

The impacts of Australian trade and agriculture policies for farmers (and everyone else)

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1973:

- 185,000 farms
- Employing 377,000 Australians
- Producing gross value of \$47.15 billion (\$09/10)
- And net value of \$20.72 billion (\$09/10)
- Using \$17.66 billion of debt (\$09/10)

2009:

- 140,704 farms
- Employing almost 318,000 Australians
- Producing gross value of \$45.91 billion (\$09/10)
- And net value of \$8.38 billion (\$09/10)
- Using \$22.5 billion of debt (\$09/10)

What Changed?

- In the 1970s, agricultural policy moved from:
 - market intervention to ensure stability and prosperity for farmers, high levels of government intervention, including protection, regulation and economic and social support.
- To a radical vision to transform agriculture:
 - An end to government intervention would allow an export-focused rural sector to compete “freely” at an international level by increasing efficiency, productivity and output.

Beginning in 1973, the new (bipartisan) policy involved:

- Protection (**tariffs**) reduced from an average of 30% in 1970-1 to around 10% in the mid-1980s to 0 for most agricultural products now.
- Roll-back of government support (**subsidies**) for agriculture from about 8% of production in the mid-1980s to about 5% now, compared to the OECD average of 27%, 34% in the EU and 11% in the USA
- **Deregulation** of cooperative marketing arrangements and price supports in almost all markets.
- **“Structural Adjustment”** - “Get Big or Get Out” where “failures are part of the steering mechanism that directs an economy toward prosperity through the production of wealth” (Gow, 1994)

Through the 1980s and 1990s these reforms became codified in the “Washington Consensus”

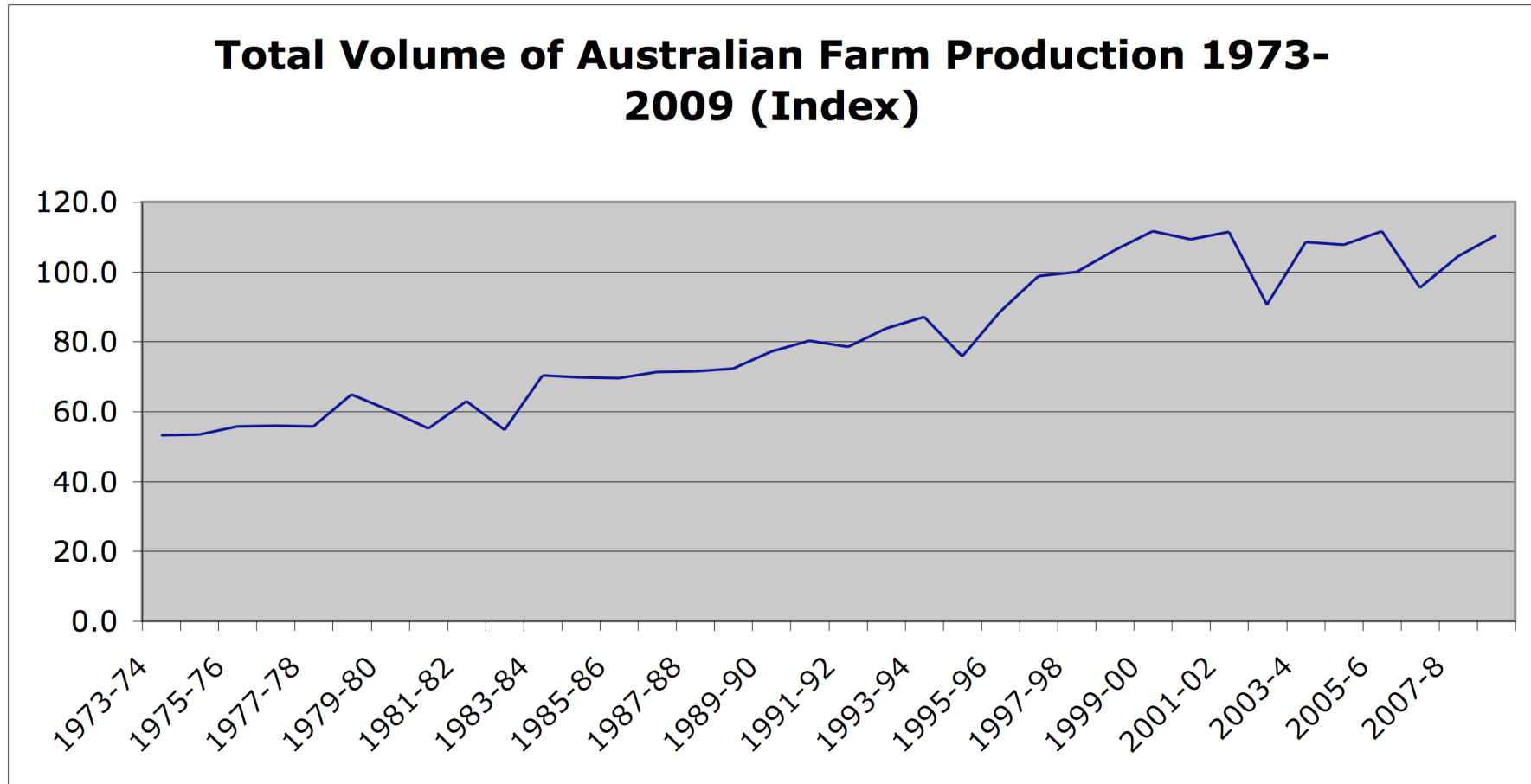
- Spread around the world via “structural adjustment” programs by the International Monetary Fund & World Bank
- Trade liberalisation, deregulation and privatisation have transformed agriculture across more than 100 countries via IMF & WB policies
- From 1995, the World Trade Organisation’s Agreement on Agriculture (AoA) increased the spread of these reforms

The aims of these policies have been:

- Maximise production & export, and therefore maximise economic output (growth)
- More efficient & productive farms maximise farmers' incomes
- Lower prices for consumers

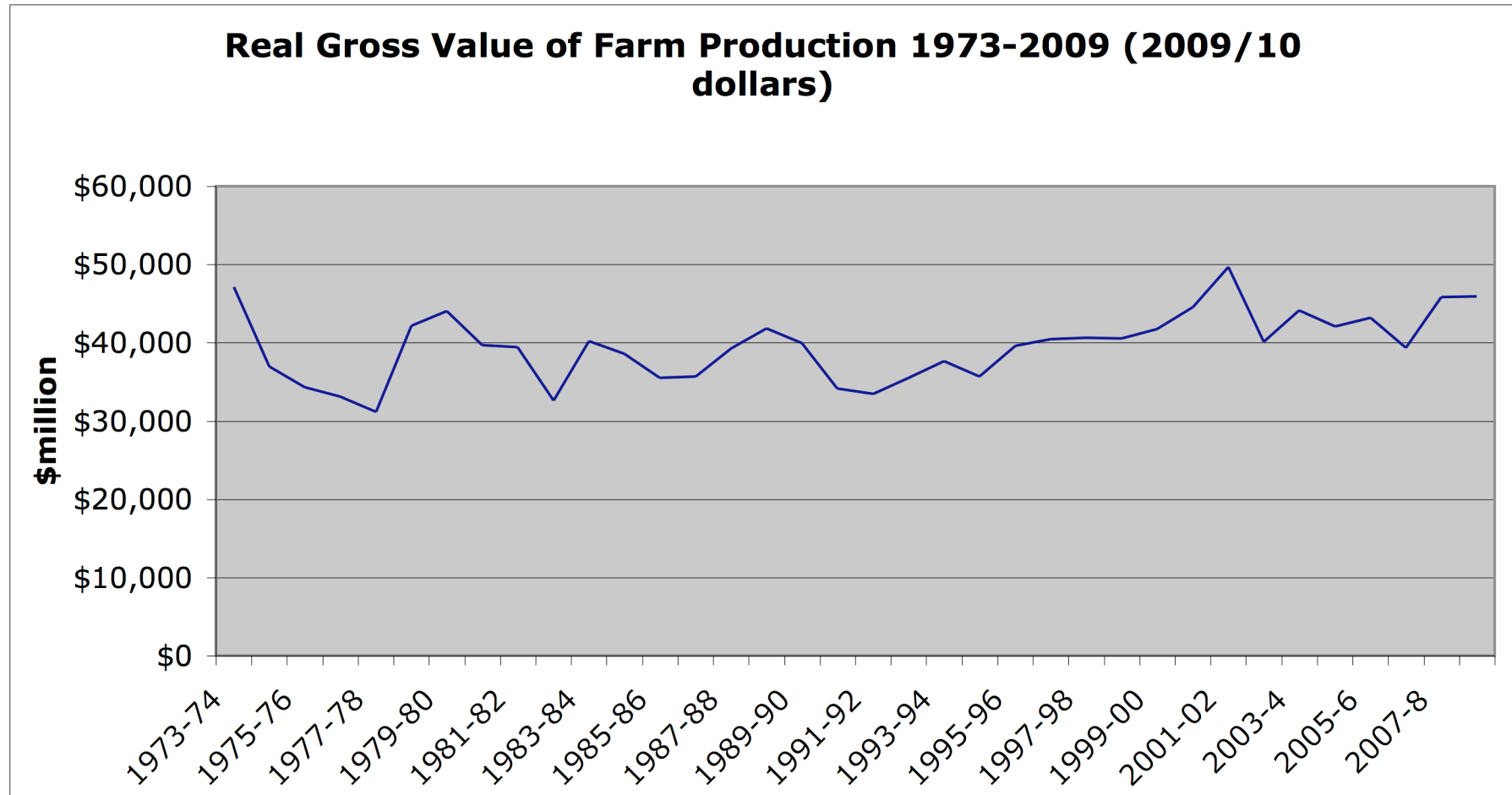
Actual Impacts for Australia?

