Reviews

Labor’s Final Rural “Crisis”? Australian Rural Policy in 1990 and 1991

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Rural policy-making came under increasing pressure during 1990 and 1991 as a rural downturn rivaling the 1982-83 drought eroded farm incomes. International trade reform was stalled, the government procrastinated during the wool crisis and continued to be tardy in delivering the benefits of microeconomic reform to the agricultural sector. Also the Liberal/National Coalition parties finally rallied to provide a coherent and credible alternative government. All these developments, plus a series of policy reverses, portended that this was probably Labor’s final “rural crisis”.

1. Introduction

As in previous reviews (Gerritsen and Murray 1987; Gerritsen and Abbott 1988; Gerritsen and Abbott 1990), and for the convenience of the author, rural policy-making will be divided into recurrent and intermittent activities. The former features the planned, anticipated and incremental development of policy and is a process often primarily driven by the bureaucracy and the formal policy-making institutions. The latter is more “political”, episodic and unanticipated, and is driven by factors (“crises”) usually exogenous to the formal policy-making structures. All things being equal, recurrent policy is more likely to be focused on the dominant participant’s definition of the long-term public interest; intermittent crises often reveal the primacy of the private, political-cum-electoral interests of politicians.

The recurrent policy agenda featured continuing institutional reforms of the statutory marketing authorities (SMAs) and the rural research structures. For the SMAs in particular, institutional tinkering had been continuous since the 1986 White Paper (Gerritsen and Murray 1987, 10-11).

The other principal recurrent policy development was the “taming” of the conservation issue after the 1990 election, converting this from a perennial potential policy crisis into just another bureaucratised form of policy-making.

The major intermittent policy challenges came from the rural recession which began in late 1989.

The boom of 1988-89 ended abruptly, farm returns falling 54 per cent in 1990-91 and predicted to fall a further 33 per cent by the end of the financial year 1991-92. Wool, broadacre crops, sugar, manufacturing milk and some horticulture products were the most severely affected. Cotton, wine and beef industry prosperity did not offset this gloomy picture.

During the period of this survey the economic situation of rural Australia became almost as parlous as during the 1982-83 drought (ABARE 1991, 578). Estimates at the end of 1991 indicated that 50 per cent of Australia’s broadacre farmers could expect a negative farm income in the financial year. Alarmists even predicted that many farmers would not be able to afford to plant wheat in the 1992 season. In response the government rejected calls for the reimposition of a guaranteed minimum price and instead accepted the higher of the Australian Bureau of Agricultural and Resource Economics (ABARE)/Australian Wheat Board (AWB) price estimates (at $140/tonne) to set its AWB wheat borrowings guarantee at $889.1 million for the 1991-92 season.

The sensational collapse of the wool industry’s Reserve Price Scheme (RPS) also provided the most severe rural policy test faced by the Labor government since its advent in 1983. Whatever it did to the wool industry, this episode fatally weakened the authority of the Minister, Kerin, and with it the credibility of the government, though it proved too late to influence the election of 1990 in which Labor was safely returned.

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Commissioned paper. Review coordinated by the Editor.
2. Recurrent Policy-Making

Some recurrent activities continued without significant disruption during the review period. The Brucellosis and Tuberculosis Campaign was winding down to become merely a monitoring effort by the end of 1992. Also the Australian Quarantine Inspection Service (AQIS) was active in tracing antibiotics-contaminated beef in exports to Japan and preventing a variety of attempts illegally to import products without quarantine clearance. For example, a successful campaign was conducted during 1990 to eradicate illegally imported stonefruit cuttings.

2.1 Infrastructural Development

The government continued during the survey period to further reshape Australia’s agricultural institutions along tripartite lines (Gerritsen and Abbott 1990, 8). That this was a Labor government objective and not just one of Kerin’s enthusiasms was shown by Kerin’s successor, Crean’s, advice to the irrigation sector to form a peak council ("Irrigation Research Strategy Launched" Press Release DPIE91/210C, 12 August 1991).

