

Australian drought used to push small farmers off the land

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Despite months of drought across wide areas of Australia, which has devastated small farmers and rural workers, state and federal governments are still delaying relief, reluctant to assist struggling family farmers. Many families and communities are now reliant on trucked water supplies and grain growers have abandoned their winter and spring crops, while some dairy, sheep and cattle farmers have been forced to shoot their dying livestock or take to the roads with their herds in the hope of finding feed.

Altogether, farmers' incomes are now estimated to have fallen by an estimated 60 percent nationally. Official policy is to speed up restructuring of agriculture, which means pushing more small farmers off the land in addition to the 40,000 rural jobs that have already been lost in the past three months.

Two weeks ago, the Australian Bureau of Meteorology confirmed the country is officially in the grip of its worst drought in more than 20 years, with most states recording their driest six-month period since 1982. While the island state of Tasmania has been spared, the mainland states have had only 25 to 50 percent of their usual winter rainfall. Areas around Sydney and the wheat belt of southern Western Australia have experienced their lowest rainfall since records began in the 1900s.

The country's grain growing areas have been worst affected. By the end of August, nearly all of New South Wales (NSW), much of the northern regions of Victoria, the Murray-Mallee in South Australia and the northern and eastern regions of Western Australia had recorded less than 10 percent of normal rainfall. Although there has been some rain in Queensland, continuing dry conditions and low subsoil moisture mean that crops there will struggle to reach average yield.

The rainfall outlook for the rest of the growing season across much of the grain belt is not promising. According to the National Climate Centre, there is a 60-70 percent chance that rainfall will be below the long-term median over southern South Australia, most of Victoria and south-western NSW for the next three months at least.

This drought was not unexpected. It results from a now well-known and scientifically predictable El Niño weather and sea temperature pattern in the Pacific Ocean. There have been seven major droughts in Australia since the beginning of European settlement, as well as regular lesser droughts. The major droughts of 1895-1903, 1958-68 and 1982-83 were the most severe in terms of rainfall deficiency and impact on rural production.

The current drought is the worst since 1982-83, when farm

output plunged by 20 percent or \$A3 billion. The last drought, of 1994-95, cut farm production by \$1.95 billion. The Australian Bureau of Agricultural and Research Economics (ABARE) now estimates that \$3.8 billion will be lost this year.

In mid-September, ABARE revised its 2002-03 crop forecasts for the fourth consecutive time, predicting that major crop production (wheat, barley and canola) would fall from 32 million tonnes in March to 22 million in August. The Canola Association of Australia has put its latest estimate for the national crop at just 722,000 tonnes, nearly a million tonnes down on last year's harvest. Queensland's sugar output is expected to fall by 12 percent.

Rising costs for water, feed and agistment are forcing producers to sell cattle at desperate prices. As measured by the Westpac-National Farmers Federation commodity index, beef prices plunged by more than 12 percent in July. Despite increased slaughtering, exports of beef and live cattle were expected to drop by 13 percent and 14.7 percent respectively. The *Weekly Times* newspaper reported that sheep were sold for as little \$1 each in the central Victorian city of Bendigo in late August.

While farmers need urgent assistance, the state Labor Party governments and the federal Liberal-National Party government have engaged in bureaucratic buck-passing over who is responsible for supplying "exceptional circumstances" (EC) drought relief.

In NSW, only 1,100 of the worst hit farms will be entitled to limited state assistance, which includes 50 percent subsidies to transport stock to slaughter and a maximum of \$20,000 to buy water for domestic use. The NSW Farmers' Federation has declared the Carr government's assistance package to be too little too late.

Victorian Premier Steve Bracks last month inspected drought-affected areas in the north of that state, only to comment that if there were no significant rain by the end of October, a task force would investigate applying for EC assistance from the federal government for the driest areas. Vicki Manuel, a wheat farmer who took Bracks on a tour of her parched paddocks, commented: "We really do need assistance from the state and federal government together, quite quickly, but we don't feel very appreciated and don't feel that anyone cares."

Finally, in the first week of October, the Victorian government declared drought in 22 municipalities. It announced a \$27.7 million relief package that will only cover one-third of the drought

stricken farmers in these areas. Each farmer can receive up to \$20,000 cash, based on strict criteria designed to deny the small farmers even this belated and limited help.

To be eligible, farmers must prove that their farms are of commercial size; have been profitable in the past and can return to profitability; and have suffered at least a 33 percent drop in gross income in 2002-03. Farmers must also demonstrate that they have practised “risk management activity” in the past three years, which generally means putting aside cash for alternative production. Writing in the *Weekly Times*, one critic calculated that the package would only assist 1,400 of the 30,000 affected farmers.

