheat on both the domestic and export market. It was also the board's responsibility to administer the stabilisation fund and to make payments to growers."²⁶

Small-scale wool producers also remained attached to idea of a central wool commission and between 1964 and 1968 (when the price of wool fell from 128 cents a kilogram to 92 cents a kilogram) began to agitate for a similar body to be re-introduced.²⁷ In 1970 the Liberal Party-National Party federal government, led by John Gorton, obtained passage of legislation establishing an Australian Wool Commission (AWC). In describing the operations of the AWC, during the early 1970s, Alistair Watson and R.M. Parish wrote that, "The first round of [price] support by the Australian Wool Commission was a salvage operation that was financed exclusively by government loans. It was linked at first with income supplements and then a deficiency payment to woolgrowers based on a guaranteed price that was 20 per cent above the low point of wool prices in 1971 [65 cents/kilogram]. The loans to the Australian Wool Commission to support wool prices through stockholding were repaid when the wool market recovered spectacularly in 1972-73."²⁸

²⁴ During the 1920s and the 1930s, many small-scale wheat producers believed that the large wheat purchasing companies were unduly bargaining them down on the price offered for their produce. At the first conference of the Victorian Wheatgrowers Association in 1929, for instance, one producer spoke out particularly for the re-introduction of the AWB: claiming that wheat growers "were up against many combines". See Greg Whitwell and Diane Sydenham, *A Shared Harvest: The Australian Wheat Industry 1939-1989* (Melbourne University Press, Melbourne, 1991), p.43.

²⁵ Linda Botterill, *From Black Jack McEwen to the Cairns Group: Reform in Australian Agricultural Policy*, National Europe Centre Paper no.86 (Australian National University, Canberra, 2003), p.6.

²⁶ Whitwell and Sydenham, op.cit., p.137.

²⁷ Peter Shergold, "Prices and Consumption" in Vamplew, op.cit., p.223.

²⁸ A.S. Watson and R.M. Parish, "Marketing Agricultural Products" in D.B. Williams op.cit.,

In the meantime, both the NSW state government and the federal government continued to respond to primary producers' outpourings over dry conditions. In 1946 the ALP state government in NSW (led by McKell) obtaining passage of legislation inaugurating the building of the Burrendong Dam (on the Macquarie River, near Wellington). On completion (in 1967) the dam would become one of the largest water storage facilities in the state.²⁹ Twenty years after McKell initiated the construction of the Burrendong Dam, the Liberal Party state government led by Robert Askin, after gaining office in the 1965 election, decided to build even more dams in New South Wales. In 1966 the Askin government initiated the construction of the Pindari Dam (across the Severn River, near Inverell) and, a year later, initiated the building of the Copeton Dam (across the Gwydir River, south of Inverell).³⁰ Eight years later the Askin government initiated the building of the Split Rock Dam (across the Manilla River, a tributary of the Namoi River, near Manilla).³¹

In the mid-1960s (following the droughts of 1951-1952 and 1957-1958) the Liberal Party-National Party federal government, at that time led by Menzies, decided to initiate a policy of sustaining primary producers during times of drought. At the height of yet another drought (during 1965-1966) Menzies told the federal parliament that he had informed the governments of Queensland and New South Wales that "Commonwealth assistance would cover whatever deficit they ultimately have in their budgets as a result of drought measures that might be taken". In mid-1966, Menzies obtained passage of the *States Grants (Drought Assistance) Act 1966* and the *States Grants (Drought Assistance) Act (No.2) 1966* which, amongst other measures, provided for loans for carry-on and re-stocking purposes and for road and rail transport rebates. An amount of \$26 million was budgeted for these purposes. Two years later, Menzies obtained passage of similar legislation to sustain primary producers in Victoria and South Australia.³² Under prime minister William McMahon (of the Liberal Party) provisions for drought assistance were institutionalised (in 1971) via the introduction of National Disaster Relief Arrangements. Drought was consequently categorised as a "natural disaster" and was subsequently defined in financial terms, according to D.I. Smith and S.D. Callahan, as a circumstance "necessitating payments of at least 10% of a state's base expenditure. Once a state had exceeded this annual base expenditure, the Commonwealth met, in full, all the remaining expenditure on agreed relief measures. . . The annual base expenditure for each state government remained unchanged until the 1978-1979 budget. . . when it was doubled".³³

p.331.

²⁹ Water Conservation and Irrigation Commission, op.cit., pp.133-135.

³⁰ Ibid., p.130; Cyril Udoe, *An Economic Study of the Gwydir Irrigation Scheme* (M.Agr.Sci. Thesis, University of Sydney, 1984), pp.18-21.

³¹ Abdullah Al-Harun, *An Economic Assessment of the Split Rock Dam of New South Wales* (M.Ec. Thesis, University of New England, 1986), p.11.

³² Linda Botterill, "Uncertain Climate: The Recent History of Drought Policy in Australia" in the *Australian Journal of Politics and History*, vol.49, no.1, 2003, pp.63-64.

³³ D.I. Smith and S.D. Callahan, *Climatic and Agricultural Drought (Payments and Policy): A Study of New South Wales* (Centre for Resource and Environmental Studies, Canberra,

Scientific assistance, to primary production, also increased between the late 1940s and the 1970s. In 1949 the Chifley federal government transformed the Council for Scientific and Industrial Research into the Commonwealth Scientific and Industrial Research Organisation (CSIRO). By this stage, the number of personnel engaged in agricultural scientific research, at the CSIRO, had reached 192. By 1975 this number would rise to 510.³⁴

3. RECONSIDERATION OF GOVERNMENT ASSISTANCE FOR PRIMARY PRODUCERS

(a) Loss of the British Market and Reconsideration of Australian Primary Production Policy

Maintenance of price supports for Australian primary produce, in export markets, was predicated on the assumption of permanence of the market for Australian goods in Britain. From the beginning of settlement, Britain had been the major source of exports to Australia, and had been the major destination for exports from Australia. During the late 1880s, for example, Britain supplied 70% of Australia's imports and was the destination for 75% of Australia's exports.³⁵ By the 1920s, Australia had found additional markets for its exports, while taking a significant number of imports from countries other than Britain. By 1928, for instance, Japan took around 15% of Australia's exports of wool.³⁶ Nevertheless Britain remained the principal source of imports for Australia, and the principal destination for Australian exports. As a result of the temporary consolidation of the British Empire as a trading bloc (in response to the 1930s trade depression), Australian exports to Britain actually rose: from 44% of all Australian exports (in 1922) to 54 % of all Australian exports (in 1939).³⁷

After the combined financial impact on Britain, of both the Great War (1914-1918) and the European and Pacific Wars of the 1940s (on which the British leadership spent great sums of Britain's wealth), predominance in production and investment passed to the USA. Britain was forced to relinquish its empire and place its destiny in Europe. It formally applied to become a member of the European Economic Community or EEC (formed in 1957) in 1961 and finally gained membership in 1973.