Production has risen...



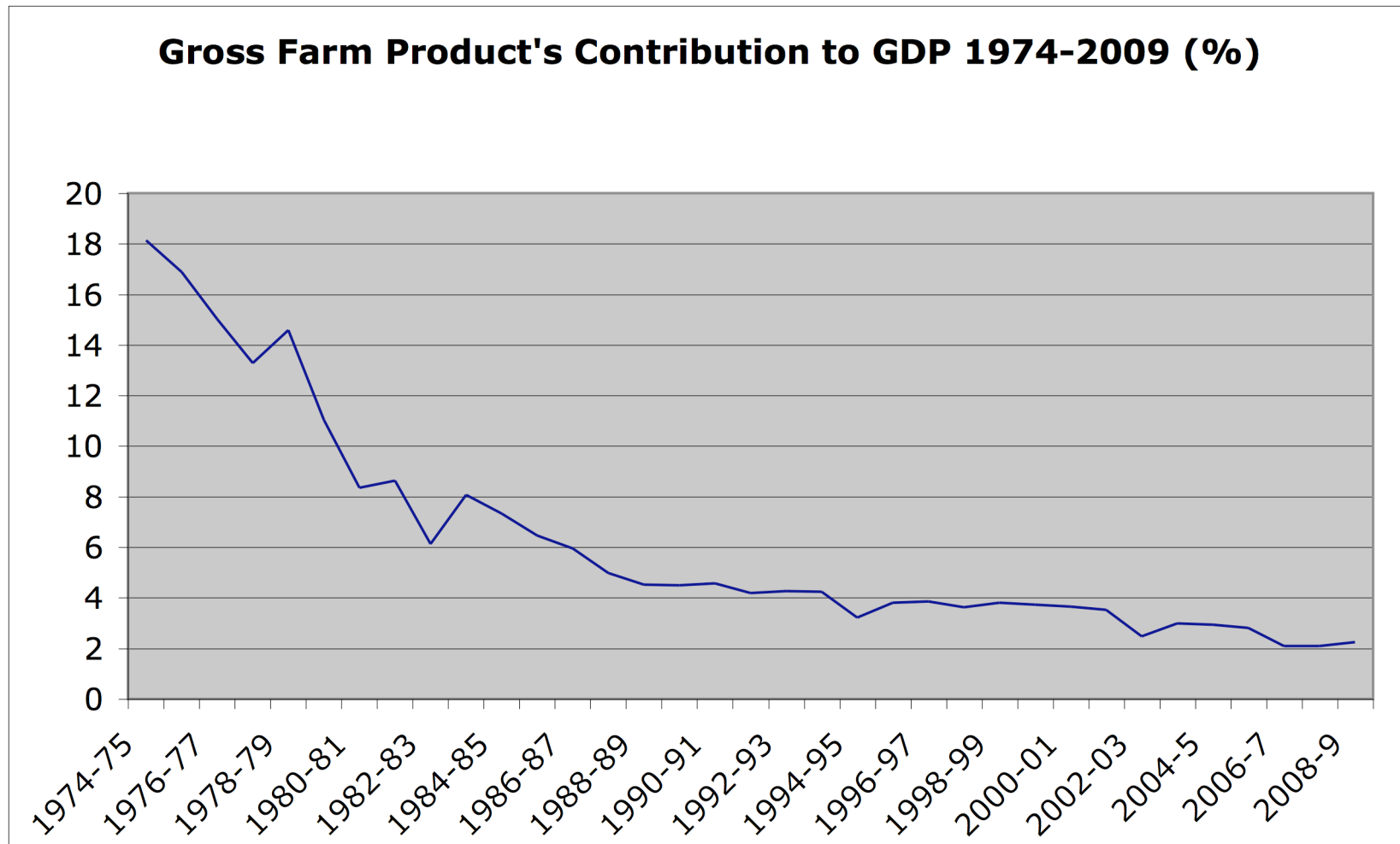
Source: ABARE (2009)

But the real value of production has stagnated...



Source: ABARE (2009)

So farming has become (almost) irrelevant to the national economy...



Source: ABARE (2009)

And for farmers?

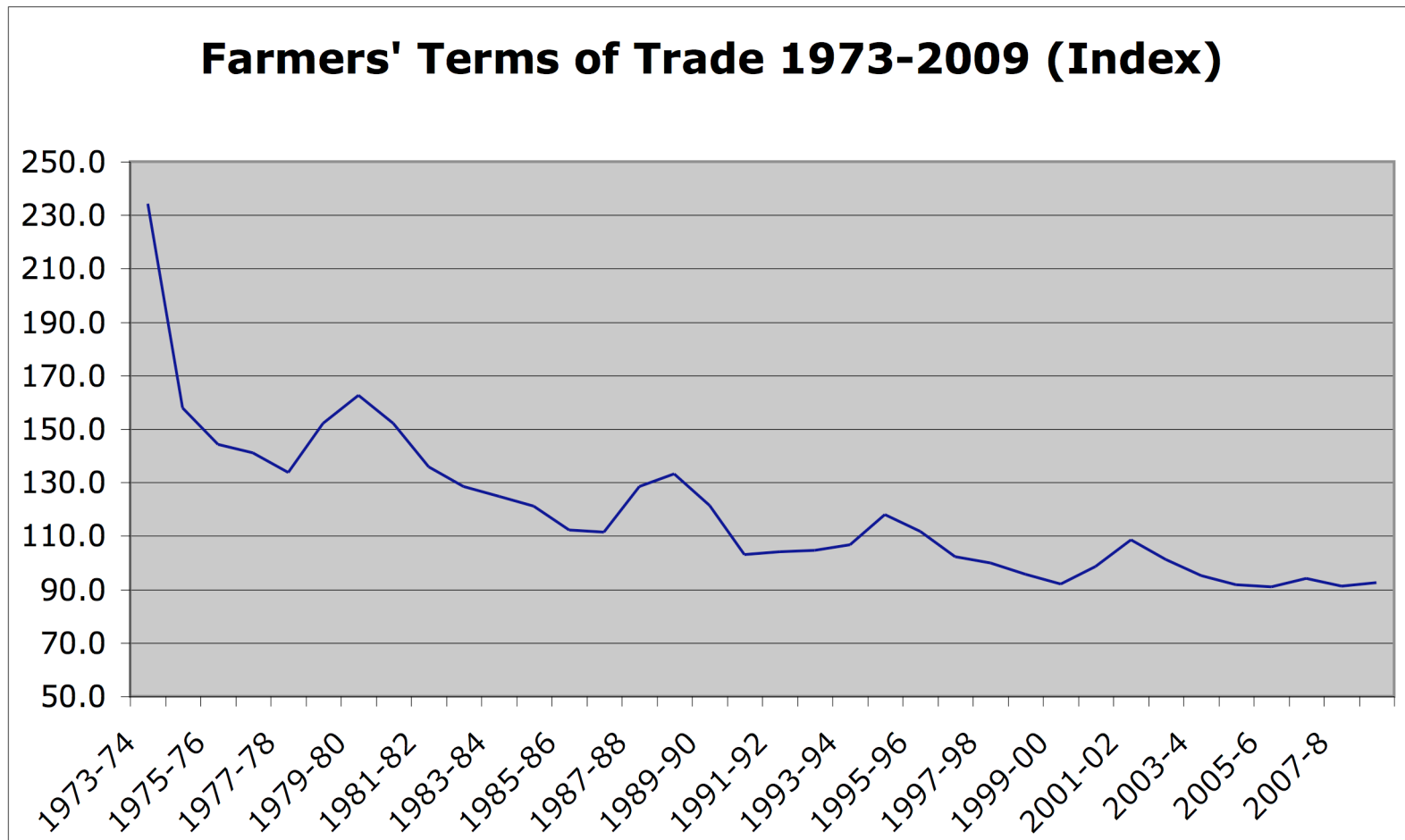
“Going back to the last ten years, production [has been] getting bigger . . . [but] **we have been going with less and less every year, even though production has been coming up.** But things are just going backwards”