The tripartite reorganisation of the fishing industry was continued with the advent in July 1991 of the Australian Fisheries Council and the Australian Fisheries Management Authority (AFMA) - headed by Jim McColl - to take over fisheries management from DPIE’s Fisheries Service. Henry Bosch, formerly the National Companies and Securities Commission Chairman, was named Presiding Member of the AFMA Selection Committee. Nevertheless, this new structure attracted strong criticism from the Industry Commission’s draft report into the Commonwealth management of fisheries (as well as a degree of unhappiness from veteran DPIE fisheries officers, as was revealed in the feature pages of the Canberra Times ). In particular the Commission was critical of the labyrinthine complexity of fisheries management. A fishing industry Research and Development Corporation was foreshadowed for 1992, to complete the institutional restructuring of the industry.

During 1991 the government also instituted a management review of AQIS, citing the advent of full cost-recovery in the 1990/91 budget as the reason for the review. This followed the release of figures indicating that the post-1986 reorganisation had led both to lower charges and to increased efficiency (as measured in export meat rejection figures). In 1987-88 the meat inspection service had cost $111.7 million; in the 1991 budget it was forecast to cost $105.5 million or a real reduction of 23 per cent. This seemed to be a policy success.

However, the review period saw endemic dissatisfaction with the operation of SMAs. The agrarian populist aspect of this was to be expected in a period of wool and wheat price collapses. But more fundamental and informed dissent - like the Industry Commission’s questioning of the economic rationale for SMAs (Industry Commission 1991) - gained increasing credibility. This dissatisfaction spilled over into unhappiness with other rural policy structures such as the Research and Development Corporations.

From 1989 the fourteen Research Councils created in 1985 had been reorganised to constitute Research Corporations. This created new, slimmer structures (eg. the four grains Research Councils were integrated into a single Grains Research and Development Corporation). This “corporatisation” of research reform had been designed to make the Corporations explicitly responsible to their industries’ market imperatives. Research directions were shifting from animal and crop output improvements towards developing products designed for particular markets. For example, rather than focusing on higher yields, research funding would concentrate on developing new pasta or noodle varieties. Access to research funding was also becoming more competitive. The Rural Industries Research and Development Corporation was created in July 1990, followed later that year by the Sugar Research and Development Corporation and similar bodies for the cotton and tobacco industries, replacing the Sugar, Cotton and Tobacco Research Councils. In December 1991 the establishment of a new Dried Fruits Research and Development Corporation completed the rural research restructuring begun in 1989.

It soon became apparent that the bifurcation of accountability between government and industry
was creating some confusion for the researchers. “Corporatisation” (yet another managerialist “buzzword” of the 1980s) was ill-defined, even less understood, and subject to a degree of antagonism from the researchers involved (Williams 1989; see also Gleeson and Lascelles 1991). “Corporatisation” (making bodies operate like private sector corporations) was a nonsense while the government ultimately retained the economic responsibility, as the Wool Corporation case indicated (see 3. below). Also the new “reforms” overlooked the fact that positive incentives, like Plant Variety Rights, would make research more market-responsive than would administrative changes, because these supplied economic rewards (rather than bureaucratic sanctions) to achieve appropriate behaviour. When Crean became Minister in 1991 a review of the R&D Corporations was commissioned from a private consultant, Gleeson, formerly Kerin’s senior advisor.

Nonetheless the replacement of Kerin by Crean sparked yet another round of organisational review and modification. This promised to create new “peak council” structures and fitted in with Crean’s interest in value-adding Australia’s primary exports. A Grains Industry Council was foreshadowed, to include the current grains organisations as well as representation from other relevant grains industry sectors such as processors and the finance industry. This format was suggested as applicable to other rural industries, its advantage being the development of a wider strategic approach to rural industries.

**Rural Development Policy**

The government continued to modify the “economic rationalism” of its agricultural policy management with a concern for equity in terms of rural communities’ access to governmental services.

Socio-economic programs such as the Rural Education Access Program and the Rural Counsellors Program continued to expand. In the 1991 Budget the government promised to speed up the introduction of FM radio services to rural areas.

This dual policy thrust was not universally appreciated. In October 1991, Queensland’s Labor Pre-

mier, Goss, in a manner redolent of Bjelke-Petersenism, announced that the drought in that State was “not just a normal drought but a natural disaster” and requested further Commonwealth assistance (“Goss seeks increased aid for drought-hit farmers” *The Australian* 19-20 October 1991). Presumably a “normal” drought in Queensland was one in which abuses, of the ilk that led to the abandonment of the National Drought Relief Scheme, should be allowed?

