

**From Black Jack McEwen to the Cairns Group  
Reform in Australian agricultural policy**

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During the Uruguay Round of multilateral trade negotiations, Australia and the Cairns Group were strong advocates of agricultural policy reform and were arguably instrumental in ensuring that agricultural trade was, for the first time, an important part of the negotiating agenda. In historical terms, Australia's conversion to free markets for agriculture has been relatively recent. Governments have intervened in agriculture in Australia from the time of European settlement and after World War Two, Australia's agricultural support policies were not dissimilar to those in place elsewhere in the developed world. In the early 1950s, Australian Ministers were holding the United Kingdom up as "the best example of government assistance to agriculture" due to the "huge sums ... paid in direct subsidy to producers" (National Archives of Australia 1952, p30). Internationally Australia's reputation was not unsullied; for example in the 1960s, it was being criticised for being "irresponsible in allowing wheat production to expand" (Campbell 1971, p52).

This paper describes how Australia moved from an interventionist agricultural policy to the leadership of the Cairns Group during the Uruguay Round. It discusses the dismantling of price supports, stabilisation schemes and the myriad of other government interventions in agriculture and suggests that this process was facilitated by timely political developments which allowed agricultural economists to gain the reform for which they had been calling for years. Following Kingdon (Kingdon 1995), the paper suggests that agricultural economists responded to the policy opportunities offered by political change and were able to pursue their approach to agricultural reform effectively. This change, initially in the form of the 1972 Labor government, produced institutional developments that contributed to a significant shift in the structure of the policy community—the emergence of a market-oriented National Farmers' Federation—and allowed the new approach to become entrenched.

### **Some important features of Australian agriculture and agricultural policy**

Before setting out to describe the reform of agricultural policy in Australia, there are a few important observations that need to be made about Australian agriculture that may help explain the policy environment within which change took place.

First, Australian agriculture is highly export-oriented and, although its share of exports dropped from 78 per cent in real value terms in 1952-53 to 21 per cent in 1995-96 (McColl et al. 1997, p22), it remains an important contributor to Australia's export earnings. This high level of dependence on export markets means that Australia's farmers have always been vulnerable to fluctuations in world prices, exacerbated in recent years by the export subsidisation policies of other developed countries. In principle, many of the stabilisation policies outlined below were set up to help smooth out these fluctuations rather than as purely protective measures (Watson 1979, p161). Such a high level of reliance on world trade provides considerable incentive to push for a level playing field in agriculture. As early as 1946, the Australian government recognised that "The agricultural prosperity of Australia depends upon the widening of world trade" (Chifley 1946, p20).

Secondly, the nature of the Australian federation places some constitutional constraints on agricultural policy—particularly where a national approach is being sought. Lloyd describes the constitutional arrangement as "one of the most pervasive and powerful influences upon the development of Australian agricultural price policy" (Lloyd 1982, p356) as the States have responsibility for agricultural production and the fixing of prices. In addition Section 92, which guarantees free trade between the States, limits the degree to which some policy instruments can be implemented. The Commonwealth has constitutional responsibility for quarantine and the power to provide bounties on the production or export of goods ensuring the national government also has an important role in agricultural policy. In 1934, State and Commonwealth Ministers unanimously agreed to the establishment of the Australian Agricultural Council in order to discuss

- (1) Means to make it possible for Australia to speak with one voice on agricultural and marketing matters;
- (2) Determination of a definite policy in regard to international and especially intra-Empire marketing relations
- (3) Formulation of a definite policy on wheat, both immediate and ultimate;
- (4) the finalising of a basis for a rural rehabilitation scheme through relief of farmers' debts.(Grogan 1968, p298)

The successors to the AAC have remained important in providing a forum for agreement to national policy approaches for agriculture—most notably in recent years on issues such as rural adjustment and drought policy. The existence of the Ministerial Council however has not meant the end of State-run schemes of support for agriculture.