– Australian farmer, 27y/o (Gray & Lawrence, 2001)

“Farmers operate in an economy where competitiveness and efficiency must be improved and output increased in order to maintain net income and ensure survival. The resultant increases in output place downward pressure on agricultural prices and, accompanied by increasing costs from competing demands for resources from the non-farm sector, are manifested in a **cost price squeeze**”

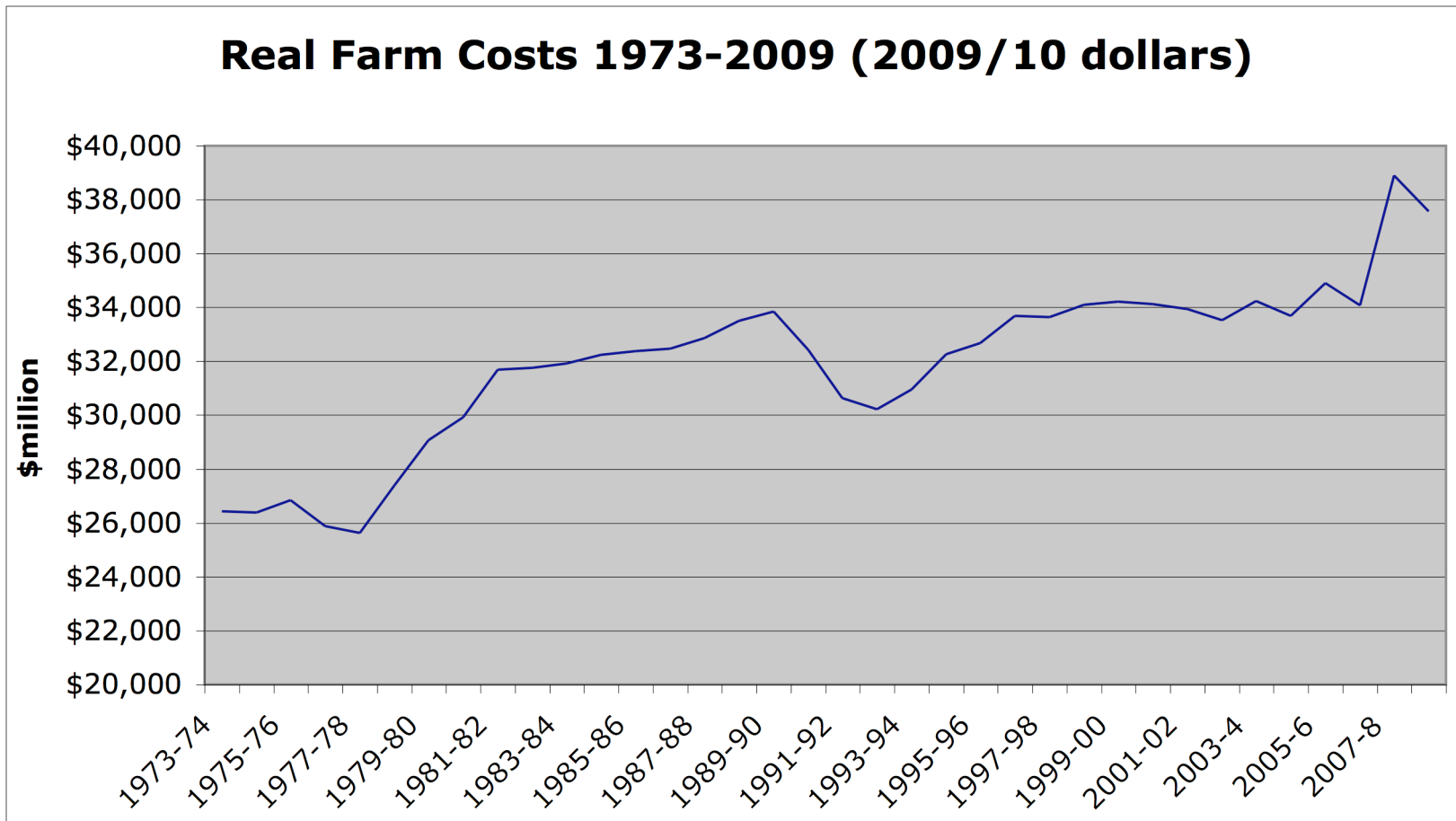
– RIRDC, January 2000

Increased production has driven down prices, while deregulation and the end of protection have left farmers exposed...



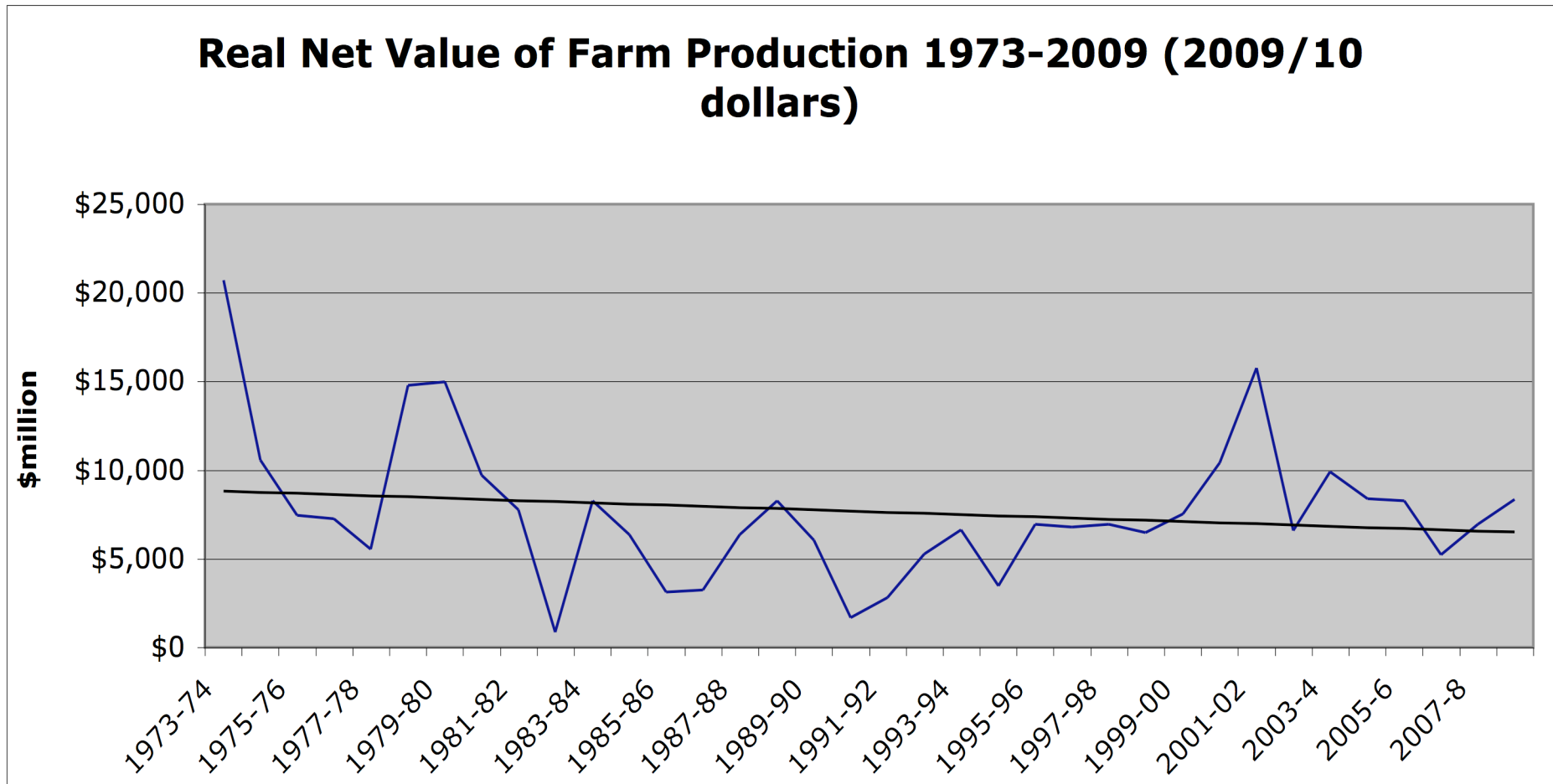
Source: ABARE (2009)