### 2.2 Marketing Organisation

Marketing policy came under increasing pressure as international commodity prices dropped. This situation had its domestic policy spin-offs. Ancillary to the rural recession the government faced demands to use quarantine regulations to impede imports. Calls such as those to prohibit New Zealand apples or Ecuadorian bananas had hidden agendas that threatened to confuse legitimate disease introduction concerns with achieving barrier market protection. Despite these pressures, the government generally proved reluctant to use quarantine measures as instruments of barrier protection. In some cases - such as imported milled rice - it even weakened quarantine restrictions. The government preferred instead to use positive restructuring measures, such as extending the Innovative Agricultural Marketing Program for a further two years and increasing its funding in the 1991 Budget to $5 million.

**Multilateral Marketing Developments**

During the survey period international agricultural trade relations continued to worsen, with costs to Australia of a magnitude already well-documented (Horridge, Pearce and Walker 1990). In 1991 the United States (US) again increased its subsidies in the Export Enhancement Program, placing further pressure on Australian grain growers. In June 1991 the US also sold 100,000 tonnes of wheat to Kuwait, a traditional Australian market - a perverse reward for Australia’s loyalty in the Gulf War earlier that year. By the end of this survey period the US had also placed “voluntary” restraints on Australian beef exports and reduced its global access level for sugar, reducing our potential sugar exports by almost 60,000 tonnes.
Minister Crean attended the biennial conference of the United Nations Food and Agriculture Organisation in November 1991 and used the occasion to pressure European ministers yet again about the GATT and European Community (EC) agricultural support reforms. Despite Australia's best efforts, the Uruguay round of the GATT remained stalled and agricultural trade liberalisation appeared as unlikely as when the GATT round began in 1987.

The only bright note on the multilateral front was Australia's election in July 1991 as the host country for the Food and Agriculture Organisation's Codex Alimentarius Commission, the international monitoring committee on food inspection and certification systems. This was a valuable coup, allowing Australia direct access to the attack on one prevalent form of "barrier" protection.

**Bilateral Marketing Developments**

In 1990 an Australia-USSR Fisheries Cooperation Agreement was signed. Under this agreement Soviet fishing vessels fishing beyond the Australian Fishing Zone were allowed to land their catch for processing in Tasmania. Monitoring costs were to be shared by the Commonwealth and Tasmanian governments.

The French Agriculture Minister visited in September 1991. The only result of the ensuing dialogue was to highlight the Europeans' insouciance about the international effects of their Common Agricultural Policy.

Late in 1991 an official delegation was sent to Saudi Arabia to investigate the possibility of re-establishing the live sheep trade. But progress in negotiating a bilateral veterinary protocol agreement proved frustratingly slow (Scott 1990). Consequently, the live sheep trade was confined to minor Middle East markets, and there was even a disruption here when Egypt rejected a shipment in June 1991.

On a brighter note, almost imperceptibly some minor agricultural markets were opening up. In November 1991, the US market for strawberries was expanded when their concern with redlegged earth mite was shown by Victorian Agriculture Department research to be misplaced. US quarantine restrictions on pears and nashis were also eased.

**Statutory Marketing Authorities (SMAs)**

Since the mid-1980s the government has continually tinkered with reforming the SMAs, a process which supposedly culminated in the new Act in 1989 (Newton 1990).

Kerin appointed a SMA review committee after these reforms which reported in October 1990 (Davis Report 1990). The Davis report concluded that the reform of the SMAs had reduced their domestic role in income equalisation and market price support in favour of export promotion (Davis 1990, 12ff.). A further enhancement of this facilitation role was recommended to continue the conversion of the SMAs to commercially-oriented "corporatised" bodies with a clear marketing focus and increased accountability to growers. The government's concern at the impact upon the new SMAs of their industries' politics - a potentially serious problem, as the wool crisis had shown - remained unresolved. In mid-1991, wiser after the wool crisis (see below), Kerin foreshadowed that the government would no longer be responsible for SMAs' borrowings. This may eventually make a reality of the supposed disciplines of the market and industry accountability that were supposed to temper the behaviour of the reformed SMAs.