Thirdly, Australia faces important budgetary constraints. As a country with a population which has reached 20 million only in the last few years, there are not sufficient budget resources to provide substantial support to agriculture. As Cockfield notes “Australia cannot generate enough money in the manufacturing sector to support the rural sector in the way that the EU and the US do” (Cockfield 1993, p246). This limited capacity to fund agricultural support programs has contributed to the evolution of policies such as the provision of interest rate subsidies to leverage additional funding from banks into the rural sector. The shifting emphasis away from supporting farm incomes to assisting productivity improvements has also partly been influenced by the cost of support which is not tied to market realities.

Fourthly, Australian farmers were politically strong for much of the twentieth century. Uniquely in developed countries, Australia still has a farmer-based political party, the National Party (formerly the Country Party) which, due to the highly concentrated nature of its support, means that farmers are disproportionately represented in the Commonwealth Parliament. In the 1998 election for example, the National Party attracted just 5.3 per cent of the primary vote but won 10.8 per cent of the seats (Green 2001, p63). Although this was down from a peak of 21.6 per cent of the seats in 1937(Green 2001, p63), the National Party retains its importance as a member of the virtually permanent coalition with the Liberal Party. When in government, the National Party almost invariably holds the portfolios of key interest to farmers, at present these include Trade; Agriculture, Fisheries and Forestry; and Transport and Regional Development. The Deputy Prime Minister in a Coalition Government is generally a member of the National Party. The Coalition arrangement, combined with the ability of the National Party to gain a relatively large number of seats compared with the size of its vote, gives the party some power in determining farm policy.

However, there are two sides to this reliable vote. Where farmers in other developed countries have not identified strongly with a particular party and have been prepared to “trade their vote” (see for example Mooney 1988, p269; Ockenden and Franklin 1995, p28; Fearne 1997, p22), the reliable delivery of the farm vote to the Coalition has in recent years appeared to reduce the capacity of the National Party to influence policy direction. In the late 1990s, this trend appeared to shift with the rise of Pauline Hanson’s One Nation party and the shock defeat of the Kennett Government in Victoria in 1999 when the Labor party in that state picked up more non-metropolitan seats than either the National or Liberal Parties (Green 2001, p65). For the period under review in this paper, however, the voting behaviour of farmers and their importance in keeping the Coalition in power throughout the 1950s and 1960s needs to be borne in mind.

Finally, Australian agriculture is not as “industrial” as its international image might suggest. Attachment to the family farm as the backbone of the industry, and the central role that agriculture retains in Australian folklore and the national self-image, suggest that agrarianism has an influence on the efficacy of agricultural policy. The strong rural flavour of the opening ceremony of the Sydney 2000 Olympic Games and the content of much contemporary popular culture provide good examples of the fact that a belief in the “specialness” of farming life goes beyond rural areas. Stehlik et al suggest that this rural or “bush” mythology embodies the notion that Australians are

essentially rural creatures transplanted against our will in urban metropolises around the eastern seaboard of the continent. To many of us ‘the bush’ evokes a natural, pristine essentially good place which may be less than the city we live in, but somehow it is still morally our national conscience. We respond emotionally to the ideology of the pioneering spirit, the challenge against the unknown, the concept of ‘the rural’... (Stehlik et al. 1996)

Urban sympathy for farmers and their lifestyle suggests, for example, limited scope for criticism from consumer groups in response to artificially high prices brought about by income stabilisation schemes. The strength of agrarianism also suggests that policies based entirely on the provision of economic incentives to influence farmer behaviour are likely to be limited in their impact (Botterill 2002).

With these features as background, the following sets out to describe the changes that have occurred in Australian agricultural policy and how a series of political and policy events provided advocates of reform with the opportunity to pursue their agenda. As Kingdon suggests (Kingdon 1995, p191), this new agenda then established a set of principles which underpinned subsequent approaches to agricultural policy based on greater economic rationality.

### **The 1950s and 1960s**

Australian agricultural policy in the period following the Second World War until 1972 was largely characterised by *ad hoc* decision making in close consultation with affected producer groups. Apart from a rural policy statement by the Chifley Government in 1946 and a short statement of agricultural production aims in 1952, there was no cohesive government statement of policy objectives and policy decisions for the farm sector until 1974. This process resulted in what Throsby described as “a bewildering array of policy instruments which directly or indirectly affect[ed] farm policies, including two-price schemes, import controls, output subsidies, restrictions on substitutes, and so on”. He went on to explain that “These policy measures directed towards specific products [were] supplemented by a variety of favours extended to the rural sector in general, such as taxation concessions, drought relief, input subsidies, special access to credit and so on” (Throsby 1972, p13).