While increased input use and prices have driven up costs



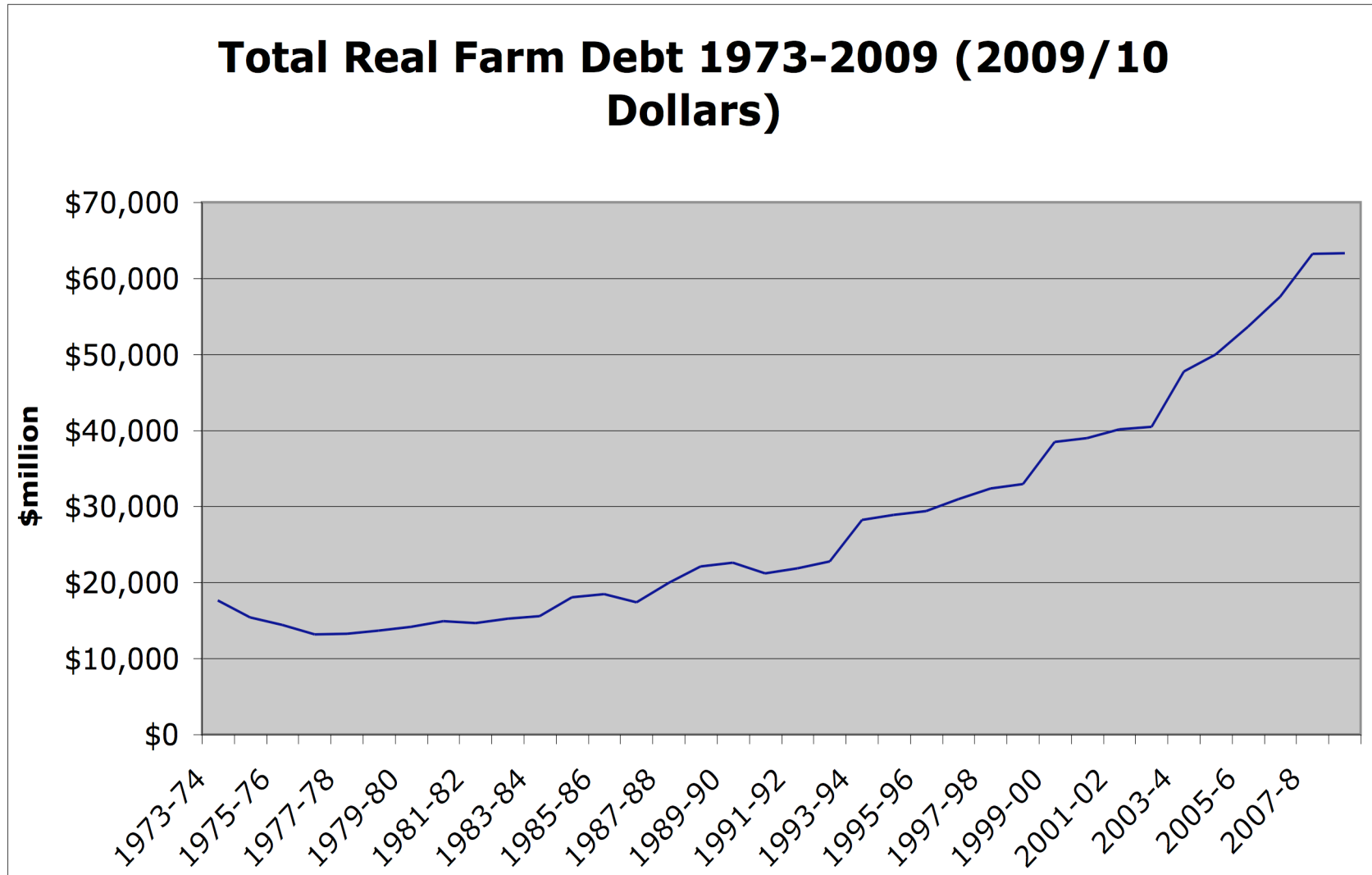
Source: ABARE (2009)

As a result, farmers incomes have fallen...



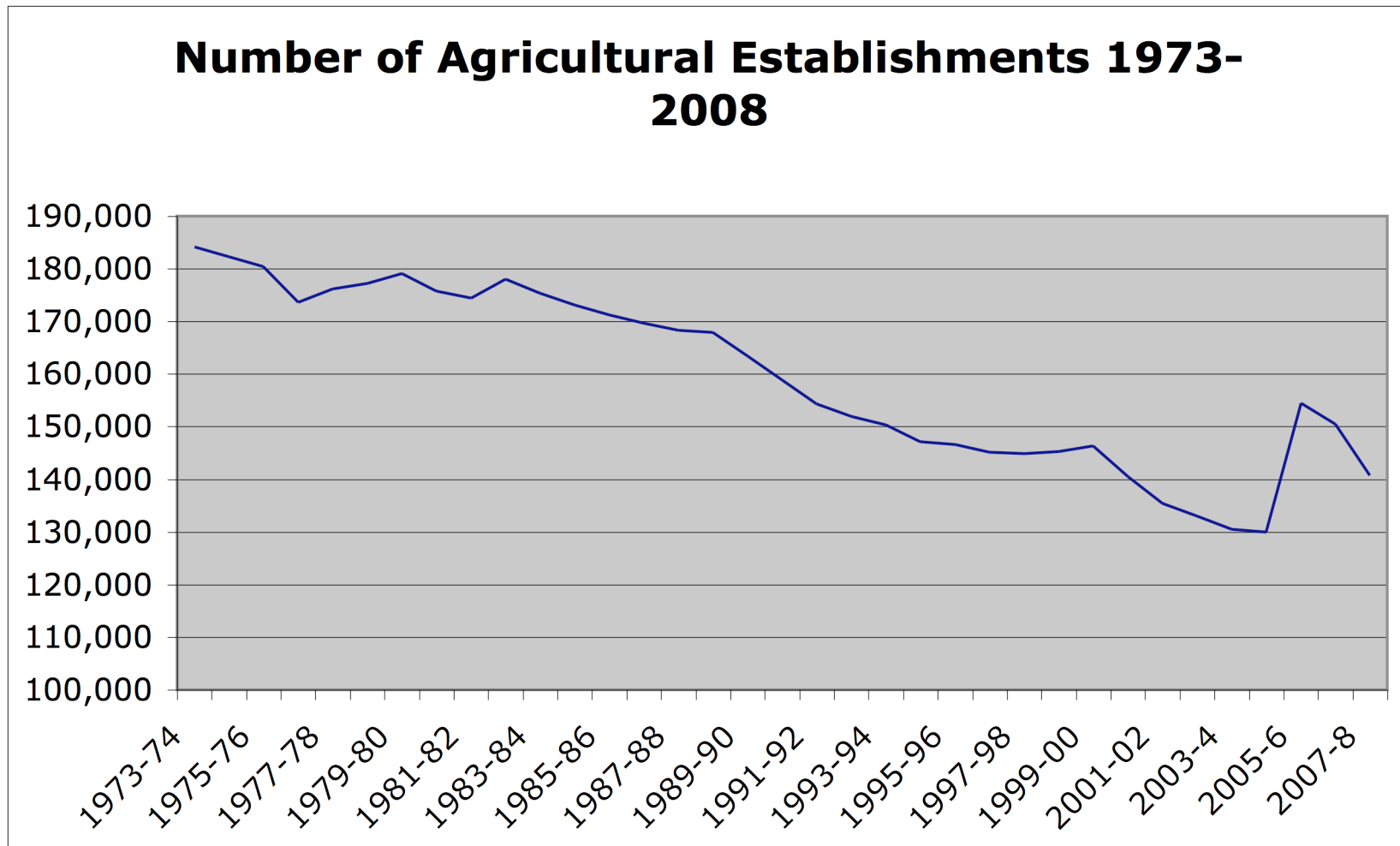
Source: ABARE (2009)

Farmers' debts have soared...



