

ON THE DRY SIDE 178 THE FUTURE OF AGRICULTURE John Hyde.  
When Primary Industry Minister, John Kerin, described the predicted demise of the family farm as 'so much hogwash' he was correct; and it needed saying before our resilient farmers succumb to maudlin self pity.

Farm businesses are variable. 28% had no debt and a further 18% owed less than \$20,000 last June. Many are net lenders benefiting by high interest rates. Production costs vary dramatically from farm to farm, shire to shire and season to season.

Some farm businesses will indeed go to the wall but, except in the rarest circumstances, the farms will not; they will be purchased by other farmers. Those that are in trouble are mostly high fliers who have purchased land or plant on credit that more risk averse farmers shunned.

Politicians who tell unpleasant truths are abused by those they tell, by political opponents and by their less honest colleagues. Remember the South Australian election, when John Howard told the truth about housing interest rates - the dishonest attacks by some of Mr. Kerin's colleagues who have had to eat their words - those 'courageous' Liberals ducking for cover?

Mr Kerin's 'hogwash' comment has attracted the abuse of political opportunists and misinformed farmers.

I do not doubt Mr. Kerin when he says, 'If world prices had not fallen over the past two years - by some 20 percent on average for Australia's rural exports - then farm incomes would be rising.' Nevertheless bad government, in Australia as well as in the EEC, is among causes of agriculture's declining competitiveness and shrinking share of Gross Domestic Product. However admitting past mistakes won't of itself enable the present government undo them quickly enough to help those 7% of farm businesses which the Bureau of Agriculture Economics tells us are 'at risk'.

Unfairly beset by a growing minority of shouting farmers, Mr Kerin is no longer publicly giving farm leadership the credit that it deserves. It is still more responsible in its demands than unions and protected manufacturers.

The National Farmers Federation has said many times that it does not want hand outs. Satisfaction of its two major demands would bring about higher living standards for everybody. It spurned Mr Doug Anthony's call made last year for budgetary assistance. It is true that it would have known, even if Mr Anthony did not, that the government could not raise sufficient additional tax to give meaningful assistance to another big industry but I think there is still ample evidence that NFF has respect for national as well as industry aspirations.

The two major demands are that industry protection be reduced and that real wages more nearly reflect the nation's more

straightened circumstances. The demands cannot be satisfied overnight but they are inherently reasonable.

On the first, the Labor Party's record is, if not good, then it is at least comparatively so. Labor was responsible for the 25% across the board tariff cut in 1974 and has started to reduce protection of highly protected industries including motors. Two of the most highly protected industries are milk and tobacco. The NFF has said little about these, even though they affect wheat, meat, wool and sugar in the same way as other protection. Kerin's first attempt to reduce dairy protection was frustrated by Liberals in the Senate.

The government should start a program of systematic general protection reductions. This would be a lasting benefit to all efficient industries but it will do little about the current farming 'crisis'.

The government seems to believe that Australian unions, by industrial action, can maintain their members' living standards at everybody's expense, even when foreign markets, natural disasters and poor government, reduce average living standards. Therefore the only sensible thing for it to do is to gain the unions' co-operation, by appeasement if necessary. (If current living standards are maintained by borrowing from abroad or by reducing investment future living standards suffer.)

Depreciation will not benefit Australian industries if Australian costs rise sufficiently. If all Australian incomes were indexed then depreciation would be followed by inflation, by further depreciation, and so on for ever, except to the extent that productivity gains are permitted to reduce costs. If productivity cases were to capture all productivity gains then there would be no hope even if hyper-inflation were not to turn productivity gains into productivity losses. Fortunately some incomes, including farmers' incomes, are not indexed, and due to lags, medi-fiddles and the like, few incomes are fully indexed. Even so, it is hard to imagine a system worse suited to coping with an adverse change in a nation's terms of trade than our own.

Since a right wage cannot be calculated the sensible thing would be a big drop in awards leaving the market to apportion lost international competitiveness by adjusting prices and over-award wages. As that is altogether too sensible to be thinkable, the government invented 'The Accord' which Mr Kerin thinks is keeping the lid on wages. The NFF it is not at all sure that it is.

If industries were not protected, unionists who asked too much would sack themselves. But as it is: who knows whether the Accord is, on average, keeping wages up or down.

Mr Kerin believes that if the unionists were asked to take a bigger share of lost competitiveness then the Accord would break down and unions could wreck the economy. Who knows if he is

right?

To break the devaluation/inflation cycle without asking more of the Accord than unions will accept, the government has tried to break the cycle, by holding the dollar up with high interest rates. This catches farmers two ways - with lower prices and higher interest bills. Worse, it does not look as though the government is succeeding; inflation is rising again. Real wages must now fall - in spite of the Accord. I think they will but this alone is unlikely to avert the 'crisis' for many farmers.

One short paragraph of the speech drew attention to regulations which bear directly of farm businesses. It read: 'The threat to farming from agribusiness comes from the cost-price squeeze that can result from monopolistic suppliers and monopsonistic buyers.' Translated that means: farmers' handling and selling authorities are a threat to farming. They are; and reform of organisations such as Bulk Handling Authorities offers the best opportunity to improve farm fortunes moderately quickly.