The new Minister, Crean, indicated that further reform of the SMAs was likely in the medium to longer term. In particular Crean wanted SMAs to serve processors as well as producers, a step towards Crean's value-adding agenda (see below). Using the Wheat Board as an example, he saw tensions between the SMAs' objectives of maximising net returns to growers selling to the pools and providing commercial marketing options for growers. The AWB's commercial operations were also vitiated by its role as "receiver-of-last-resort", its small capital base and a variety of statutory impediments to its staffing and capital dealings (Crean 1991, 11-12). Also the argument between maintaining the "single-desk" selling role of the Board and allowing a more "commercial" wheat export
market, with a view to maximising new market penetration (which the private grain dealers advocated), was still unresolved. The Wheat Board was worried about the export market having to assume a disproportionate amount of the costs associated with wheat handling infrastructure following upon domestic deregulation. The idea of "privatising" the Board into a grower-owned cooperative was also proposed and will no doubt be pressed again in the near future.

In mid-1991 a Wheat Board/Grains Council/DPIE working party was established to consider the future structure of the Wheat Board. It was obvious that further reform of the Board and other primary industry SMAs was still very much on the recurrent policy agenda.

2.3 Advisory and Issue Generation Processes

Officially the role of the advisory agencies of agricultural policy is to provide the government with the information necessary for intelligent policy-making. In practice they also have other roles, that of agenda-shaping and enhancing policy transparency. These roles facilitate policy-making: in the first instance by structuring the way in which policy issues are analysed (and occasionally allowing policy demands to be deferred); in the second instance by making the economic costs of alternative policies more obvious, the advisory agencies render the transaction costs of such policies more public. Over the past decade, as the media and the public have become more economically sophisticated, the advisory agencies have become more powerful influences on policy-making. They have proved to be a significant tool in Labor's economic rationalist armory.

Institutional Advisory Processes/ Official Inquiries

ABARE seemingly adopted a more assertive stance in agricultural policy-making during the period under review. For example, Fisher, the ABARE Director, publicly opposed the imposition of any government-sponsored guaranteed minimum price for the 1991-92 wheat season. The Bureau's study of the wool reserve price scheme (ABARE 1990) also assisted in rendering more transparent the hidden dangers of the situation into which the industry had placed itself.

The Bureau also entered the lists in an attempt to shape the debate over the foreign ownership issue in the beef industry. During 1990 industry interests had again (Gerrissen and Abbott 1990, 9) pressured the government to prevent foreign acquisition of export abattoirs, arguing that this phenomenon created the potential for vertical integration and profit-shifting. The Bureau largely defused the issue, arguing that the benefits of capital inflow, enhanced marketing expertise and heightened competition in meat processing would probably improve the competitiveness of Australian meat processing and hence aid in penetrating foreign markets (Young and Sheales 1991).

The Industry Commission inquiry process also continued to be directed towards enhanced policy transparency. In late 1991 it began an inquiry into the sugar industry. Given ABARE's critical attitude to production restrictions (Sturgiss, Connell and Tobler 1990), the Commission could be expected to press at least for the maintenance of the programmed reduction of tariffs on sugar imports and would surely lead to some interesting politics from 1992.

This is not to say that official advisory processes are unambiguously beneficial. Often they are utilised as a form of "issue packaging", intended to legitimate previously-designed policy directions.

For example, during the period under review AQIS was evaluated by management consultants Ernst & Young and the Quarantine Inspection Policy Council. In addition an internal AQIS review was conducted, plus extensive consultations with industry and consumer groups. The end result was the announcement of a "reform package" designed to make the AQIS more "business-like" (Press Release DPIE91/299G, 26 November 1991). Being more business-like could be expected to result in AQIS shedding further staff.

Official advisory processes can also be used as a means of issue deferral, by deflecting group demands that are ill-suited to the government's policy objectives. Such processes were used as part of the
bureaucratic incorporation and deflection of conservation issues during the review period.

Thus forests preservation issues were addressed by commissioning a report from the National Plantations Advisory Committee (created in December 1990), which developed a package of policy recommendations and commissioned a number of ongoing research studies. This issue was designed to dovetail with the work of the Ecologically Sustainable Development Forests Working Group and the Resource Assessment Commission's Forest and Timber Inquiry. A National Forests Policy statement was to be presented from these activities in 1992.

The fuss about sustainable development absorbed a huge bureaucratic effort in 1990 and 1991, culminating in a report on sustainable agriculture in May 1991. Apart from platitudes, this report recommended little that was not already being undertaken, but did weaken the conservationists' hold on the political agenda.