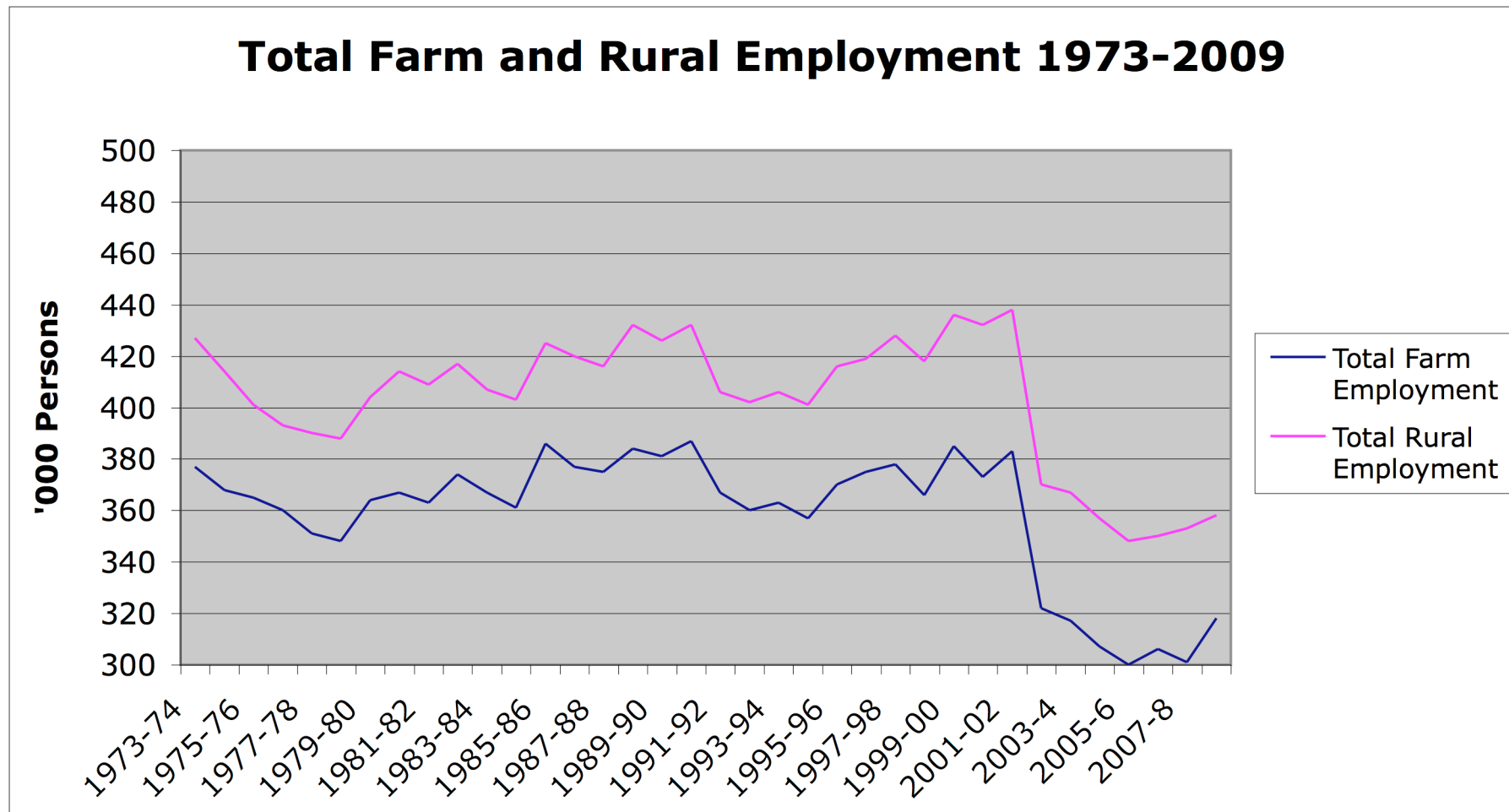
Source: ABARE (2009)

About 45,000 farms have disappeared
(about 5 per day)...



Source: ABARE (2009)

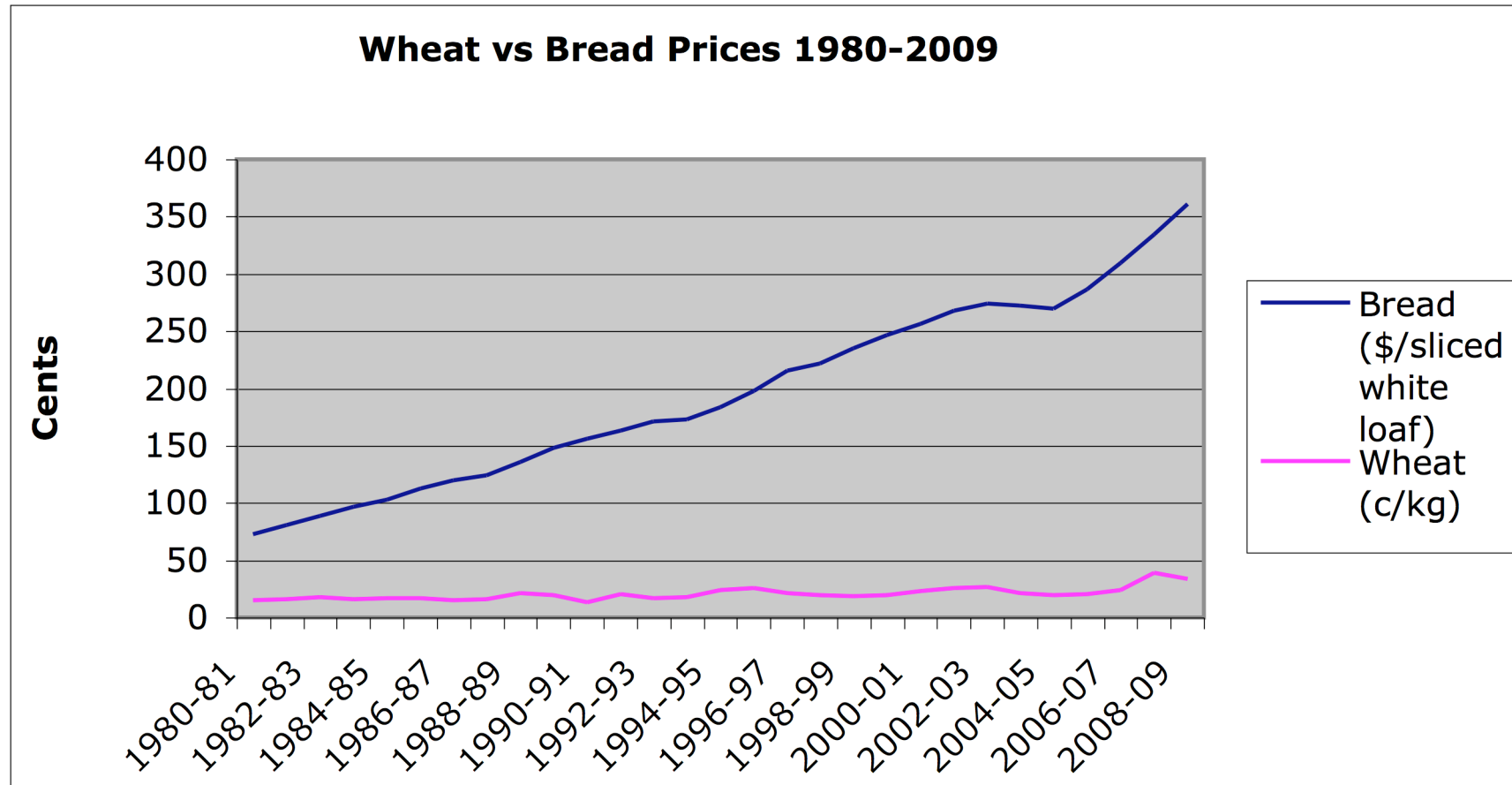
And jobs have disappeared from farms and rural areas



Source: ABARE (2009)