It became obvious throughout the 1960s that, once Britain joined the EEC and adopted EEC tariffs, a large amount of the primary produce of Australia would be shut out of the British market. In preparation for the coming crisis, McMahon (who in 1971 had introduced the Natural Disaster Relief Arrangements to sustain primary producers during

1988), pp.45-47.

³⁴ See Jarrett and Lindner, *ibid.*

³⁵ Brian Pinkstone, *Global Connections: A History of Exports and the Australian Economy* (Australian Government Publishing Service, Canberra, 1992), p.88.

³⁶ *Ibid.*

³⁷ *Ibid.*; See also Kevin Burley, *British Shipping and Australia 1920-1939* (Cambridge University Press, Cambridge, 1968), p.129.

droughts) also obtained passage of the *States Grants (Rural Reconstruction) Act 1971* to provide assistance for wheat producers and wool growers who were likely to be affected after 1973. The McMahon government also understood that smaller scale primary producers, such as dairy farmers and fruit growers, were even more likely to be affected by the loss of the British market and might even have to leave the industry. To assist those producers in that position, to leave production, McMahon introduced a Marginal Dairy Farmer Reconstruction Scheme and a Fruitgrowing Reconstruction Scheme.³⁸

(b) Whitlam Government's Review of Policies for Primary Producers

It was during the term of office of the Whitlam government, and onwards, that the impact of Britain's entry into the EEC began to be felt. Between 1973 and the late 1980s, the number of dairy cattle in Australia dropped from 4 million to 2.4 million. Butter exports declined from 79,000 tonnes in 1972-1973 to just 7,000 tonnes in 1981-1982. Sugar exports to Britain, which amounted to around 500,000 tonnes in 1972, were eliminated by Britain's accession to the EEC. Exports of fruit to Britain were similarly affected.³⁹

One fundamental solution to the looming crisis, for Australian primary production, was to remove government contrived price maintenance and to, once more, allow unhindered transactions between those selling primary products and those wishing to buy them.

Just over a year after being elected to office, Gough Whitlam's ALP federal government decided to review federal government policy for primary production. The Whitlam government established a committee, consisting of two economists (John Crawford and Frederick Gruen) and two agricultural economists (Noel Honan and Stuart Harris), to produce a "green paper" on primary production. When the paper was released in June 1974, according to Alf Rattigan (chair of the Industries Assistance Commission from 1974-1976), it particularly recommended that,

rural policy. . .should allow ordinary market mechanisms to dictate production and marketing decisions. . .and the government should intervene only to remove barriers to the efficient working of the market. . .⁴⁰

An indication of the Whitlam government's approach to primary production was given by its obtaining passage of legislation to change the Australian Wool Commission to the Australian Wool Corporation. The nature of these changes, from the period when the Australian Wool Commission was operating (under the McMahon government) to when the Australian Wool Corporation was inaugurated (under the Whitlam government), was

³⁸ R.K. Hefford, *Farm Policy in Australia* (University of Queensland Press, Brisbane, 1985), pp.149,166,275.

³⁹ Bruce Davidson, "History of Farming" in National Farmers Federation (ed.), *Australian Agriculture*, fourth edition (Morescope Publishing, Melbourne, 1993), pp.43-44. See also Robert Hadler, "The Slide into Trade War" in *The Australian*, 16 November 1990, p.15.

⁴⁰ Alf Rattigan, *Industry Assistance: The Inside Story* (Melbourne University Press, Melbourne, 1986), p.207.

later outlined by the Industries Assistance Commission as follows:

In the early seventies, the operation of . . . [the] wool marketing schemes by the Australian Wool Commission. . . involved sizeable government contributions to wool growing. In addition, approximately \$21 million was paid in 1970-1971 to wool growers as emergency assistance to offset falls in their gross receipts between 1968-1969 and 1969-1970. . . [after the election of the Whitlam government] wool has been operated under a reserve price scheme operated by the Australian Wool Corporation (AWC). This scheme has not required any government contributions, as any losses incurred by the AWC, from the operation of this scheme, are fully self-financed by wool growers through the wool tax levied on all wool sold.⁴¹

(c) Fraser Government's Commencement of Change in the Rural Sector

Although the federal government that followed Whitlam (the Liberal Party-Country Party coalition led by Malcolm Fraser) had a Country Party politician as deputy prime minister, Fraser did not alter the change in approach, to primary production, which had been foreshadowed by the Whitlam government's "green paper". In 1976, Fraser obtained passage of legislation which brought all previous rural reconstruction schemes into one program: the Rural Adjustment Scheme (RAS). According to Warren Musgrave, former professor of agricultural economics,

the Rural Adjustment Scheme. . . [represented] an important development in Australian agricultural policy making. First it. . . [represented] an explicit acknowledgment by government that structural change. . . [required] the movement of human resources out of agriculture.⁴²

Fraser also began to change other primary production support mechanisms, in the same way that Whitlam had changed the Australian Wool Commission. In 1979, Fraser secured the passage of legislation transforming the Australian Meat Board into the Australian Meat and Livestock Corporation. As Watson and Parish explained, "The Australian Meat and Livestock Corporation. . . has trading powers but they are facilitative rather than exclusive . . . the activities of the. . . [corporation] are directed towards local and export promotion of meat, the provision of market information, and the general supervision of matters relating to (red) meat production and marketing."⁴³

Fraser was supported in his strategy by primary producer representatives conforming themselves to the nature of the new situation. In 1979 the National Farmers Federation (NFF) was established. Two years later the NFF released a policy paper, *Farm Focus: the 1980s*, which stated that,

⁴¹ Industries Assistance Commission, *Assistance to Australian Agriculture* (Industries Assistance Commission, Canberra, 1983), p.33.

⁴² Warren Musgrave, "Rural Adjustment" in D. B. Williams, op.cit., p.297.

⁴³ Watson and Parish, op.cit., p.331.

NFF does not believe that any industry. . . should be permanently shielded from the forces of economic change.⁴⁴

(d) Persistence of Price Supports, and other Assistance, for Primary Production

Despite his introduction of the Rural Adjustment Scheme, Fraser continued to oversee the continuance of substantial price, and industry support, in rural production. State government schemes, for price supports, also continued. Some examples of these were as follows:

Beef

The Industries Assistance Commission (IAC) wrote that “assistance to beef cattle grazing was provided through the Beef Industry Incentive Scheme - \$85 million in 1977-1978 and \$32 million in 1978-1979.”⁴⁵

Sugar

The Ryan government’s 1915 legislation, providing price supports for sugar growers, remained in place during the 1970s and the 1980s. The IAC observed, overall, that “This home consumption pricing scheme is facilitated by an embargo on the import of sugar. . . The sugar industry also receives assistance from measures which are generally available to the agricultural sector. These include subsidies on fertilisers, income tax concessions. . .”⁴⁶

Dairy

The IAC commented that, between 1970-1971 and 1975-1976 “Production bounties for butter, cheese and processed milk products were paid. . . partly as an inducement to maintain a voluntary price difference between export and domestic markets. The amounts paid totalled over \$144 million”.⁴⁷

Wine

The IAC wrote that “Wine making is mainly assisted by tariffs on imports of wine, and a sales tax of 15 per cent on imports of wine but not on domestically produced wine.”⁴⁸

⁴⁴ Linda Botterill, *From Black Jack McEwen to the Cairns Group*, p.15.