The 1946 statement had given prominence to the goals of raising the standard of living of primary producers. The policies outlined included stabilisation schemes, organised marketing and floor price arrangements (Chifley 1946). McKay reports that between the wars and in the immediate post-war period “government thinking was largely influenced by very low levels of income and indeed outright poverty in many rural areas and industries” (McKay 1972, p29). However, by the early 1950s the fortunes of the Australian farm sector had shifted. In comparison with other developed countries, Australia was not experiencing a particularly severe “farm problem” in terms of the gap between farm and non-farm incomes (McKay 1965; Lloyd 1970) and the objective of raising farm incomes was stated less often.

*Agricultural Production Aims and Policy Statement*

In 1952, Commonwealth and State Ministers meeting as the Australian Agricultural Council (AAC) agreed to a set of production aims for farm products, described by Lloyd as “Australian agriculture’s nearest approach in peacetime to indicative planning”(Lloyd 1982, p363). In a statement which he later described as "the most important declaration of agricultural policy ever made in peace time by the Commonwealth Government"(McEwen 1959, p252), Commerce Minister John “Black Jack” McEwen told Ministers that

The Commonwealth Government has decided to adopt as its policy objective a Commonwealth-wide programme of agricultural expansion not only to meet direct defence requirements but also to provide food for the growing population, to maintain our capacity to import and to make our proper contribution to relieving the dollar problem. (McEwen 1952).

Apart from setting production aims for specific products, Ministers addressed the issue of how the increased production was to be brought about. One approach agreed by the Agriculture Council was the extension of the closer settlement schemes which had provided farmland to soldiers returning from both World Wars. The 1952 ministerial meeting agreed to extend the scheme to new farmers other than returned soldiers on the basis that closer settlements offered “a way of stepping up production quickly” (National Archives of Australia 1952, p13).

Other proposals to increase production, which were not acted upon, included the suggestion by the New South Wales Minister for Agriculture that “every State should take up as its motto “Beef on every farm”. Even if every farmer kept only half a dozen cattle, the improvement in beef production would be very rapid”. He also expressed concern that “many of our dairy farms are too big” (National Archives of Australia 1952, p21), a position which would have seemed extraordinary a decade or so later when farm commentators were suggesting farmers should “get big or get out”.

In addition to production aims, Ministers agreed to the development of a new stabilisation plan for the wheat industry, the Commonwealth Minister advised that

there would continue to be a price guarantee for butter and cheese and reaffirmed his Government's (and indeed the Opposition's) commitment to guaranteed prices for primary products (National Archives of Australia 1952, p38). The 1952 production targets marked a policy shift away from an emphasis on farm incomes which had prevailed in the 1940s, however, the basic structure of the stabilisation plans remained unchanged (McKay 1972, p 25). It is worth noting that, due to the buoyant conditions prevailing in the rural sector at the time, the production aims were met ahead of schedule.

### *The policy process*

Government intervention in agriculture in Australia in this period was generally referred to as “stabilisation”, a vague term which encompassed “guaranteed prices, two-price schemes, bounties and subsidies, mixing requirements, protection from imports, protection from substitutes, production controls and orderly marketing” (McKay 1965, p33).

Different combinations of these mechanisms were applied to different industries: for example the wheat industry had guaranteed prices and when these not unsurprisingly resulted in an increase in production, production quotas were introduced. For dairy, direct subsidies were provided to dairy manufacturers along with protection from competition from margarine through both quotas on its domestic production and a prohibition on imports unless the product was dyed pink with alkanet root (Lewis 1972b, p289). There was also a system of “home consumption” prices under which consumers “paid far in excess of going world prices” for dairy products (Hefford 1985, p147).

Lloyd provides a useful summary of the nature of agricultural price policy in Australia:

- (i) It has been extremely diverse, in that a wide range of methods have been used, and different policies have been applied to the different farm industries.