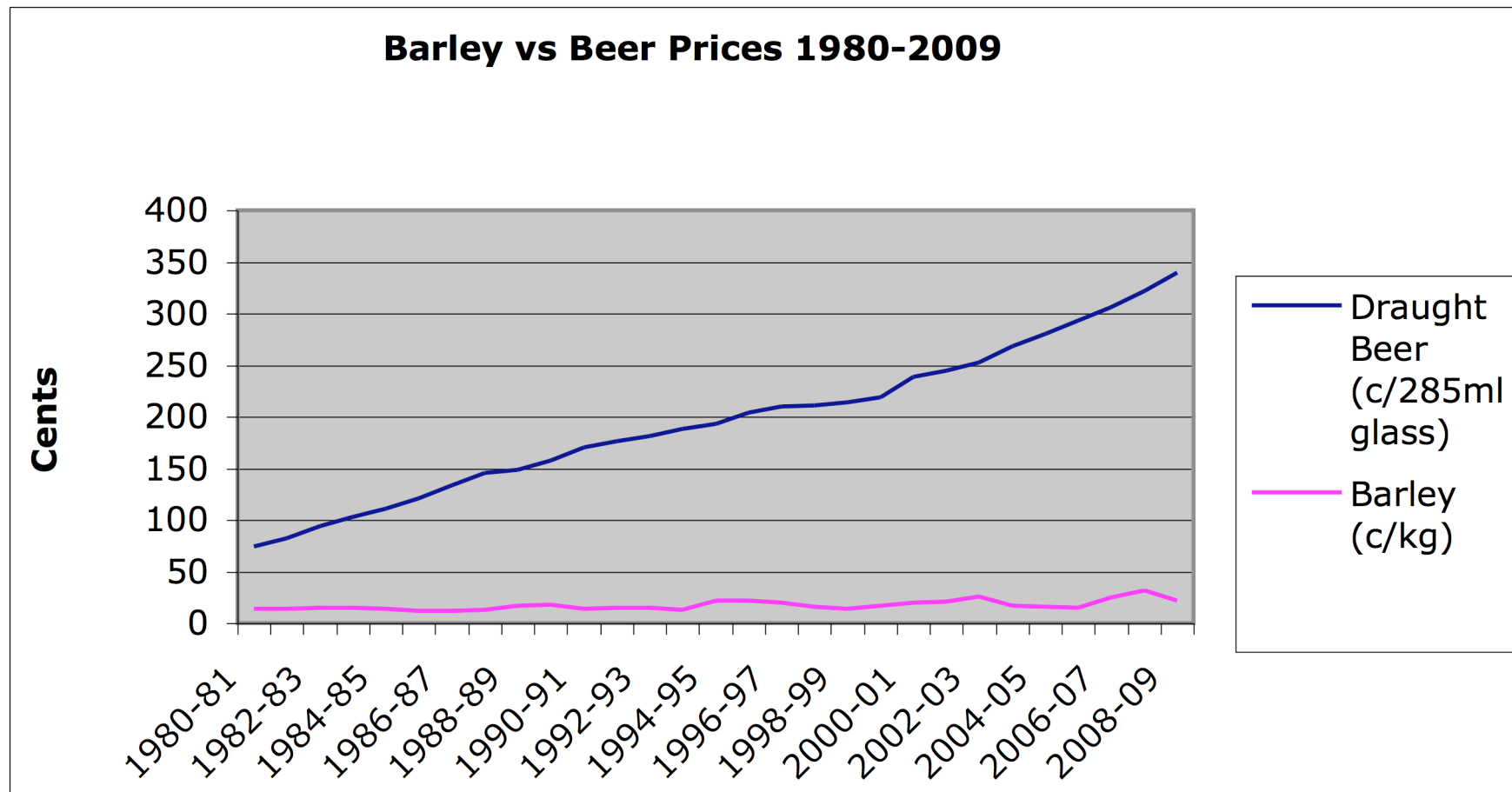
So what about consumers? Surely
we're the winners here!

Since 1980, the price of bread has increased at more than **double the rate** of the price of wheat



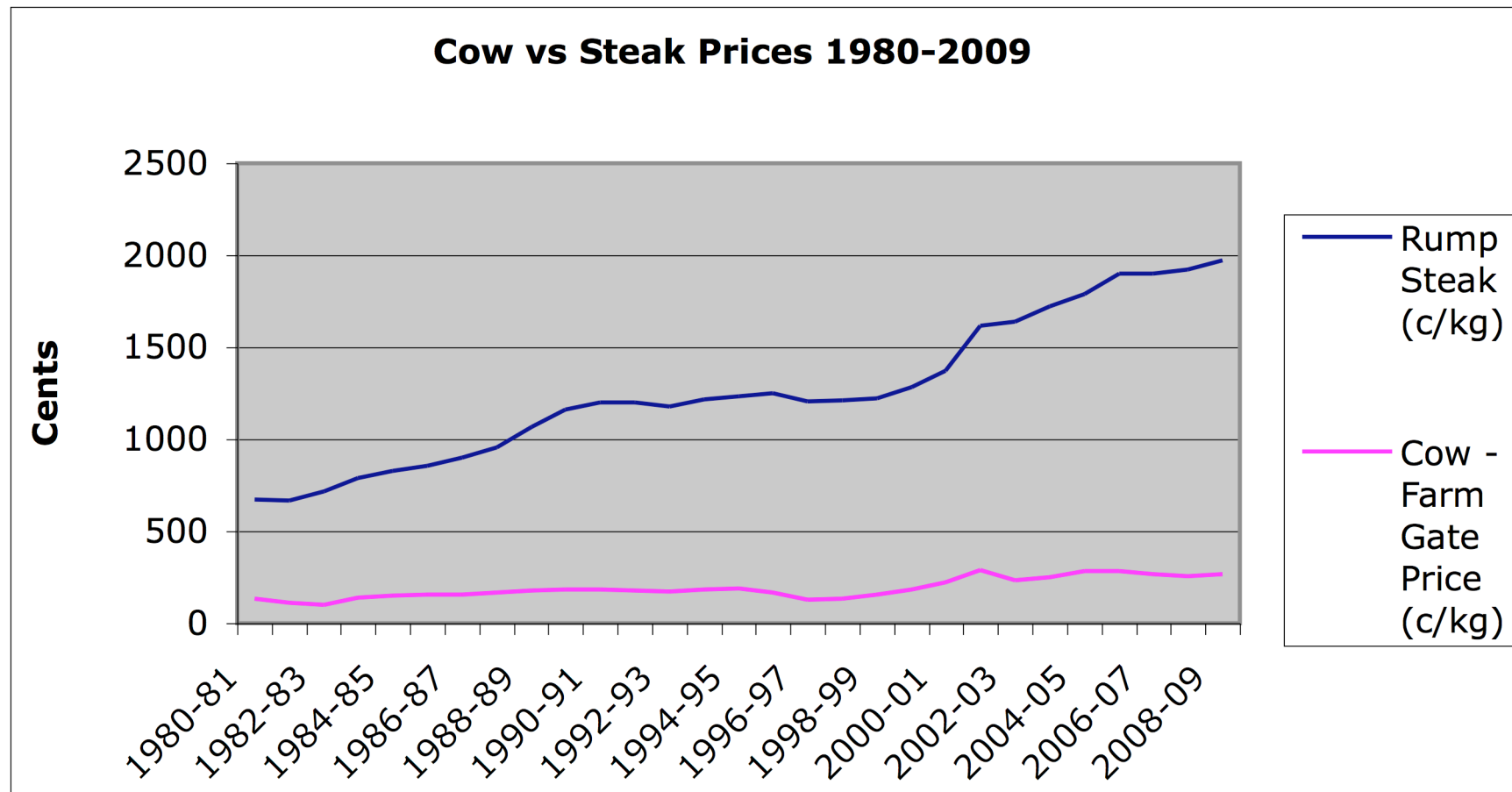
Source: ABS (2009, 2010)

Since 1980, the price of beer has risen at more than **triple the rate** of the price of barley