⁴⁵ Industries Assistance Commission, *Assistance to Australian Agriculture*, p.37.

⁴⁶ *Ibid.*, p.88.

⁴⁷ *Ibid.*, p.50.

⁴⁸ *Ibid.*, p.77.

Citrus

The IAC remarked, also in 1983, that “Tariffs on citrus juices are the major form of assistance benefiting citrus growers. Prior to 1977 imports of citrus juices, especially orange and tangerine juices, were subject to high specific rates of duty. . .In 1977 a 65 per cent ad valorem tariff was imposed on orange juice (one of the highest customs duties in the Australian Tariff Schedule). This was replaced by a variable tariff on orange and tangerine juices from 13 April 1979.”⁴⁹

Rice

The IAC observed, in 1983, that “Domestic pricing arrangements for rice have been of major benefit to rice growing. Domestic prices are largely determined by the NSW Rice Marketing Board, which controls the sale of all rice in NSW. Because the . . .Rice Marketing Board is exempt from provisions of Commonwealth trade practices legislation, the arrangement allows for price discrimination between sales on domestic and export markets. . .domestic prices are maintained at levels above export prices.”⁵⁰

By the end of the 1980s the following statutory marketing boards (SMAs), at a federal and at a NSW level, remained:

Australian Federal Statutory Marketing Authorities: late 1980s⁵¹

Australian Dairy Corporation
Australian Dried Fruits Corporation
Australian Honey Board
Australian Horticultural Corporation
Australian Meat and Livestock Corporation
Australian Pork Corporation
Australian Tobacco Marketing Advisory Committee
Australian Wheat Board
Australian Wine and Brandy Corporation
Australian Wool Corporation

⁴⁹ Ibid., p.73.

⁵⁰ Ibid., p.66.

⁵¹ Industry Commission, *Statutory Arrangements for Primary Products* (Australian Government Publishing Service, Canberra, 1991), Appendix E.

NSW Statutory Marketing Authorities: late 1980s⁵²

Banana Industry Committee
Barley Marketing Board
Central Coast (NSW) Citrus Marketing Board
Dairy Corporation of NSW
Dried Fruits Board of NSW
Fish Marketing Authority
Grain Sorghum Marketing Board
Kiwi Fruit Marketing Committee
Meat Industry Authority (NSW)
Milk Marketing (NSW) Pty. Ltd.
Murray Valley Citrus Marketing Board
Murrumbidgee Irrigation Area Citrus Fruit Marketing Order
NSW Grain Corporation Ltd.
Oats Marketing Board
Oilseeds Marketing Board
Poultry Meat Industry Committee
Processing Tomato Marketing Committee
Rice Marketing Board
Sydney Marketing Authority
Tobacco Leaf Marketing Board
Wine Grape Processing Industry Negotiating Committee
Wine Grapes Marketing Board

(e) Drought and Water Supply

Drought relief assistance continued to be provided for primary producers. Between the financial years of 1962-1963 and 1987-1988, total federal government assistance for drought relief amounted to \$496 million (well over half of all payments for natural disaster relief). Nearly one-third of all drought assistance, in the period 1962-1963 to 1987-1988, went to New South Wales (\$146 million).⁵³

Dam building, however, was also the subject of policy revision. After gaining office, in 1976, the Wran government (in New South Wales) decided at first not to proceed with the construction of the Split Rock Dam. In the early 1980s however, in the middle of the drought of 1979-1983, Wran revived the project and the dam was completed in 1988 with a capacity of 372,000 megalitres of water.⁵⁴ The completion of the Split Rock Dam, however, marked the end of state government commitment to the building of great dams.

⁵² Ibid.

⁵³ Smith and Callahan, *op.cit.*, p.96.

⁵⁴ Al-Harun, *ibid.*

4. RETURN OF PRIMARY PRODUCTION TOWARDS A COMMERCIALY SELF-RELIANT BASIS

(a) Removal of Government Intervention in Commercial Transactions

During the early 1990s federal government policy, towards primary production, became one of placing the sector within the traditional sphere of buying and selling on a commercial basis. This policy was epitomised by the statement, made on talk-back radio in 1993 by Paul Keating (who had become prime minister two years earlier), that “Everybody who starts a business, be it on the land or otherwise, has got to make the numbers work.”⁵⁵

Initiatives had already been undertaken, in the late 1980s, to remove government from, what had been, commercial transactions in primary production. At the end of the 1980s, the Hawke government obtained passage of the *Wheat Marketing Act 1989* which removed the role of the Australian Wheat Board in domestic sales of wheat. During the 1990s this allowed big international grain trading firms (such as Cargill and ConAgra of the USA) to once again enter the domestic buying and selling of wheat. Three years later the Keating government obtained passage of the *Dairy Produce (Amendment) Act 1992* and the *Dairy Produce Levy (Amendment) Act 1992* which, amongst other matters, removed the provision for government underwriting of minimum export prices.⁵⁶ In 1995, Keating obtained passage of further amendments to dairy legislation to assist dairy farmers who produced milk designated as manufacturing milk (for the making of cheese and dried milk products). This dairy market support (DMS) scheme involved raising a levy on milk produced for drinking, and raising a levy on manufacturers of dairy products. The monies obtained were then used to make a market support payment to producers of manufacturing milk.⁵⁷

Meanwhile elimination of marketing boards was begun with the Keating government’s establishment, in 1995, of the National Competition Council (NCC). Under its charter to review competitive arrangements in Australian industry, the NCC began reviewing the legislative basis for statutory marketing authorities.

(b) Drought Relief

Keating’s view, on making “the numbers work” in primary industry, had already been foreshadowed (in 1989) when the preceding Hawke government’s minister for finance (Peter Walsh) announced that drought would no longer fall under the provisions of the natural disaster relief arrangements. Two years later a Senate committee inquired into drought policy and endorsed Walsh’s decision: concluding that the committee was “of the view that individual landholders within rural industries should be responsible for preparing

⁵⁵ Jonathan Porter, Tim Stevens and Lenore Taylor, “Farmers to Blame for Plight: PM” in *The Australian*, 10 March 1993, p.4.

⁵⁶ NSW Government Review Group, *Review of the NSW Dairy Act 1979*, issues paper (NSW Agriculture, Orange, 1997), p.7.