- (ii) It has been bipartisan, little affected by the accession to power of different political parties
- (iii) It has featured a preference for regulatory methods of raising prices, through marketing boards, over fiscal methods.
- (iv) Most farm price support has come not from taxpayers, through Treasury subsidies, but through higher prices paid by consumers on protected home markets. (Lloyd 1982, p353)

He observes that the policy mix was more diverse than that of either the Common Agricultural Policy or in the US. This diversity resulted in some industries, such as dairy, being highly assisted, others such as beef receiving virtually no support for many years, and some like wheat finding their stabilisation arrangements delivered “negative assistance” in some years (Lloyd 1982, p364).

The array of support measures was a direct result of the nature of the policy development process. In the 1950s, rather than develop a comprehensive policy approach across agricultural sectors, the Australian government intervened in response to requests from industry (McKay 1972, p32). During the 1950s and 1960s, the Commonwealth Minister responsible for rural policy was a member of the Country Party and the government’s approach was that primary industry organisations were best placed to recommend policy. This was made explicit by McEwen in the Parliament in 1965 when he stated that

My attitude is that neither the Australian Country Party nor the parliamentary members should decide what is the correct policy for primary industry. It has always been the policy of my party that those who produce, own and sell a product are the best judges of the way in which their property should be treated. It is the function of my party to see that the will of those who produce and own the product is carried into legislative and administrative effect. (McEwen 1965, p3044)

Much of the policy work took place behind closed doors between the Minister, his Department and producer groups and, unlike later practice, the proceedings of the

Australian Agriculture Council were not released publicly. This approach to policy development resulted in *ad hoc* policies which appeared to take little account of the impact of the measures on the broader economy, or indeed on other sectors of primary production. With respect to price policy, Lewis argued in 1967 that it “has always consisted of a series of expedients with the future left to cope with the consequences” (Lewis 1967, p314).

Although many primary industry groups were no doubt satisfied with the process and agriculture ministers were in general agreement with the policy direction, the policies themselves were not universally applauded. As early as 1947, Professor of Agriculture at the University of Melbourne, Samuel Wadham wrote

Of all the foolish policies of land settlement which have been advocated for general application in many parts of Australia, the endeavour to create systems of small-scale or peasant farming is probably the most stupid. (Wadham 1947, p139)

Throughout the 1960s, agricultural economists pointed out the flaws and complexities in rural policy settings and called for an increased level of economic literacy among members of the policy community (Lloyd 1970; Lewis 1972a). Many were critical of the close involvement of primary producer organisations in the policy process, with Campbell arguing that “Pressure groups are acceptable as part of the process of policy determination and of its administration; ventriloquism is not” (Campbell 1971, p55). Also of concern to economists was the use of price controls to deliver essentially welfare objectives (Campbell 1971, p54). Chief among the criticisms in this area was the fact that larger farmers benefited more from production-linked assistance than the smaller farmers at whom the policies had originally been aimed. It was also becoming clear that the arrangements were “confounding incentives in ways that could no longer be ignored” (Mauldon 1990, p323).

By the end of the 1960s the low income farm problem was a topic of ongoing debate (see for example McKay 1967; Mauldon 1968; Makeham and Bird 1969) and pressure for structural adjustment increased. The crisis came in the late sixties with the deterioration of conditions in the rural sector in Australia. A drought in 1965-66

was followed by a collapse in wool prices and the stabilisation schemes that were in place were increasingly expensive in budgetary terms.

The Bureau of Agricultural Economics was important in promoting more economically-based approaches to agricultural policy. In 1967 the Bureau's role was expanded by Cabinet from fact-finding to policy analysis and forecasting. Higgins argues that "While being a seemingly inconsequential change, the increased authority given to the BAE was essential in enabling economic discourse to assume a central position within agricultural policy making" (Higgins 2001). In 1971, the Bureau undertook a review into *Debt reconstruction and farm adjustment* with particular reference to the wool industry. Following this report, the Government introduced in 1971 the first of the modern rural reconstruction schemes with a focus on structural adjustment.