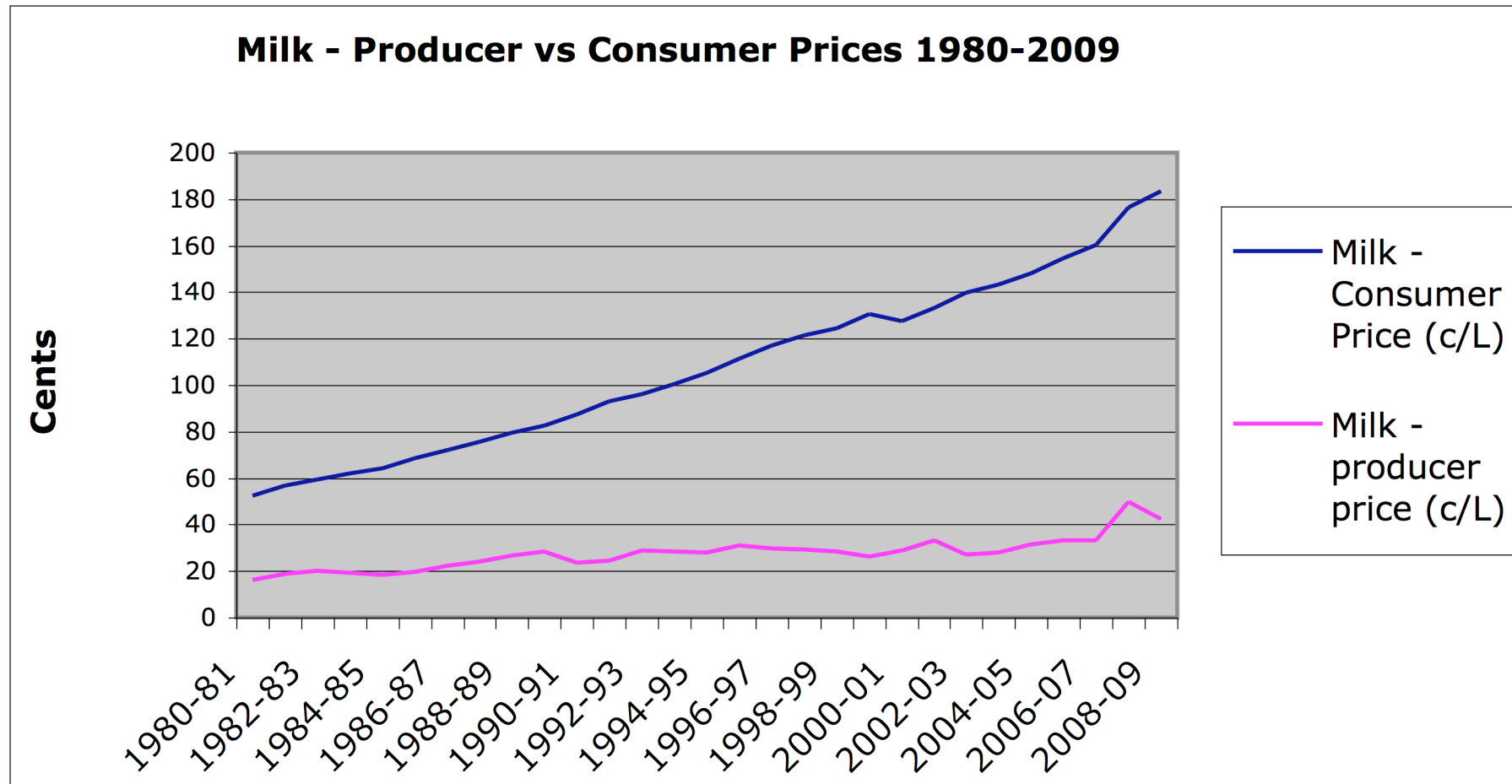
Source: ABS (2009, 2010)

Since 1980, the price of steak has increased **45% faster** than the price of cows



Source: ABS (2009, 2010)

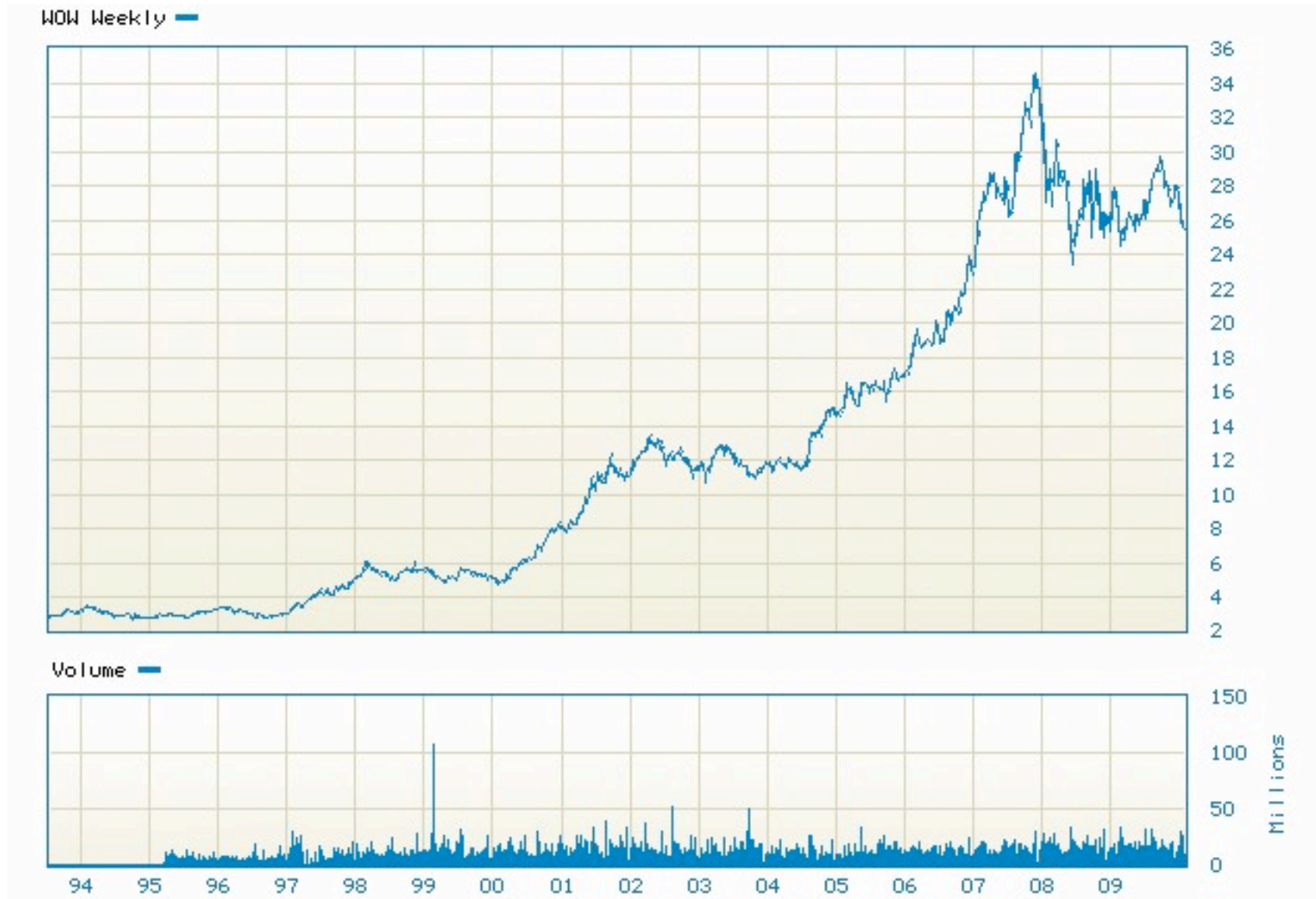
Since 1980, consumer prices for milk have risen **75% faster** than farm-gate prices