In a more conventional vein, in November 1991 the Industry Commission released its report on the dairy industry. This, predictably, called for a wholesale deregulation of the industry, claiming that it transferred $280 million from consumers to producers, and that excessive regulation imposed a further efficiency cost of $29 million. The Commission advocated winding down Commonwealth subsidies from 20 to five per cent and the wholesale removal of State regulatory arrangements. The Australian Dairy Industry Council, equally predictably, rejected the Commission's report as "more concerned with economic theory than market realities" and predicted that the wholesale dumping on the Australian market of subsidised European products would result. The industry argued for the preservation of existing arrangements so that Australian dairying would be in the position to profit from the eventual rationalisation of EC farm supports.

The government reacted by seeking the views of the States; this is an issue that probably will be left until after the next federal election.

2.4 Fiscal Developments

Because of the rural downturn the government was under pressure to provide some palliatives to ameliorate the rural recession. Reflecting Labor's dislike of commodity subsidies (such as have been historically associated with the National Party), the resulting fiscal initiatives were instead focussed on programs to improve the viability and efficiency of agricultural production. Thus the 1991 Budget saw the introduction of a Rural Industries Business Extension Service, providing $2 million to assist domestic producers to enter export markets. Similarly the new Business Advisors for Rural Areas Program (with $1.8 million in funding) was to parallel the Rural Counselling scheme and provide community-based advisors to assist in the development of new income and employment-generating enterprises in rural Australia. A new Local Government Development Program and a Farm and District Planning program were also instituted to assist local communities in diversifying their regional economies.

Some fiscal outlays during our review period were incremental continuations of existing policy. For example, the Export Marketing Skills Program expended a further $1.153 million to continue the five year program inaugurated in the 1988 budget. The Program focused on the food processing sector, dovetailing nicely with the increased importance of value-adding in the agricultural policy agenda. Also in December 1990 the government announced a $2 million grant to the Australian Horticultural Corporation (to cover the period to 1992) for special marketing projects for Australian fresh juice and fresh oranges. During 1991 Rural Adjustment Scheme (RAS) funding expanded from $62 million to $160 million, with further increases promised in 1992.

The March 1991 Industry Statement promised a widening of the range of primary industry exemptions from wholesale sales taxes. This was partly delivered in the Budget legislation later that year.

In the 1991 budget, assistance to agriculture rose by $122 million (to $1.143 billion). However this figure reflected some accounting changes, namely the inclusion of $476.9 million from the diesel fuel
rebate. Roads spending also declined in real terms. But rural counselling services were augmented, the government funding nine new services to bring the total to 47 around rural Australia.

The government persisted with its “user-pays” restructuring of agricultural charges, raising meat inspection charges from 60 per cent to full cost-recovery. It also foreshadowed that, over the next four years, the National Agricultural and Veterinary Chemicals Registration Scheme (agreed at the August 1991 Agricultural Council meeting) would move to full cost-recovery from the 1991 figure of 50 per cent.

Consistent with its “community” development approach, the government increased outlays on the new Rural Access program by about 40 per cent to over $1.5 million and expanded the Assistance for Isolated Children program by a massive $8.6 million. This latter initiative, to benefit some 8,500 children by $965 each per annum, was presented as essential to improving the educational standards of Australian farmers (Press Release, DPIE91/3271, 17 December 1991).

In recognition of the importance of environmental political agendas, the government steadily expanded outlays on soil conservation. In the 1990/91 fiscal year these stood at almost $20 million, and went up to $23.8 million the following fiscal year in reaction to the developing drought in eastern Australia.

2.5 Rural Primary Industry Policy

The Labor government has consistently shifted the fiscal focus of primary industry policy away from support for commodity production to support for rural “communities” (Gerritsen and Murray 1987, 22). This continued, with programs such as the Country Towns Water Supply Improvement Program (COWSIP) directing aid at improving the amenities and conditions of rural townships and the Countrylink programs (featuring a telephone answering line to improve rural people’s access to government services, a country shows display, community information stands and the “Rural Book”).

The government was under some pressure in the review period to forgo such “social” programs in favour of directly easing the debt burden of the farm sector. This pressure was resisted, the government recognising that low farm incomes rather than high debt-equity ratios was creating the prevalent farm debt servicing difficulties (Peterson et al 1991). The RAS was seen as providing the appropriate vehicle for dealing with this problem. By the end of our review period, however, relations with the State governments had become tense as they generally proved unwilling to provide the matching funds required as a result of the Commonwealth’s increased inputs into the RAS. The RAS was degenerating into a “blame-shifting” exercise, in which both levels of government - State and Commonwealth - sought to foist greater responsibility for the rural recession onto the other level.