⁵⁷ Australian Dairy Industry Council, “Milk Matters” in the *Australian Dairy Farmer*, November-December 1999, p.7.

and managing variable climatic and seasonal conditions.”⁵⁸

In 1992, with Keating as prime minister, federal and state agriculture ministers concurred on a new national drought policy (to come into effect in 1993). The compromise on Walsh’s original 1989 policy, contained in the 1992 decisions, has been summarised by Linda Botterill as follows: “The 1992 national drought policy made a distinction between ‘normal’ and ‘severe’ drought by incorporating the latter under the new exceptional circumstances [EC] provisions of the [then] rural adjustment scheme.” Nevertheless, according to Botterill, “The new national drought policy objectives. . . were: to encourage primary producers. . . to adopt self-reliant approaches to managing climate variability”.⁵⁹

The sequence of events, leading to the declaration of exceptional circumstances, has been described by Margaret Alston and Jenny Kent as follows:

- To become EC declared, communities or peak industry groups in a region must approach their state or territory government
- When the relevant state government is confident that the event, and the case, fully meet EC criteria, it can lodge an application for EC assistance with the federal minister for agriculture, forestry and fisheries
- Once the federal minister receives an application, he will request a preliminary assessment of that application against the EC criteria
- If a prima facie case exists, the federal minister then refers the application to the National Rural Advisory Council (NRAC) to determine whether a full case has been made against the EC criteria
- The NRAC provides a recommendation to the federal minister regarding whether the applying region should be EC declared
- The federal minister is ultimately responsible for declaring if an area is experiencing exceptional circumstances: however he must first obtain cabinet approval as funding for EC declarations is agreed on a case-by-case basis⁶⁰

Once an area was declared to be affected by exceptional circumstances (the declaration being made via the relevant state rural assistance authority), primary producers in that area could apply for an interest rate subsidy to assist them with the costs payable on existing, and new, loans. The subsidy could amount to up to 100% of the costs payable on loans.⁶¹

⁵⁸ Linda Botterill, “Uncertain Climate”, p.65.

⁵⁹ Ibid., pp.64-67.

⁶⁰ Margaret Alston and Jenney Kent, *Social Impacts of Drought* (Centre for Rural Research, Charles Sturt University, Wagga Wagga, 2004), p.17.

⁶¹ Linda Botterill, “Uncertain Climate”, p.66; NSW Farmers Association, *Rural Business Advice Guide* (NSW Farmers Association, Sydney, 1999).

In 1994, a year after winning the 1993 election, and in the midst of the 1993-1994 drought, Keating introduced a new drought relief payment (DRP). As outlined by Linda Botterill,

The new payment was not limited to farmers with a long-term productive future in agriculture – it was available to all eligible farmers in an exceptional circumstances drought area. The payment was subject to an income and off-farm assets test, and was payable at the level of the unemployment benefit for the duration of the exceptional circumstances declaration and for a six month period afterwards. The drought relief payment brought with it access to the Health Care Card and exemption from the assets test for the tertiary education allowance.⁶²

5. FEDERAL AND STATE POLICY IN THE LATE 1990s: SELF-RELIANCE WITH ASSISTANCE

(a) Howard Government's Agriculture Advancing Australia

A year after its election in 1996, the Howard government replaced the rural adjustment scheme with the Agriculture Advancing Australia (AAA) program. In introducing the legislation supporting the program, the then federal minister for primary industries (John Anderson) declared in parliament that,

It is imperative if we are to ensure the current transition in outlook. . . that welfare measures need to be distinct from measures targeted at improving the profitability of farming businesses.⁶³

According to Linda Botterill, the new AAA program contained the following (non-drought) components:

- Farm Business Improvement Program
- Retirement Assistance for Farmers Scheme
- Farm Family Restart Scheme

These schemes can be summarised as follows:

Farm Improvement Business (FarmBis) Program

The FarmBis program began in July 1998: in July 2001 it was expanded under the title of the FarmBis II program. Skills development activities, supported by FarmBis II, include business and financial planning; marketing; risk management; farm performance

⁶² Linda Botterill, "Uncertain Climate", pp.68-69.

⁶³ Linda Botterill, *Government Responses to Farm Poverty 1989-1998: The Policy Development Process* (Rural Industries Research and Development Corporation, Canberra, 2002), p.30.

benchmarking; natural resource management; skills auditing; and leadership development. Federal government funding for the program is matched by state funding. Between 2001 and 2003 the federal government contributed \$71 million to the program in all states. The New South Wales government contributed \$13.4 million over the same period.⁶⁴

Retiring Farmer Assistance Scheme

The above program was intended to help primary producers who wanted to retire, but who also wanted to keep their property in their family. Previously the gifting provisions, maintained by the department of social security, had affected a primary producer's access to the age pension for up to five years. With the inauguration of the AAA package, a moratorium on these provisions was introduced. The program was open to primary producers who had equity (or combined equity) of up to \$500,000. Farm assets include the value of the land plus any capital improvement, machinery or plant or livestock. Producers must have owned the property for at least 15 years or have been actively involved in farming for 20 years. They must also have had an income of less than the pension over the preceding three years. The relatives, to whom the property is passed on, must have been actively involved in the property for the preceding three years.⁶⁵

Farm Family Restart Scheme (FFRS)

The FFRS was intended to provide welfare assistance to primary producers who intended to leave production. FFRS provides welfare to low-income farmers, experiencing financial hardship, who cannot borrow any more against their assets but who are not yet ready to sell their property. Income is paid at the level of the Newstart allowance and available for a maximum period of 1 year. Those applying for FFRS assistance must agree to seek professional advice on the future viability of their operations.⁶⁶

(b) Additional Federal Government Assistance Programs

The Howard Government has also introduced additional assistance programs: to help either individual groups of producers, or individuals themselves. These are as follows:

New Industry Development Program (NIDP)

The NIDP has been introduced to encourage individual initiative in agribusiness. Two kinds grants are offered for pilot commercialisation projects and in-market experience (in the form of scholarships). The grants range from as low as \$12,500 (to investigate means of delivery for various products) to \$120,000 for product development and market

⁶⁴ Commonwealth Auditor General, *Administration of Three Key Components of the Agriculture Advancing Australia (AAA) Package* (Australian National Audit Office, Canberra, 2004). p.16.

⁶⁵ Richard Stayner and Elaine Barclay, *Welfare and Support Services for Families* (Rural Industries Research and Development Corporation, Canberra, 2002), p.30.