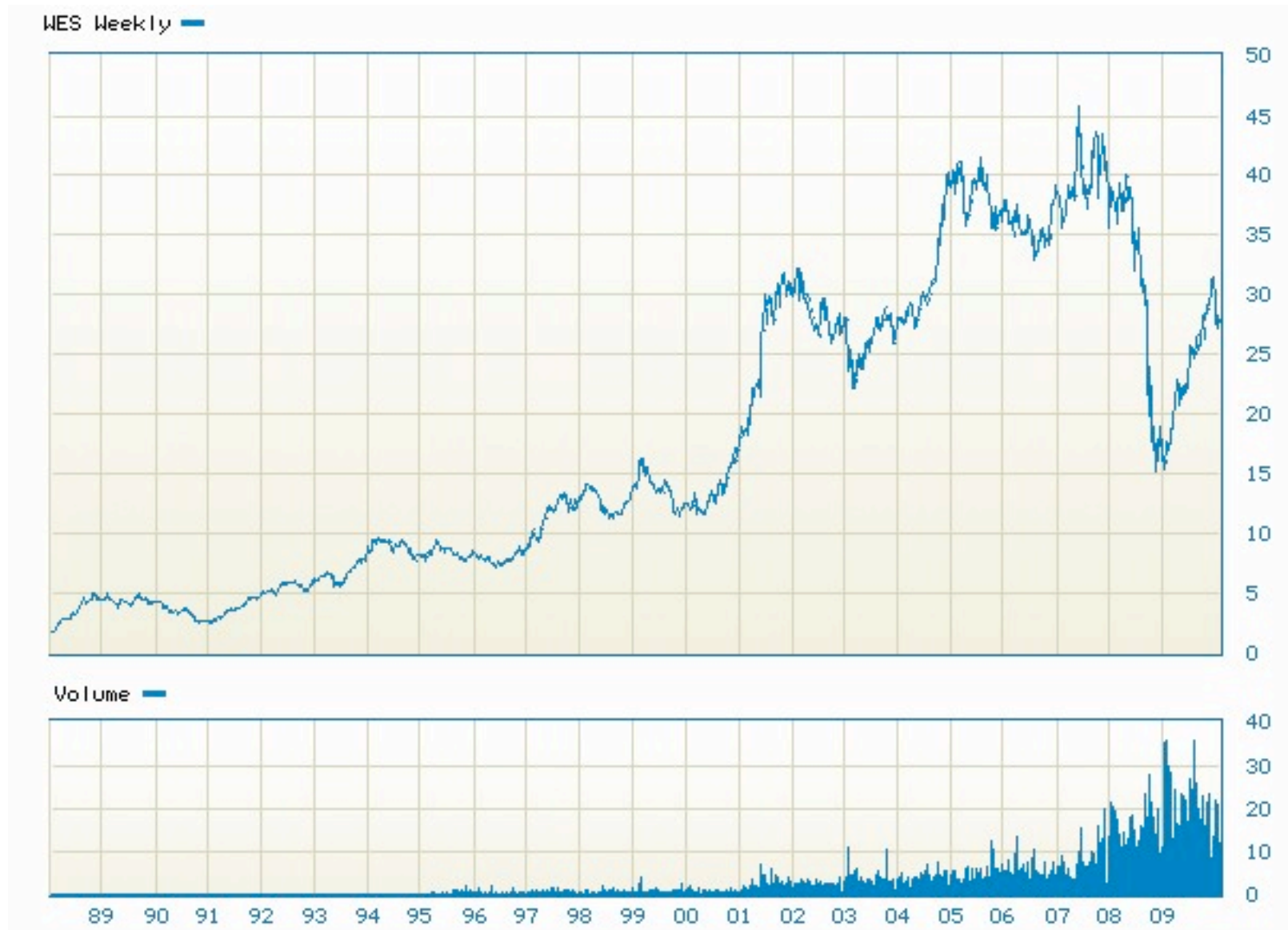
Source: ABS (2009, 2010)

So if the Australian economy,
farmers and consumers have
all been losers from the last
35 year of farm reform, who
has won?

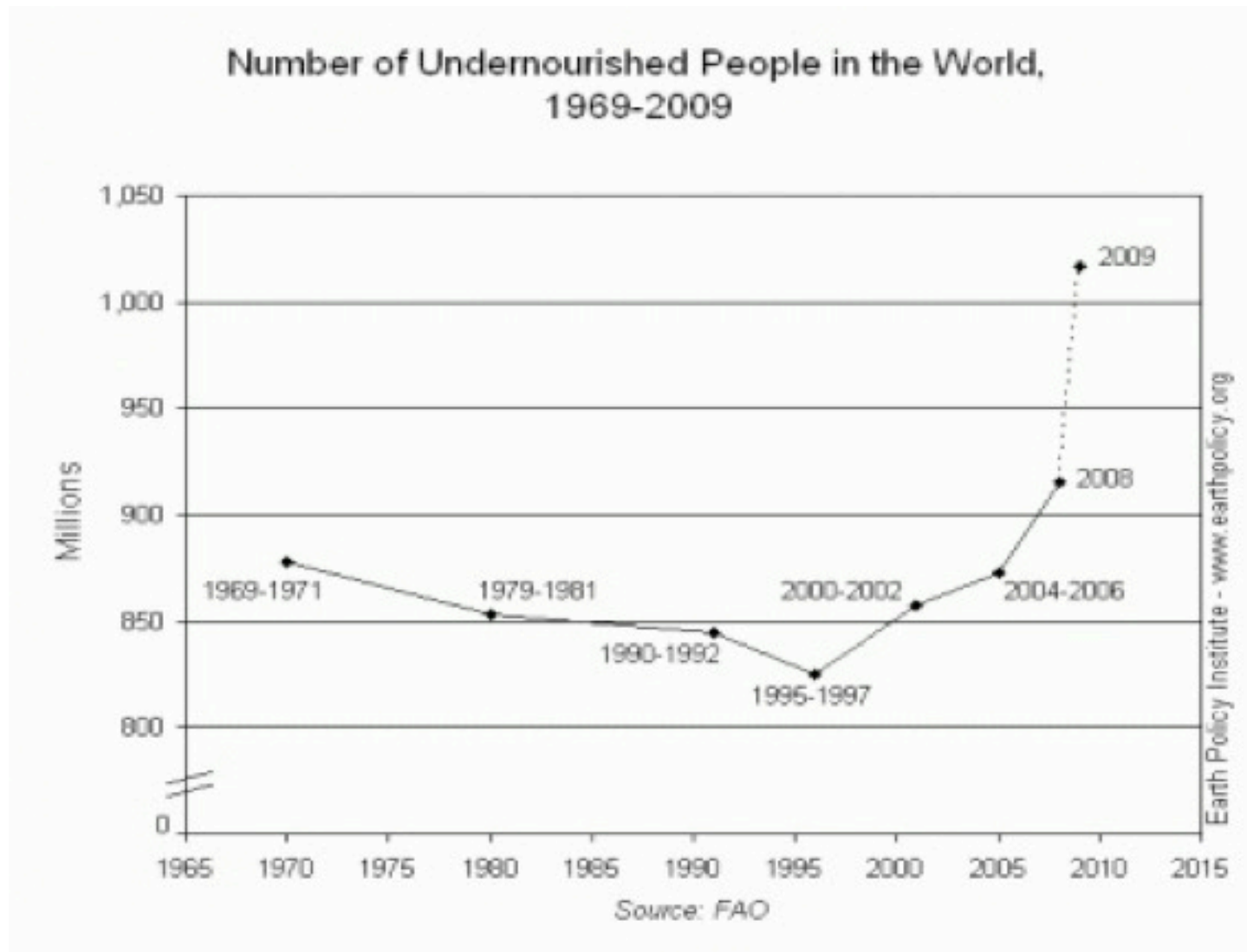
Woolworths Share Price 1994-2010



Wesfarmers Share Price 1988-2010



But don't we need to over-produce to feed the hungry people in the rest of the world?



“Australian agriculture's tragedy can be attributed to the elite thinkers who crafted what passed for "rural and regional policy" in a succession of governments spanning the past quarter century. Still frozen in a post-colonial theory that revolves around "get big or get out", economies of scale, point theory, and the cherished hope that eventually the world would adopt a truly free market philosophy, they have instead delivered an economically and ecologically unsustainable future. . . . the old theories are now found wanting, and it is time for a new paradigm for agriculture and the rural and regional communities that depend on it.”

– National Party MP De-Anne Kelly, 2002



“We need the World Bank, we need the IMF, we need all the big foundations, we need all the governments to admit that for 30 years we all blew it, including me, when I was president. We blew it. We were wrong to believe that food is like some other product in international trade. And we all have to go back to a more environmentally responsible, sustainable form of agriculture. . . . We should go back to a policy of maximum food self-sufficiency. It is crazy for us to think we can develop countries around the world without increasing their ability to feed themselves.”

– Bill Clinton, World Food Day 2008



Statistical References

- ABARE (2009) – Australian Commodities Statistics 2009, Australian Bureau of Agricultural and Resource Economics, Canberra, 2009.
- ABS (2009) – “6403.0.55.001 Average Retail Prices of Selected Items: Eight Capital Cities, Dec 2009”, Australian Bureau of Statistics, Canberra, 3 February 2010.
- ABS (2010) – “6401.0 Consumer Price Index, Australia, TABLE 7. CPI: Group, Sub-group and Expenditure Class, Weighted Average of Eight Capital Cities, Dec 2009”, Australian Bureau of Statistics, Canberra, 27 January 2010.