Industry Regulation and Management

In 1991 the government secured passage of the Fisheries Administration Act and in December announced the composition of the new AFMA Board. The establishment of the AFMA Board concluded the process of reorganisation of fisheries management commenced with the December 1989 Fisheries Policy Statement. The government emphasised that it would be the Board’s responsibility to administer the industry to maximise both allocative economic efficiency and ecological sustainability. These sometimes conflicting requirements portended interesting fisheries politics in the future.

Incremental regulation continued to be the major focus of recurrent fisheries policy development. During the period under review the Bass Strait Scallop Fishery was finally organised on a long term basis, with the jurisdictional issues between Victoria and Tasmania resolved by amendment to the Commonwealth Fisheries Act (1952) to take into account the Offshore Constitutional Settlement arrangements. Similarly, arrangements were made on a Commonwealth-New South Wales basis to organise the jurisdictions for fisheries management in the waters off New South Wales. As disquiet mounted about the long-term viability of the fishery, the first closure of the Eastern Australian Gemfish Fishery was introduced in January 1991. In addition, in response to concerns about
over-investment in that fishery, the interim management regime of the East Coast Tuna Fishery was extended for two years to mid-1993. Similar anxieties had prompted intervention in the Southern Shark Fishery in March 1990 and in the Southeast Orange Roughy Fishery in September 1990.

The management of the Northern Prawn Fishery continued towards the impasse previously predicted as likely when the Senate in 1987 prevented the government compulsorily acquiring boat units to reduce effort in the fishery (Gerritsen 1987). The first phase of the voluntary, industry-organised buy-back was completed in April 1991 and failed by a substantial margin to reduce fishing capacity to 50,000 units. In October, Crean announced a new voluntary program, with generous added incentives (Press Release DPIE91/260C, 21 October 1991). The Minister made it clear that if the new program did not secure the required reductions in boats by the end of the 1992 season, then in April 1993 the government would compulsorily reduce the units in the fishery. It is anticipated that they will have to do so, as the growing international prawn aquaculture industry will increasingly determine the market in which open-sea prawn fisheries will operate.

Other fisheries at a developmental stage - like the Northern Shark Fishery, the Northwest Trawl Fishery, and the Northeast Coast Line Fishery - attracted more traditional management regimes, with licence systems and only limited cost-recovery. The Northern Trawl Fishery was closed to Taiwanese boats in 1990, and seven Australian trawlers licenced to operate in their stead.

The growth of the domestic tuna fishing industry was recognised in October 1991, when the annual bilateral access negotiations with Japan resulted in a halving of the Japanese quota to 400 tonnes and an introduction of a closed zone around Perth to protect the local game fishing industry and marine parks. The larger Southern Bluefin Fishery also saw a 50 per cent quota reduction imposed because of overfishing by the Japanese during 1990. The Japanese quota was to be progressively further reduced to allow Australian fishers equal access to the tuna fisheries in the Australian Fishing Zone. In December 1990 the Japanese also agreed to longlining bans in the Barrier Reef area of Townsville. This ban was to protect the Queensland Black Marlin gamefishing industry, whose stocks were an ancillary by-product of the tuna longlining catch.

More innovatory, "economic rationalist", incremental reform of fisheries management continued along the lines foreshadowed in previous policy reviews (Gerritsen and Abbott 1988, 20-21). In December 1991 the South East Trawl Fishery was reorganised with the introduction of Total Allowable Catches (TACs) for the major species and the parallel advent of Individual Transferable Quotas (ITQs), both designed to encourage economically optimal behaviour from the fishing industry. Whether these instruments will achieve this result is disputable - some advocate constant effort rather than constant catch benchmarks (see Hannesson and Steinshamn 1991 for a discussion) - though to this writer the TAC-ITQ combination is probably the best possible management mechanism. In any case some robust politics will ensue in 1992, when the new regime starts to bite into fishing effort.

The government addressed some subsidiary concerns of fishers by imposing new environmental standards for off-shore drilling, these being first applied to BHP activities in the Otway Basin off Victoria.

