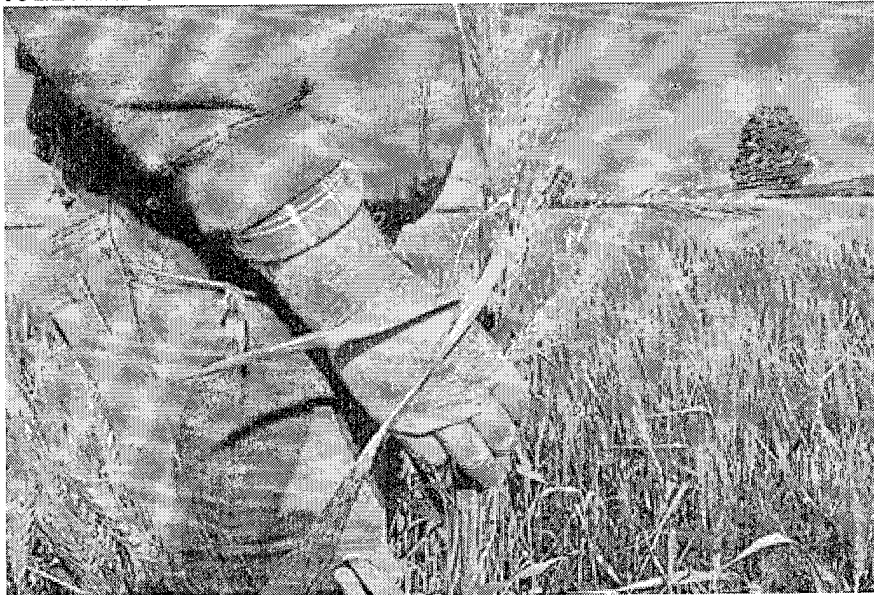


Subsidies go against the grain

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THE nation's single biggest grain farmer, NSW's Ron Greentree, says industry conditions are worse than any other time in his 35-year farming career.

"I think it's the toughest period and I don't say that lightly," Greentree says. "I can't squeeze anything else to reduce my costs any more. It is not that I have turned into a whingeing old farmer. It is just that I have always been able to find a way to do things better or improve productivity."

The 53-year-old farmer says in the past six years his costs have doubled.

Wheat prices have been rising but much of the gain has been extinguished by the appreciating Australian dollar.

"I have always been able to roll up my sleeves but now my sleeves are cut off. I don't think there is anything else I can do [to cut costs and improve productivity]".

The economic conditions have triggered calls for subsidies from many farmers and agricultural associations, igniting a debate about the merits of subsidising industries that fall on harder times.

The tipping point for many economists on the question of whether the state or federal government should intervene and offer farming subsidies or cut-price loans is whether conditions are so bad that they constitute a threat to national food security and are well outside the normal cycles faced by generations of Australian farmers.

Unlike many farmers, Mr Greentree is opposed to government subsidies.

"If I get it, why shouldn't the little hardware shop get one when Bunnings opens up three doors down?" he asks.

AMP Capital chief economist Shane Oliver says it is more beneficial to the nation to spend money on education than subsidise industries such as manufacturing and agriculture.

"There's always the risk we head back into agrarian socialism," Oliver says. "Many farmers see themselves as self-funded entrepreneurs and would be critical of handouts to manufacturers."

Historically, farmers have been able to extend financing facilities. But their equity has been so eroded by prolonged high input costs and falling land values, that there is also a view that it is time for state and federal government to act.

Calls for government intervention are hampered by the fact that when the worst drought in 50 years struck farmers a year ago, some farmers ended up generating higher incomes than a typical year due to insurance payouts for crop failures.

Landmark managing director Richard Norton, who runs the nation's largest rural services operations, wants the government to back a US-style insurance scheme that can protect farmers in periods of "catastrophe".

"It could be done in a way that over time it could become commercial for the government and it would certainly end the calls for subsidies every time conditions became very dry as they are now," Norton says.

He says the agricultural industry is experiencing the toughest period since the early 1990s.

"We have to decide if food is going to become one of the key commodities as the world's population increases because if that is the case then Australian agriculture has to get more sustainable. An insurance scheme could at least allow farmers to pay their input costs if their crops fail," Norton says.

There have been very public calls for government assistance in WA, where farmers in the wheat belt suffer under drought conditions.

But it isn't just the grain farmers in trouble.

Cattleman in northern Australia are hurting as dry conditions force farmers to quit stock they are unable to feed, forcing down beef prices to their lowest price in more than three years.

The industry also complains that the government's snap ban on live exports to Indonesia in 2011 is still being felt through lower exports and higher operating costs.

Australian Agricultural Company, the nation's largest beef producer, has warned conditions are worse than the drought in 2007.

The horticultural industry is reeling as the high Australian dollar cripples exports, forcing many to rely on domestic sales dominated by a supermarket duopoly.

Dairy farmers are suffering higher power bills to run their milking machinery while also battling lower international milk prices, a high Australian dollar and more challenging domestic sales due to the supermarket milk price war.

Meanwhile, banks are seeking repayment from farmers to offset falling farm values.

The federal government will on Saturday launch an agricultural initiative that includes issuing concessional loans to struggling farmers to help restructure debt and invest in productivity. In Western Australia, Premier Colin Barnett has offered a \$7.8 million package to drought-hit farmers in the eastern wheatbelt that includes payments of up to \$20,000.

Ruralco and Elders have warned profits will fall this year, as has crop protection company Nufarm, which has sold fewer weedkillers to farmers either cutting costs or overseeing paddocks too dry for weeds to grow.