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**RURAL POLICY:
Facing up to the farm income crisis**

by Dr Mark McGovern

News Weekly, August 14, 2004

*Sound policy is urgently needed to address the crisis of declining income and the potential for a rapid deterioration in agriculture & Australia's trade position, with further consequences for down-st. processing. **Dr Mark McGovern**, senior lecturer in the School of International Business, Queensland University of Technology, outlines key issues.*

There are successes in Australian agriculture and throughout regions today. The trouble is there are too few of them. & the problems are sectoral ones arising from a lack of overall understanding, flawed analysis and poor industry policy.

Given the efforts and capabilities of those involved, we should have more successes - economically, financially, societally and environmentally.

Declining farm incomes

A few years ago I reported a naïve analysis that indicated Australian incomes could trend to zero around 2017. Alternate analysis of the trend showed an underclass could emerge subsisting on around 10% of current incomes.

Though technically adequate, the analysis was essentially a demagogue. My purpose was to indicate what could happen if such income trends were allowed to continue, and so stimulate debate and find corrective measures.

Unfortunately, while my comments were widely reported, policy intervention was nothing. In the years since, there have been a couple of good couple of bad years for farm incomes. But the trend broadly continues. Agricultural incomes are still dancing downwards.

Unfortunately other developments in this time *could* even hasten the demise of Australian agriculture. Even the strongest swimmer struggles.

OPINION: Distributism and capitalism

when the tide is ripping out.

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Around the world, agriculture is struggling to provide decent income adequate returns on capital. All manner of examples appear. Not the tragedy in the Third World continue, the blight on agriculture evident in the First World. Canadian farm debt has doubled in the couple of years, for example.

Latham, Iraq and free trade deal (letter)

Fishermen protest in marginal seats (letter)

The European Union has expanded to 25 members. The Common Agricultural Policy's generous subsidies will not be available to the members from the old Eastern Bloc, but they will have market access (variously restricted) to the West, compounding the problems on markets that are likely to come from the EU.

Ethanol stand challenged (letter)

BOOKS: The Red Millionaire: Willi Münzenberg, by Sean McMeekin

US farm subsidies and other actions have enabled considerable reduction of the American farm debt problem. Remember, US farm debt once that of developing South America.

BOOKS: GETTING ON TRACK: A Business Plan for Australia

BOOKS: Just War Against Terror, by Jean Bethke Elshtain

World Trade Organisation multilateral trade talks at Cancun went despite recent talk of a breakthrough, details remain unclear at the moment and any phasing-in will take a considerable time.

BOOKS: The Mystery of Olga Chekhova, by Anthony Beevor

This is the time which those already advantaged can use to consolidate their positions. The positions of others will continue to deteriorate. Trade reform is cheap and is an effective delaying strategy. Such delay will continue to cost many dearly.

Books promotion page

Meanwhile, markets will continue acting in ways that would not be expected to occur in truly competitive markets. Incredibly in a period of extensive supply chain development, the assumed market alternative to the present situation remains one of competition everywhere.

Pulling all these things together, agriculture is a sector with serious problems across the markets and along the supply chains throughout the world. Resolution at the moment is being driven by those taking opportunistic advantage.

Such a corrupted and degenerating situation threatens the income and futures of Australia's farmers, the land and those associated supply chains or community interactions.

Trade reform

It is agreed by all but the most one-eyed supporters that there is a problem with agriculture in the proposed Australia-US Free Trade Agreement (FTA). Not only is the agreement discriminatory in a number of ways, it is still uncertain how it might actually be implemented.

For example, how will GM foods be handled? Indeed, I see some people viewing the agreement as potentially so flawed that it could actually weaken Australia's strategic alliance with the US, while needlessly improve

some and, perhaps, many.

For a farmer there is a simple question that needs to be answered: a farmer with minimal support and considerable debt to compete with a well-supported farmer and lesser debt? Farmers and farm investors will wither if no positive answer is found.

Remember, it is the marginally priced or costed agricultural product that drives down prices in the market. A small amount of "excess" US production can dramatically lower prices in Australia. An FTA will likely see problems, previously associated mainly with farm exports, spread to the bulk of Australian production - that is, those servicing the domestic market.

In setting policy there has been confusion between business and political interests. Each have distinct interests. Economics is currently used (and sometimes distorted) for political purposes, and to the detriment of some businesses.

Much more could be said but clearly the interests of Australia and Australians are not well served by our current situation. One day we will be having a "Farmers Overboard" inquiry. In the meantime, appropriate actions are needed.

The real challenge is for those in agriculture and those with the best interests of the Australian communities and regions to combine their efforts for mutual gains which are also in the best interests of Australia.