Likewise, to obtain EC assistance from the federal government, farmers must meet three key indicators. First, the drought must be rare and severe—defined as occurring on average once in every 20 to 25 years. Second, there must be a severe downturn in farm income over a prolonged period. Third, the drought must not be predictable.

It is near impossible for many farmers to prove that these criteria are applicable to the current drought. “It’s very hard to prove exceptional circumstances ’til the party’s all over. People don’t need assistance when the droughts are over. They need assistance during the drought to lessen the affect of drought,” observed a farmer near Walgett in northern NSW.

Official drought policy is designed to hasten the departure of small farm operators and enhance the power of agribusiness corporations. Over recent decades, Australian agriculture has become increasingly polarised, as a result of global market forces and government structural adjustment programs.

Today, nearly half the farms contribute less than 20 percent of the national output. In many of the major broad acre crops (wheat, barley, grain sorghum, etc.) and the dairy industry, the bottom half produce less than 10 percent. In 1999-2000, 12 percent of farm businesses had turnovers of \$500,000 or more, accounting for 51 percent of the agricultural turnover. At the other end of the scale, an estimated 18 percent of farm businesses reported a turnover of less than \$50,000, accounting for 2 percent of the total.

The latest National Land and Water Resource Audit pointed out that while the total area farmed in Australia has remained unchanged since the 1960s, the number of farms has declined steeply from 200,000 to 110,000. Between 1986 and 1996 alone, the number of farms fell by 21 percent. The Audit estimated that 80 percent of agricultural profits and 40 to 50 percent of gross agricultural product came from just 1 percent of the land, covered by 10 percent of the farms.

The pattern is similar across the country and in most types of farming. The 2000-2001 BankWest Benchmarks survey of just over 480 West Australian farm business reported that while the top 25 percent made profits with an average capital return of 4.9 percent, the other 75 percent lost money, with a negative return of 4.5 percent. The poorest 25 percent lost an average of 9.5 percent.

Two major corporations, Elders and Westfarmers, each with a turnover of approximately \$2.5 billion and both with international connections, dominate Australian agriculture, accounting for half of all rural agency sales. They control a wide range of activities, including land sale, finance, machinery, fertiliser, yard sales, food production, transport and export.

Like other industries, the farm sector has seen global market forces and new technologies—which in themselves have vast potential to boost food production—used to slash jobs, cut the income of small operators and force farm closures.

Government policy has accelerated these processes at least since 1977, when the Fraser Liberal government introduced the Rural Adjustment Scheme (RAS), which was modified by the Hawke and Keating Labor governments in 1985, 1988 and 1992. Drought relief, together with household support and re-establishment assistance, was oriented to encouraging small farmers to quit their properties.

Under the 1988 version (RAS 88), farmers received household support for up to two years while they arranged the sale of their farms. Once they left the farm, they were eligible for a reestablishment grant, as well as household support payments, subject to an assets test.

In 1989, a Drought Policy Review Task Force rejected the treatment of drought as a natural disaster. It insisted that drought was part of farming’s environmental uncertainty and should be managed by farmers. The 1992 National Drought Policy enshrined this outlook. The Australian Agricultural Council announced: “Drought is one of the several sources of uncertainty facing farm businesses and is part of the farmer’s normal operating environment and RAS should provide support to farmers who have prospects of sustainable long-term profitability with a view to improving the productivity of their farm units.”

RAS 92 further stepped up the financial pressure on small farmers. The “exceptional circumstances” provision was first introduced to cover severe drought and substantial commodity price downturns. Responsibility for assessing the long-term viability of farmers and their eligibility for assistance was transferred from government officials to the private sector, that is, the banks and finance houses. Then Primary Industries and Energy Minister Simon Crean (now Labor leader) said the shift would ensure that RAS supported the commercial financial system, rather than usurped or competed with it.

After 1996, the Howard government further boosted the power of the banks and agribusinesses. In 1997, Primary Industry and Energy Minister John Anderson ordered a review of RAS 92, which criticised RAS interest rate subsidies and recommended a focus on profitability, sustainability and self-reliance. Reestablishment grants were terminated in December 1999.

Now, assisted by its state Labor counterparts, the Howard government is utilising the worst drought in two decades to force more family farmers off the land and slash rural jobs. While professing sympathy for farmers and trying to shift the blame for harsh criteria and bureaucratic delays onto each other, government leaders are pursuing a 25-year policy of restructuring agriculture in the interests of the large corporations.



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