⁶⁶ *ibid.*

development.⁶⁷ A table of the amounts of grants awarded, on a state-by-state basis, are as follows:

New Industry Development Program: Amounts of Grants Awarded by State/Territory⁶⁸

<i>State/Territory</i>	<i>Cumulative Amount of Grants Awarded</i>
Queensland	\$4.25 million
Victoria	\$3.94 million
New South Wales	\$3.83 million
South Australia	\$2.19 million
Tasmania	\$1.75 million
Western Australia	\$1.51 million
Northern Territory	\$0.3 million
TOTAL	\$17.7 million

Food Processing in Regional Australia Program

The federal government has announced that it will provide \$3 million a year, for 4 years, to provide grants to small and medium farm businesses, as well as to food processors and to agribusinesses, to undertake projects that will increase the amount of value-added food produced in rural and regional Australia. Grants of up to \$200,000 are available for individuals and groups seeking funding for projects such as the value-adding of food produce and the creation of regional networks and marketing arrangements.⁶⁹

(c) Overall Federal Government Budgetary Assistance for Primary Production

In 2004 the Productivity Commission produced the following tabular compilation of budgetary outlays and tax concessions, for primary production, for the year 2003-2004:

⁶⁷ See the website of the federal department of agriculture, fisheries and forestry (<http://www.daff.gov.au>).

⁶⁸ Ibid.

⁶⁹ Ibid.

Federal Government Budgetary Assistance for Primary Production: 2003-2004⁷⁰

<i>Area of Production</i>	<i>Budgetary Outlays</i>	<i>Tax Concessions</i>
Grain, Sheep and Beef Production	\$199 million	\$317 million
Other Crop Growing	\$106 million	\$26 million
Horticulture and Fruit Growing	\$68 million	\$75 million
Dairy Cattle Farming	\$35 million	\$30 million
Other Livestock Farming	\$10 million	\$17 million
TOTAL	\$418 million	\$465 million

The Productivity Commission also itemised the various areas of federal government assistance for primary production. The significant itemised areas are as follows:

Federal Government Budgetary Assistance for Primary Production: Selected Areas (2003-2004)⁷¹

<i>Area of Assistance</i>	<i>Amount of Budgetary Assistance</i>
CSIRO	\$90.4 million
Grains Research and Development Corporation	\$41.3 million
Meat and Livestock Research and Development	\$32.8 million
Horticulture Research and Development	\$29.5 million
Tax Deduction for Grape Vines	\$25 million
FarmBis Program	\$20.9 million
Dairy Research and Development	\$15.4 million
Wool Research and Development	\$14.1 million
Grape and Wine Development Corporation	\$7.4 million
Rural Industries R&D Corporation	\$5.4 million
Sugar Research and Development Corporation	\$4.8 million
Cotton Research and Development Corporation	\$4.7 million

(d) Carr Government Assistance to the Rural Sector

Since gaining office in the mid-1990s, the Carr government has focused on the provision of systems of support for primary production: rather than direct assistance. This assistance has been provided through the following means:

Special Conservation Loans

Loans are available (up to \$100,000) for and hay and grain storage facilities; dam de-silting; repairs to livestock water systems; repairs to the piping and storage of water for

⁷⁰ Productivity Commission, *Trade and Assistance Review 2003-2004* (Productivity Commission, Melbourne, 2004), p.2.7.

⁷¹ *Ibid.*, pp.A.2-A.5.

livestock; and for planting of types of perennial pasture such as lucerne.

Loans can be up to 90% of the net cost of the works (where the net cost is determined by deducting the amount of any other government grants relating to the proposed works). Interest is fixed for the term of the loan. The concessional interest rate will be that applying on the date on which the loan is approved. The maximum term is 10 years.⁷²

In a speech delivered in state parliament, in June 2003, the NSW minister for primary industries (Ian Macdonald) stated that “In relation to the program. . .from last year alone we will end up spending around \$29 million and. . .We expect that about \$40 million will be taken out in these loans.”⁷³

Between 2003–2004 around \$8.5 million in loans was provided for stock and water special conservation loans.⁷⁴

Salinity

In 2000 the NSW government announced the introduction of a salinity strategy intended to produce commercial solutions to salinity reduction. The government budgeted between \$5 million and \$10 million a year for this undertaking.⁷⁵

Irrigation

The Carr government’s assistance, in this area, has been to help irrigation-based primary producers assess their operations and identify ways to improve the management of the irrigation aspect of their undertakings via irrigation drainage management plans (IDMPs). A grant of 80% of the cost of an IDMP is available (up to a maximum of \$12,000 per undertaking). Once works have been decided on, that might increase the efficiency of irrigation in an operation, a grant of up to 50% of the cost of the completed works (up to a maximum of \$15,000) has also been made available. In 2003-2004, \$5.3 million in IDMP assistance was provided.⁷⁶ The IDMP scheme concluded in June 2004.

⁷² See <http://www.farmrecruit.com.au>

⁷³ NSW Parliamentary Debates (Hansard). 25 June 2003, p.2028.

⁷⁴ NSW Rural Assistance Authority, *Annual Report 2003-2004* (NSW Rural Assistance Authority, Orange, 2004), p.23.

⁷⁵ See NSW Department of Land and Water Conservation, *Taking on the Challenge: NSW Salinity Strategy* (NSW Department of Land and Water Conservation, Sydney, 2000).

⁷⁶ Ibid. See also Farmhand Foundation, *Talking Water* (Farmhand Foundation, Sydney, 2004), p.19.

Genomics

In 2002 the NSW government established, at Wagga Wagga, a centre for agricultural genomics: a joint venture between the NSW department of primary industries and the CSIRO.

Agribusiness Development

The NSW government has provided, via the NSW department of primary industries, agribusiness development officers to provide advice on alternative initiatives in agricultural production.⁷⁷

West 2000 Plus

In the late 1990s the Howard government and the Carr government jointly funded the West 2000 program. This was a scheme, largely developed by the two tiers of government and woolgrowers, which aimed to improve the sustainability of producer operations in the Western Division of NSW and to improve the sustainability of the natural resource base. 60% of the West 2000 funding was distributed to landholders in the form of grants. These grants were to provide subsidies for the interest payable on (and the costs associated with) new loans (for up to 5 years): not exceeding \$150,000. In the period that the scheme lasted, from 1997 to 2000, \$4.6 million in such grants were provided.⁷⁸ In the same year that West 2000 lapsed, the West 2000 Plus scheme was inaugurated. About \$3 million a year was budgeted for West 2000 Plus. In 2001 grants, up to \$30,000, were made available to landholders for the destruction of rabbit warrens; for the management of total grazing pressure; and the control of woody weed. Grants continued to be made for subsidising the interest on loans.⁷⁹

(e) Price Support Devices

Under the Howard government (elected in 1996) the National Competition Council continued its review of marketing boards. The Howard government itself continued the removal of subsidies for price levels. In 2000 it oversaw the ending of the dairy market support scheme (with its subsidies for producers of manufacturing milk).⁸⁰

⁷⁷ NSW Farmers Association, op.cit.