### **The 1970s**

The incoming Labor Government, elected in December 1972, was suspicious of the cosy relationship between the previous government and rural producer organisations and set out to revamp the rural policy making process. Two key government decisions provided an opportunity to introduce greater economic rationality into the policy process and to ensure that the broader national interest was taken into account when assistance to primary producers was under consideration. In December 1973, the Government commissioned a "Green Paper" on rural policy to inquire into "all aspects of rural policy in Australia" and in 1974 the Tariff Board was replaced by the Industries Assistance Commission (IAC). The focus of rural policy under Labor shifted from industry-by-industry support measures to more generally available programs aimed at facilitating structural change in the rural sector (Wriedt 1976). The BAE also continued its role in undertaking "often courageous policy extension work" (Lloyd 1982, p364), providing data and research for and working closely with the IAC (Warhurst 1982).

#### *The Formation of the IAC*

In 1972, Lewis bemoaned the low status of economists in the policy process and the poor esteem in which they were held by Australian society. He called for the adaptation of Australian institutions “to introduce economic reality to public policy decisions” suggesting that otherwise Australia needed to be “willing to accept a seriously sub-optimal rate of economic growth” (Lewis 1972a, p95). He did not have to wait long. Within two years of his plea, the Industries Assistance Commission had been formed and the rural industry policy process was transformed. Warhurst notes that the creation of the IAC “led to the spread of agricultural economists into the organizations which participate in the policy debate (Warhurst 1982, p29).

Although the Liberal Party supported the establishment of the IAC, the Country Party was vehemently opposed to it. Raising the prospect of central planning by stealth and suggesting the new body was too powerful and fundamentally undemocratic, Country Party spokesman Doug Anthony also suggested that “This proposed body should be called, not the Industries Assistance Commission, but the Industries Assistance-Withdrawal Commission” (Anthony 1973, p2354). He argued that the new organisation signalled “the end of the long-established and successful system under which industry policy has been devised—the system of discussion, consultation and negotiation between industry and government” (Anthony 1973, p2356). Of course, this was precisely what the legislation was trying to do—to end the tradition of behind-closed-doors negotiations between government and select producer groups and to open the issue of government assistance to all industry to public scrutiny (Whitlam 1973, p1632).

The policy Guidelines for the Commission set out in the legislation required the IAC to have regard to the Australian Government’s desire to

- (a) improve the efficiency with which the community's productive resources are used;
- (b) encourage those economic activities in Australia, and the producers of the goods and services concerned, which contribute to improving the efficiency with which the community's productive resources are used;
- (c) facilitate adjustment to changes in the economic environment by industries and persons affected by those changes;

- (d) recognize the interests of consumers and consuming industries likely to be affected by measures proposed by the Commission;
- (e) ensure that any measures for assistance to, and development of, industries are integrated with national economic policy as a whole;
- (f) ensure that Australia's trade and protection policies are compatible; and
- (g) provide adequate scope for public scrutiny and evaluation of the basis of the Commission's reports. (Industries Assistance Commission Act 1973, Section 22)

For the rural sector, this meant that farmers seeking government intervention were required to make a case for support based on the national interest. Warhurst argues that the advent of the IAC “permanently altered” the nature of the policy debate by bringing about “an injection of economic rationality into most of the participants” (Warhurst 1982, p32).

#### *The Green Paper*

This economic rationality was also evident in the Green Paper released in May 1974. Perhaps reflecting the economic times, the flavour of the Green Paper, while grounded in a preference for market approaches to resource allocation, was tempered with concerns about equity and the need for government to ameliorate the less socially desirable outcomes of market forces. However, it marked a watershed in rural policy formulation by dealing “tactfully and persuasively with many rural shibboleths” (Lloyd 1982). The press statement by the Prime Minister and the Minister for Primary Industry announcing the inquiry stated that

The present Government wishes to avoid ad hoc decisions that might appear to some to be politically attractive at the time, but which in fact might offer no long term security or real benefits to the genuine primary producer. The Government needed a basis of expert advice on which to formulate economically sound and socially equitable measures that would help the resident farm family. (Harris et al. 1974, p320)

The Labor party was removed from Office within two years of the release of the Green Paper, however, the principles it had established remained largely unchallenged by the incoming Coalition Government. Although there was increased involvement by primary producer organisations in the policy process (Warhurst 1982) and farmers were encouraged by the strong representation of farmers in the Cabinet, including the Prime Minister, there was not a return to the policy approach of the McEwen era.

