

DROUGHT AIDPublished
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The drought has broken nearly everywhere now and the government has announced an end to drought fodder and interest subsidies. Predictably the National Farmers Federation objected to the loss of these special privileges. Senator Walsh, acting minister for Primary Industry at the time of the announcement, accused the NFF of being as greedy as airline pilots - an unkind jibe at people who object so strenuously to the special privileges claimed by greedy trade unions.

Of course, Walsh was correct but his choice of words did nothing to endear him to farmers, and yet again he was the despair of his more vote conscious colleagues. Correctness is not always relevant in politics. Even a self interested farmer might not want handouts which deny him the authority he needs to oppose his big handicap - the tariff - but the truth is, most do.

The Fraser government responded to the drought with open ended aid that threw the last budget out before it really got started, adding some \$150 million to this year's deficit. (The treasurer, Mr. Howard, was overseas at the time.)

(Those farmers who know how to use the rules and are in the right position, can benefit from government aid at the expense of taxpayers and other farmers.)

Between last Christmas and the New Year I travelled the road from Canberra to Western Australia via Hay, Mildura and Crystal Brook, and had a good look at some of the drought country. Although it looked pretty awful, it was no worse than I have seen in Western Australia from 1969 through the '70s. Such livestock as I was able to see from the road were in good shape. While I have no doubt that there is much worse to be seen by those who go looking for it, many property owners were no doubt coping with adversity well enough. I better understand the resentment of some Western Australian farmers who are saying that the drought had to get to the Eastern States before the Federal Government became so lavish with aid.

Before we go any further I'll establish for the record that I have spent most of my life growing wheat and running sheep in a 13 inch rainfall; I do know what a drought looks like; and I am well aware that financial worries don't end with the rains.

Life on the land is by its very nature a succession of good and bad years. In a 44
lifetime of farming we should all expect a few absolute stinkers. In these years
we are likely to lose money hand over fist. But there are others when things go
right, sometimes very right. Besides drought, bad years have many causes,-- flood,
fire, animal and plant disease, frost, unseasonal weather, bad prices and bad
judgement, to name but the most common. Most prudent managers organise their
affairs to cope with one or two bad years but a run of poor years becomes more
difficult. For some eligible for drought aid, 1982 was the third or fourth
consecutive bad year, but for many others 1981 was O.K. Some farmers had a bad
time last season for reasons quite unrelated to drought - perhaps they had a fire
or septoria or frost got their crop. The first rule for all astute farmers is:
if you must have a disaster, have it in the company of others.

Any individual farmer's good years and bad years are always a mix of luck, judgement
and effort. It is impossible for governments to say how much of each in any
particular case, but they should know that on average bad managers need help more
often than good managers. This inconvenient fact presents government with a problem:
either it makes the aid available to everyone, in which case it must accept that
the aid will often be used for purposes akin to making the last payment on the
Cessna; or government selects those who are most in need of assistance, in which
case it subsidises bad managers to compete with good managers. The second rule
for astute farmers: in time of drought arrange to be illiquid, even though you
might have just sold the bulk of your flock before it became poor; that way you
are more likely to get some useful cheap money.

Some districts are more prone to drought than others. This is reflected in the
price of land; hectares are more expensive in reliable districts than in marginal
areas. Any subsidy including drought aid is necessarily reflected in the price of
land, mostly within the subsidised district. Rule three for astute farmers: if you
think that governments are likely to become more generous over time, buy land in
marginal areas, you should get a nice capital gain.

A similar principle affects the price of fodder. Should government subsidise
the purchase of fodder, either directly or through the cost of transport or by
offering the purchaser low interest money, the cost of fodder will rise. Whether
the buyer or the seller will end up with more of the subsidy will depend on which

is least desperate to make the transaction. I'm tempted to say rule four is to have fodder at the beginning of droughts, but any fool knows that; the problem is to know when the next drought is due. Government aid has the tendency to discourage fodder (and water) conservation in drought prone areas but to encourage it in others.

(Those of us to choose to farm should be left to cope with the industry's natural hazards, but first the government burdens us with tariffs, a protected banking system and an inefficient transport system, and then it selectively subsidises our weaknesses.) Far better all round if the government were to keep right away from the processes of production; as it is, the government by its meddling is turning a sturdy people, experts in their own fields of production, into mendicants expert in manipulating government grants. Rule number four: know your entitlements and see that you qualify. It beats dagging the weaners.