⁷⁸ Don Burnside and Tim Ferraro, *West 2000: A Case Study of Natural Resource Management Investment in the NSW Rangelands* (The Regional Institute Limited, Gosford, 2001), p.3. See also NSW Farmers Association, op.cit., and the debate on the Rural Assistance Amendment Bill 2000. NSW Parliamentary Debates (Hansard). 9 August 2000, pp.8001,8006. According to the 4 Corners program, "*Gambling The Farm*", landowners have been helped into new industries such as trapping feral goats. See *4 Corners* ABC TV, 2 August 2005.

⁷⁹ See the *West 2000 Plus Newsletter* (West 2000 Plus, Dubbo, 2001) See also NSW Rural Assistance Authority, *Annual Report 2003-2004* (NSW Agriculture, Orange, 2004), p.23.

⁸⁰ See Australian Dairy Industry Council, op.cit., pp.10-11.

Although some marketing authorities were abolished, after scrutiny by the NCC, others remained. On the one hand, three years after the Howard government ended the DMS, the same government also obtained passage of the *Dairy Industry Service Reform Act 2003* which transformed the then Australian Dairy Corporation (ADC) into a company: Dairy Australia. Unlike the previous ADC, the new organisation did not have powers, similar to a marketing board, to fix prices.⁸¹

On the other hand, under pressure from significant groups of primary producers in other areas of production, some marketing boards were retained. Two years after gaining office, the Howard government obtained passage of the *Wheat Marketing (Amendment) Act 1998* under the provisions of which the AWB's control over wheat exports was transferred to a Wheat Export Authority (WEA) while ownership of the AWB was transferred to growers. The WEA, however, still retained a monopoly over the export of Australian wheat. Despite a review by the NCC (in 2000) recommending the removal of the AWB's powers, the board remains.⁸²

At a state level, review of marketing boards was also undertaken with some of the same outcomes that had taken place at a federal level. In 1995 the Carr government undertook a National Competition Council review of the Rice Marketing Board. However the review concluded that the board should not be abolished. Similarly the Wine Grapes Marketing Board (which could set prices for wine grapes) despite being the subject (in 1996) of an NCC review that suggested elimination of the board, was nevertheless confirmed in its power of price setting via the Carr government's decision to obtain passage of the *Wine Grapes (Reconstitution) Act 2003*. In 1999 the Carr government undertook a national competition policy review of the *Grain Marketing Act 1991* which had given the NSW Grains Board monopoly marketing rights over all barley, sorghum, oats, canola, safflower, soybeans and sunflower linseed grown in New South Wales. Despite the review advocating abolition of the Grains Board, the Carr government decided to retain the board's powers until 2005: obtaining passage of the *Grain Marketing (Amendment) Act 2001* to give effect to this. In the case of the Poultry Meat Industry Committee (PMIC), however, the Carr government recently obtained passage of the *Poultry Meat Industry Amendment (Prevention of National Competition Penalties) Act 2005* which has removed the capacity of the PMIC to set state-wide prices. The PMIC, nevertheless, does retain a role of mediation in disputes between poultry fatteners and processors.⁸³

⁸¹ See National Competition Council, *Legislation Review Compendium: Australian Government* (National Competition Council, Melbourne, 2004), p.2.15.

⁸² *ibid.*, p.2.54.

⁸³ National Competition Council, *Legislative Review Compendium: New South Wales* (National Competition Council, Melbourne, 2004), pp.3.29; 3.50.

(f) Drought*Federal*Long-Range Risk Management

One of the current federal government's principal devices for risk management in primary production (with particular application to drought) was introduced by the Howard government in its 1997 Agriculture Advancing Australia program. This instrument was the Farm Management Deposit Scheme (FMDS) which was inaugurated in 1999 and can be outlined as follows:

Farm Management Deposit Scheme. The FMD scheme is a tax-linked device. Taxable primary production income can be invested in an FMD. A farm management deposit will not be counted as taxable income in the year that it is deposited, and will only be subject to tax when the money is withdrawn. A primary producer must have deposited the FMD for twelve months to receive taxation benefits. The number of primary producers availing themselves of this benefit has risen from 7,500 in 1999 to just over 39,200 by early 2005.⁸⁴ New South Wales has the second-highest number of primary producers availing themselves of FMDs, as the following tables illustrates:

Primary Producers Using Farm Management Deposits: March 2005⁸⁵

<i>State/Territory</i>	<i>Number of FMD Holders</i>	<i>Value of FMDs Held</i>
Victoria	10,282	\$518.4 million
New South Wales	9,337	\$502.7 million
Queensland	7,246	\$451.3 million
South Australia	6,911	\$419.3 million
Western Australia	4,602	\$302.8 million
Tasmania	741	\$35.7 million
Northern Territory and ACT	103	\$9.4 million
TOTAL	39,222	\$2.2 billion

In financial year 2003-2004, the amount of federal government budgetary assistance, made available to farmers through providing them with FMDs, was \$250 million.⁸⁶

In recent years this policy appears to remain adhered to: but with qualifications. While the federal government has continued to consider drought planning to primarily be a responsibility of the individual primary producer, ministers appear to have become inclined

⁸⁴ NSW Farmers Association, op.cit; Australian National Audit Office, *Drought Assistance* (Australian National Audit Office, Canberra, 2005), p.10. See also the website of the federal Department of Agriculture, Fisheries and Forestry at <http://www.affa.gov.au>.

⁸⁵ Information supplied by the federal Department of Agriculture, Forestry and Fisheries.

⁸⁶ Information supplied by the federal Department of Agriculture, Forestry and Fisheries.

to qualify this approach. In February 2004 the federal minister for agriculture, forestry and fisheries (Warren Truss) announced that he would be convening a round table conference: formed of himself and his counterparts from the states. In a media release, announcing the calling of the conference, the minister declared that,

I have been advocating, since the year 2000, the need for a new, more inclusive, and fairer approach to drought policy that would deliver more timely benefits to farmers.⁸⁷

While on the one hand, just after the conclusion of the 2004 Drought Roundtable, the federal minister appeared to concur with the national policy (declaring that “this is a dry continent, droughts are going to come regularly. . .so therefore we need to have in place mechanisms to ensure that, in developing their farm plans, farmers take into account the likelihood that there’s going to be a drought”),⁸⁸ on the other hand the federal minister’s announcement in February, prior to the conference, seemed to indicate a softening of the policy of self-reliance.