### *The Formation of the National Farmers' Federation*

Also important in smoothing the process of agricultural policy reform was the formation of a single voice for farmers with a strong free trade agenda. Prior to 1979, there was a plethora of farm organisations in Australia. In some major industries, such as wheat, producers were divided, with more than one group claiming to represent the industry's interests. Often these competing organisations held quite different views on what was best for their members as, by the 1930s, a split had occurred among farmers between the advocates of a free market and those seeking "orderly marketing" (Connors 1996, p18).

However, after decades of effort to establish a single voice to speak on behalf of farmers to government, the National Farmers' Federation (NFF) opened for business in July 1979. Previous attempts to bring farm organisations together had failed—for example, the Australian Primary Producers Union and the Primary Producers' Council, both established in 1943, and the Australian Farmers Federation which was formed in 1969 (Connors 1996). A key impetus for the establishment of a single body to represent farmers' interests was the creation of the Industries Assistance Commission. In order to present well argued and comprehensive submissions to the IAC, farming organisations required resources and a skilled, professional staff. Ignoring the opportunities offered by the IAC was not an option.

As well as signalling a break with the divisions that had plagued earlier attempts at unity, the birth of the NFF marked a sea change in the economic policies pursued by farm representatives. Australian writers generally agree that many of the pre-NFF farmers' associations were very narrow in their focus, primarily seeking government programs which were aimed at obtaining income security for their members (Marshall

1985, p23). Writing in 1980 of the pre-NFF farm organisations in NSW, Richmond argued that

Producer groups perceive policy-making largely in terms of asking governments to overcome the unfavourable trading position of the farmer, to gain compensation for his [sic] labours and to maintain an adequate rural living standard. Groups see their major role as presenting proposals that will benefit the rural sector in the short term; long-range planning tends to be neglected in favour of tangible rewards. (Richmond 1980, p76)

By contrast, the NFF very quickly asserted itself as a leading advocate of free market economics. In 1981, the NFF released a policy paper entitled *Farm Focus: the 1980s*, which stated clearly that the NFF would be pursuing a free market philosophy:

NFF does not believe that any industry—rural, mining, manufacturing, or tertiary—whether highly protected or not—should be permanently shielded from the forces of economic change. The overall interests of the economy demand that all industries must participate in the inevitable adjustment process. (National Farmers' Federation 1981, p48)

The NFF rejected price and supply controls as mechanisms for stabilising farm incomes, expressing a preference for the normal operation of market forces with measures to assist individual farmers in managing income instability.

### **The 1980s**

At the beginning of the 1980s, Australian agriculture was still subject to a range of stabilisation measures, price controls and other support mechanisms. This is reflected in the Annual Report of the Department of Primary Industry which listed the programs it administered on behalf of the Minister for Primary Industry: orderly marketing, price stabilisation, statutory research schemes, land settlement schemes, rural adjustment measures, assistance for forestry, “general and specific financial assistance to rural industries”, control of fisheries, “financial assistance to ex servicemen in relation to their re-establishment in civilian life”, “schemes for the

promotion of the sale of rural commodities” and export inspection and certification (DPI 1980, p1).

### *The Balderstone Report*

In September 1981, the Minister for Primary Industry announced the establishment of a Working Group to “identify the major policy issues and options relating to the Australian agricultural sector in the 1980s” (Balderstone et al. 1982, p iii). Named after its chairman, James Balderstone, the Balderstone Report was wide ranging, covering among other topics Commonwealth-State issues, general economic policy, marketing, trade policy, transport, resource management and rural communities issues. The Group referred to the “major changes” which took place in the farm sector in the 1970s (Balderstone et al. 1982, p1), identifying the accession of the UK to the European Economic Community, the oil price shocks of the early 1970s, the development of new markets, domestic inflation and relatively faster growth in the non-farm sectors of the economy. The Report argued that “Australian farmers have proved themselves capable of coping with, and adapting to change” (Balderstone et al. 1982, p1), noting that change and uncertainty would continue.