Short-Term Measures

The new Howard government’s 1997 Agriculture Advancing Australia policy endorsed the Keating government’s 1992 proposition that exceptional circumstances, such as drought, are beyond the scope of normal risk management. Both of Keating’s initiatives were retained. The availability of subsidies, for the costs of interest on new and existing loans, was retained (the subsidy being up to a maximum of 80% of such costs of interest: covering borrowed amounts of up to \$100,000 per twelve-month period).⁸⁹ Keating’s drought relief payment was also continued: this time transformed into an exceptional circumstances relief payment (ECRP). The 1997 federal minister for primary industries (John Anderson) defined the ECRP in the following way:

The exceptional circumstances relief payment gives recognition to the fact that there are exceptional circumstances which are beyond the scope of normal farm risk management strategies. It will be available to farmers suffering financial hardship as a result of a rare and severe event including, but not restricted to, extreme drought. It will allow farming families to focus on the task of managing their businesses without the added burden of worrying about how they will meet their day-to-day living costs.⁹⁰

The components of the ECRP have been outlined by Margaret Alston and Jenny Kent

⁸⁷ Media Release, *Minister Truss Calls Drought Roundtable*. Minister for Agriculture, Forestry and Fisheries. 27 February 2004.

⁸⁸ Media Release. *National Drought Roundtable*. Federal Minister for Agriculture, Forestry and Fisheries. 15 April 2004.

⁸⁹ NSW Farmers, op.cit.

⁹⁰ Linda Botterill, “Uncertain Climate”, p.70.

accordingly:

- To receive an ECRP (once an area is EC declared) an eligible primary producer must obtain an “eligible circumstances” certificate issued by the relevant state, or territory, rural assistance authority (identifying that the operation concerned is in an EC declared area)
- Eligible primary producers will be provided with ECRP assistance, available for a period of 24 months (the payment being equivalent to the Newstart allowance, and delivered by Centrelink)
- The ECRP is paid at a level equivalent to Newstart subject to income and off-farm assets tests. Access to the Health Care Card, and exemption of farm assets from the Austudy assets tests, were also continued
- Eligible primary producers may also receive a Health Care card, as well as concessions under the Youth Allowance Means Test, from Centrelink⁹¹

The current drought set in during 2002 and has now continued for 3 financial years. In late November and early December 2002, the Howard government announced emergency measures to help primary producers cope with the drought. These included:

- Interim income support, for six months, to all eligible farmers in areas suffering a 1 in 20 year rainfall deficiency over the nine months March 2002 – November 2002
- Farmers in a 1 in 20 year rainfall deficiency area (or in a prima facie EC area, or in a place actually declared to be an EC area) also became eligible for interest rate relief either for 2 years equivalent to five percentage points, or 50% of the prevailing interest rate on new and additional commercial loans of up to \$100,000
- Eligible small businesses, in EC-declared areas, could receive interest rate relief either of five percentage points or fifty percent of the prevailing interest rate on existing or new commercial loans up to \$100,000 (this scheme concluded in June 2004)
- The “work for the dole” scheme was extended to allow unemployed Australians, in drought-affected rural and regional areas, to work on drought-struck landholdings
- A \$10 million Drought Recovery Round (of the Australian Government Envirofund) to facilitate works to protect the land, water, vegetation and biodiversity resource base from the effects of drought (and to assist recovery)
- An animal pest management grants program (\$1 million in 2002-2003) that assisted primary producers, and rural communities, to humanely deal with pest animals and

⁹¹ Alston and Kent, op.cit., pp.17-18.

reduce the total grazing pressure on drought-affected vegetation

- A Country Women's Association Emergency Aid Fund (\$1 million in 2002-2003) to assist the CWA in helping and supporting primary producers⁹²

As mentioned above, announcements by the federal minister for agriculture, during 2004, appeared to suggest a shift away from a policy of inducing primary producers to rely on their own efforts to manage dry seasons. On an overall level the federal government has estimated that, between 2002 – 2004, it has provided \$593 million in drought assistance. This has been provided to the following numbers of primary producers in the following ways:

Federal Government Assistance Provided For Drought: 2002 - 2004⁹³

<i>Type of Assistance</i>	<i>No. of Eligible Primary Producers</i>	<i>Amount Paid</i>
EC Relief Payments	17,457	\$285 million
EC Interest Rate Subsidies	9,062	\$200 million
Interim Income Support	15,123	\$96 million
9 December 2002 Special Interest Rate Relief	2,898	\$12 million
TOTAL	44,540	\$593 million

With continuation of the drought into the first half of 2005, the Howard government (in May) announced that the provisions, of some of the measures introduced in 2002, would be expanded. These included:

- an increase in the rate of EC interest rate subsidy - from the previous 50% now up to 80% of the interest payable on new, and on existing loans, for primary producers who are in a second or subsequent year of an EC declaration
- a doubling of the off-farm threshold for business support assistance: from \$217,000 now up to \$435,000 (to be adjusted each year with the consumer price index)
- an exemption, from the assessment for EC relief payment, of up to \$10,000 of primary producers' off-farm income for 1 year (from 1 July 2005, to be reviewed before June 2006)
- increased funding for the for the rural financial counselling service program
- a \$3 million grant to the Country Women's Association to allow it to help meet the

⁹² Information supplied by the federal Department of Agriculture, Fisheries and Forestry.

⁹³ Australian National Audit Office, *Drought Assistance* pp.33-34.

immediate household needs of primary producers and their families⁹⁴

The Howard government also provides assistance to drought-affected primary producers via a range of other initiatives including the Family Relationships Services Program, the Rural Financial Counselling Service Program and Centrelink's telephone (and face-to-face) counselling service.

In July the Howard government extended its Exceptional Circumstances (EC) drought assistance for another 12 months in an additional 21 regions. The extension covers eligible NSW farmers in the following EC-declared areas:

Dubbo; Mudgee Merriwa; Young (stone fruit); Armidale; Central North-North West (excluding crop producers); Northern New England; North East Northern New England; Eastern Riverina (dryland producers); Riverina (dryland producers); South West Slopes and Plains and Walgett/Coonamble.⁹⁵

With further expenditure, in 2005, the amount spent by the Howard government on drought relief (from 2002 onwards) currently exceeds \$685 million.⁹⁶

State

In New South Wales the administrative instrument for facilitating a drought declaration, until the late 1980s, was the Pasture Protection District (originally established via the *Pastures Protection Act 1902*). Smith and Callahan wrote in 1988 that,

The basic procedure for the declaration of agricultural drought has remained constant since 1957. A PPD can request that its district be drought declared. However such applications require independent recommendations from state officials. The final decision is the responsibility of the NSW minister for agriculture.⁹⁷

At the end of the 1980s the Greiner Government, by obtaining passage of the *Rural Lands Protection Act 1989*, transformed the Pasture Protection Districts into the Rural Lands Protection Boards (RLPBs). The mechanisms for drought declarations, however, remained the same.

In July 2002, with 66% of the state drought-affected, the premier (Bob Carr) announced that, following discussions with the NSW Farmers' Association, his government would introduce new measures to help the state's farmers cope with the effects of the dry

⁹⁴ Information supplied by the federal Department of Agriculture, Fisheries and Forestry.

⁹⁵ Media Release. *Australian Government Extends EC Assistance to More Drought – Affected Farmers*. Minister for Agriculture, Fisheries and Forestry. 22 July 2005.