Although the report has been described as being “less closely argued from an economic standpoint” than the 1974 Green Paper (Malcolm 1989, p140), it demonstrated a preference for market driven measures to achieve policy objectives. Among the aims it set for agricultural policy the Balderstone Report argued that agricultural policy should

- be responsive to national and international economic developments;
- create conditions under which the agricultural sector can handle change and at the same time realise its full potential in contributing to national economic growth;
- aim to encourage the efficient use and conservation of the nation’s resources; [and]
- promote the adoption of new technology and increased productivity in the farm sector (Balderstone et al. 1982, p2).



The timing of the release of the Balderstone Report was unfortunate as it was during a severe drought and only six months following its release there was a change of government with the election of Labor under Bob Hawke.

### *1986 Economic and Rural Policy Statement*

As the Balderstone Report had predicted, the 1980s provided a range of challenges to the agricultural sector and policy makers as they responded to a changing international economy. In response, over the course of the 1980s, the government floated the Australian dollar, deregulated financial markets and initiated a program of tariff reductions with the aim of increasing the efficiency and competitiveness of the Australian economy.

In September 1985, the Economic Planning and Advisory Council which had been set up by the Government to provide economic advice, commissioned the Bureau of Agricultural Economics to “analyse the outlook for the Australian agricultural sector taking into account both domestic and international factors” (EPAC 1986, p iii). The report suggested that in order to improve the sector’s prospects

Most of the [policy] initiatives that can be made here, consistent with overall economic efficiency, lie in the removal of the range of distortions or inefficiencies in the Australian economy which adversely affect the farm sector. These include, of course, a reduction in the level of protection afforded to manufacturing industry, and moves to increase the efficiency and flexibility of a range of industries which serve agriculture. (EPAC 1986, p27)

In 1986 the Prime Minister, Bob Hawke and the Minister for Primary Industry, John Kerin released an *Economic and Rural Policy Statement*. In this paper, the approach to farm issues had shifted markedly from the more paternalistic policies of the Country Party era to a market-oriented position, in which structural adjustment was to be encouraged and farmers were exhorted to regard their farming enterprises in business terms. During this period a number of agricultural industries were deregulated, including importantly the domestic wheat market. Nevertheless the

government stated its commitment “to price support and underwriting measures which cushion farmers against sharp unexpected declines in commodity prices without impeding adjustment to longer term market realities” (Commonwealth of Australia 1986, p81). Underwriting arrangements remained in place for wheat, wool, dairy, apples and pears, and dried sultanas. In the case of wool the reserve price scheme was funded by the wool industry through the operations of the Australia Wool Commission. For the other schemes the statement pointed out the Government carried “a very substantial contingent liability” (Commonwealth of Australia 1986, p64).

### **Rural Adjustment**

One of the key trends through the 1970s and 1980s was the move away from industry-specific support measures to a focus on achieving structural adjustment in the farm sector. As mentioned above, a Rural Reconstruction Scheme was introduced in 1971, with the objective of helping to “restore to economic viability those farms and farmers with the capacity to maintain viability once achieved” (States Grants (Rural Reconstruction) Act 1971). The scheme contained three parts: debt reconstruction, farm build up and rehabilitation, later known as “re-establishment”. The latter element was provided through a loan to farmers “obliged to leave the industry” of up to \$1,000 in cases where the State Authority was of the opinion that such support was necessary to “alleviate conditions of personal hardship”. The State Authority had the discretion to convert the loan to a grant. The inclusion of these re-establishment provisions in this and later versions of the scheme was something of a milestone in that it explicitly included in government policy recognition that not all farmers on the land at the time had a future in the industry (Musgrave 1982, p307).

The scheme was amended in 1973 and replaced by the Rural Adjustment Scheme (RAS) in 1976 with a similar structure and objectives. The 1976 scheme brought together the components of the Rural Reconstruction Scheme as well as incorporating other industry-specific adjustment measures which were in place at the time, such as a Dairy Adjustment Program. The scheme differed from its predecessor in that it introduced a household support component to complement the re-establishment grants offered to farmers leaving the land. RAS was reviewed in 1985, 1988 and 1992

before being replaced by a new suite of adjustment programs, the Agriculture—Advancing Australia package, in 1997.