⁹⁶ Figures supplied by the federal Department of Agriculture, Forestry and Fisheries.

⁹⁷ Smith and Callahan, *op.cit.*, p.51.

conditions. The new initiatives included the following:

Transport of Domestic Water. The NSW government would provide a 50% subsidy for the transport of domestic water to assist isolated landholders in maintaining an acceptable standard of living for their families. Applicants would have to obtain the majority of their income from their farm operations and be in full-time occupation of their undertaking. Application would be made through the Rural Lands Protection Boards which would verify the details before forwarding the application to (what was then) NSW Agriculture for payment. This subsidy would be capped at \$5,000 per landholder.

Transport of Stock for Slaughtering. The NSW government would provide a 50% subsidy on the transport of stock, from drought affected properties, for slaughter. This was intended to assist those landholders, severely affected by drought, to reduce stocking pressure. It would also recognise the additional distances and costs involved for far western landholders. This assistance would only apply to landholders who had already reduced stock numbers by their “usual” turnoff in normal seasons, and whose total stock numbers were below the assessed carrying capacity for the property. The subsidy would be capped at \$20,000 per landholder.

Consultation between NSW Agriculture and the NSW Farmers’ Association on Fast-tracking Data Collection for EC Applications. NSW Agriculture and the NSW Farmers’ Association would prepare meetings to accelerate the gathering of statistics for EC applications to the federal government.⁹⁸

Contribution to Interest Rate Subsidies. The Carr government announced that, for every \$90 million provided by the Howard government towards interest rate subsidies, it would provide \$10 million. Between 2003-2005 the Carr government has provided \$13.6 million.⁹⁹

In February 2003, just over six months after the announcement of his 2002 package, the premier announced further measures to assist primary producers during the continuing drought. These initiatives included the following:

Transport Subsidies. A further \$12.5 million to be provided for ongoing transport subsidies.

Emergency Drought Works. A further \$4.4 million to be provided for emergency drought works.

Waving of Six-Month Eligibility Criteria. \$4 million to be provided for assistance in the waiving of the 6 month drought eligibility criteria “where prima facie exceptional circumstance has been declared”.

⁹⁸ News Release. *Drought Assistance Package*. Premier of New South Wales. 18 July 2002.

⁹⁹ Information supplied by the NSW Department of Primary Industry.

Relief From Lease Fees. During financial years 2003-2004 and 2004-2005, the NSW government waived grazing and agricultural lease rents for landholders in the Western Division of the state.¹⁰⁰

Relief From Fees Charged by the Wild Dog Destruction Board. In 2002 the premier declared that, as part of the above group of measures to assist primary producers during the drought, rates levied on landholders, for the work of the Wild Dog Destruction Board, would be waived. In the year 2004 such rates, amounting to \$913,200, were paid by the state government.¹⁰¹

Waving of Fees Charged by Rural Lands Protection Boards for Processing Claims for Transport Subsidies. Claims for transportation subsidies, mentioned above, are made through the relevant Rural Lands Protection Board (RLPB). The fee charged by an RLPB, through which such a claim is made, is \$30. Currently the NSW Department of Primary Industries pays this claim fee.

6. CONCLUSION

Over the years there has been a distinct fluctuation in government approaches towards primary production. During the first 120 years, after people from the British Isles came to Australia, primary producers were essentially expected to be self-reliant. Colonial governments did assist with transportation (to move produce to prospective purchasers) but, both in the realm of the extractive use of the land, and in the realm of producers' negotiations with buyers, producers were expected to rely on their own capabilities.

Larger operators, of course, tended to find it easier both to cope with management issues (such as water supply, or the lack of it) and with commercial matters (such as dealing with buyers). Subsequently both colonial state governments, the ALP and (later on) the Country Party began to respond to smaller operators (who had become more numerous in the late 1800s and early 1900s) on the basis that they could both provide further material supports for primary production (such as dams) and could intrude the role of government into their relations with the (often much more commercially stronger) buyers of their products. The Federal government almost contemporaneously (for reasons of wartime imperatives) introduced the same model of administrative intervention into business transactions (the marketing board) at a national level, as Ryan initiated in Queensland on a state level. While, during the 1920s, bigger producers remained content to deal with the large commercial purchasers of their products, smaller producers remained attracted to marketing boards and began to directly campaign for these same models to become a permanent feature of commercial transactions in primary production.

By the 1970s (through the collective efforts of the Chifley, Menzies, Gorton and McMahon governments) government attentiveness, to both large and small producers, had converged

¹⁰⁰ *Western Division Newsletter* (NSW Agriculture, Orange, 2004), no.102.

¹⁰¹ See NSW Auditor General, *Report to Parliament 2005* (Office of the NSW Auditor General, Sydney, 2005), vol.II, p.93.

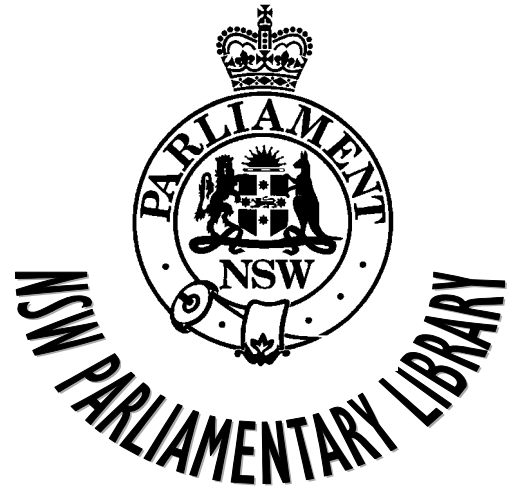
in the form of intervention in both the production of rural commodities and the commercial selling of them: through a variety of schemes (including scientific assistance for primary producers via the CSIRO).

After the accession of Britain (for so long the major destination for Australian primary produce) to the EEC in 1973, a major reconsideration of policy became inevitable. A return to the unimpeded interaction of commercial transactions, and a return to self-reliance, appeared to be a way of reconciling demand with supply. In both realms of endeavour, however, outcomes have varied.

In the realm of unhindered commercial transactions, many primary producers appear wary of directly dealing with global buyers of rural commodities (such as Cargill, ConAgra and Continental Grain, of the USA): preferring intermediaries such as the Australian Wheat Board. In the realm of self-reliance, many producers appear reluctant to accept the pronouncement of Peter Walsh (himself a wheat farmer from Western Australia) that prolonged dry weather should not be viewed as a “natural disaster” but as a normal matter for consideration in the management calculations of primary producers.

Overall, between 1994 and 2005, there appears to be a movement away from the policy of return to self-reliance (enunciated during the late 1980s and early 1990s) and back to a position of qualified assistance. Whether this is only a temporary phase in policy, or a permanent state of affairs, remains to be seen.

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