Each review of the RAS saw its focus shift further away from assistance for farmers in financial difficulty towards support for those farmers with prospects of long term productive futures in agriculture. As economic arguments gained strength in the policy process throughout the 1970s and 1980s, successive versions of the Rural Adjustment Scheme became increasingly focused on farm productivity and less on supporting farmers in financial difficulty (Botterill 2003). By 1997 the Annual Report of the Department of Primary Industries and Energy included “take-up by non viable farmers of re establishment support, freeing resources for more productive use” as a program performance indicator (DPIE 1997, p66). This was the first time the removal of farmers from the land had been so explicitly cited as an objective of the Commonwealth Department.

Much adjustment in Australian agriculture has occurred autonomously with RAS only facilitating change at the margin. The exit provisions aimed at facilitating the removal of less efficient farmers from the sector have not had a huge impact on the adjustment process. In fact, the availability of a re-establishment grant as an incentive to encourage farmers to leave the land has been something of a policy failure (Botterill 2001). For example, Watson reported that in the period from 1970 to 1974 “only 80 out of 3244 registered dairy farmers leaving dairying in New South Wales” did so under a reconstruction scheme (Watson 1979, p161) and Cockfield reports that for the ten years from 1977, less than one percent of farmers were “adjusted out” of agriculture by the Rural Adjustment Scheme (Cockfield 1993, p250). Some commentators accept this limited role, seeing it as preferable to the more costly *ad hoc* schemes which would have been likely to arise in response to its removal (IAC 1984) while others suggest that it allowed governments “to withdraw from industry-specific assistance to a more universalist position” (Cockfield 1993, p250).

## **Conclusion**

Kingdon draws the analogy between the window of opportunity available for space shots and the windows that similarly open in policy systems when policy

entrepreneurs can bring together their conception of problems and solutions in a receptive environment (Kingdon 1995, p166). Such a fortuitous alignment of the policy planets presented itself to agricultural economists in 1973 and 1974. The Green Paper, although arguably restrained by the standards of more recent economic policy pronouncements, marked a major shift from the prevailing rural policy philosophy (Mauldon 1982, p137) and would arguably have been impossible to produce had the Coalition remained in power (Harris, 2003, pers comm.).

The election of the Whitlam government in 1972 provided a window of opportunity for those who had been critical of the earlier policy settings to be heard and to have their policies adopted. The formation of the Industries Assistance Commission provided a vehicle for agricultural economists to increase their profile in the policy debate. Also of significance was the formation of the National Farmers Federation with a free trade agenda. This meant that a new Labor government in 1983 was dealing with an industry association broadly in sympathy with much of its economic agenda and not likely to oppose winding back of government intervention in industry, including agriculture.

The process of policy reform has been incremental and taken decades and there remain policies in place, such as the Australian Wheat Board's export monopoly, which are left over from earlier policy settings. There has also been an incremental shift in the objective of policy from an explicit goal of raising farm incomes to a strong focus on farm business performance. Over time, schemes explicitly established to bolster farm incomes were replaced by stabilisation schemes more closely linked to market signals and then by underwriting arrangements. These were then amended so that the calculation of underwritten prices aligned them more closely with market signals. This has been accompanied by moves away from *ad hoc* industry-by-industry measures to a focus on structural adjustment with increasing attempts to develop coherent policies which remove distortions between primary industries. Deregulation policies have often included structural adjustment packages to soften the blow for those farmers who have been disadvantaged by the change in policy. For example the recent deregulation of the dairy industry was accompanied by a package of assistance measures worth in excess of \$A1.7 billion (Truss 2000).

Australian agriculture has moved from a situation in which there was a complex array of government interventions to one of the least-supported farm sectors in the world. This paper has set out to identify some important features of this transition.

To return to Kingdon's model, if the agricultural economists of the 1960s are seen as policy entrepreneurs, the Whitlam government and its institutional changes provided the window of opportunity for them to present their policy solutions to the problems facing the farm sector. This approach then became established as the new principle underpinning agricultural policy and ensured future debate was couched in these terms. As Kingdon argues, "Establishing a principle is ... important because people become accustomed to the new way of doing things and build the new policies into their standard operating procedures" (Kingdon 1995, p191). This certainly appears to have been the case with agricultural policy in Australia.

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