In December 1991, the Minister announced a review of the Merino export policy decided upon in 1987. This should make for interesting politics, with Crean likely to take a different tack from the more economically rationalist approach of Kerin.

The Tobacco Industry Stabilisation Plan continued, with quotas set at the new ceilings to last until the Plan expires in 1993.

The horticulture industry was the beneficiary of extensive changes in its export classification inspection regime. During 1991 AQIS supervised a move towards a more self-regulatory regime that promised significant cost reductions in export inspection.

In December 1991 the Australian Agricultural and Veterinary Chemicals Council announced the new
procedures for implementation of a national registration scheme for such chemicals. Though stimulated by the pesticides “crisis” of 1987 (Gerritsen and Abbott 1988, 24), this was also an exercise influenced by the new environmental agendas, as was the upgrading of the AQIS National Antibiotic Residue Minimization program in January 1991. Important in producing these outcomes was a 1990 Senate Select Committee report critical of various aspects of on-farm chemicals management (Senate 1990, Chapter 4).

Concern about the permeability of the quarantine border with Papua New Guinea led the government to recruit Torres Strait Islanders for training to help administer the North Australia Quarantine Strategy.

3. Intermittent Crisis Management

With the gathering momentum of the rural recession the government came under increasing political pressure. In such a situation, any unexpected event had the potential to escalate into a “crisis”.

A ministerial reshuffle initially portended a breakdown in relations between the government and the farm lobby. The replacement of Kerin as Minister by Crean in mid-1991 saw a torrent of complaints by rural group leaders. These mainly focussed on Crean’s lack of agricultural experience and his likely opposition to farm organisations’ desires to decentralise wage-fixing. A bitter industrial dispute in Victorian abattoirs exemplified farmers’ concerns. Only the Australian Dairy Industry Council welcomed Crean’s appointment (the fact that industry was undergoing an Industry Commission inquiry, and Crean had a reputation as an economic “interventionist” rather than a “dry”, may have influenced the dairy farmers’ attitude). Nonetheless, despite the initial hostility, relations soon settled down, and Crean’s own emphasis on value-adding commodity production even attracted wide support.

Other potential crises, such as the introduction of exotic pests and diseases, were defused during the review period. For example, AQIS discovered and eradicated the larvae of *Aedes aegypti* mosquitoes - a potential vector for Murray Valley encephalitis and Ross River fever - on Indonesian fishing boats detained in Darwin harbour. Also defused was the Opposition challenge to the government in the 1990 election.

*The 1990 Election*

Despite its worst primary vote since 1977 - it was down by 6.39 per cent on 1987 - Labor was safely returned. In part this was because disaffected voters transferred their allegiances to minor parties rather than to the Coalition - and so, via preferences, back to the government. This phenomenon meant that the Labor government, though narrowly headed in two-party preferred terms (49.9 per cent to 51.1 per cent, a swing of 0.9 per cent over 1987), was able to retain key seats. This perverse result was a dramatic pay-off for Labor’s tactic of courting the minor parties and conservationists. It also reflected Labor’s technologically superior campaigning, it being able to hold its vote in marginal seats against general swings (particularly in Western Australia) and thereby minimising Labor losses. The National’s Leader, Blunt, even lost his seat of Richmond to Labor. In New South Wales and Queensland the government gained four seats, which offset the loss of ten seats in Victoria and saved its comfortable working majority. In effect the Coalition’s gains were minimised through Liberal wins being offset by National losses. Only in Victoria was there any evidence of a rural backlash against Labor, and this was supposedly due more to the travails of the State Labor administration than to any enthusiasm for the Coalition (though debate exists on this point, see Bean and Butler 1991).

Insofar as elections are the ultimate intermittent crisis for governments, 1990 proved Labor’s successful political and policy management, though rural policy played a lesser role than in 1987.

*The 1990/91 “Wool Crisis”*

This was Labor’s most dramatic policy conundrum since 1983 and saw the collapse of the Wool RPS.

The RPS had originally been introduced in 1970 as a device to provide price stability and predictability. In 1974-75 and 1985-86 large stockpiles had been accumulated (1.88 and 1.595 million bales
respectively) which had been disposed of once the dollar had respectively been devalued or depreciated. After the Wool Marketing Act of 1987 (and consistent with the general thrust of Kerin’s structural reforms) the price-setting role passed from the Minister to the Australian Wool Corporation (AWC). The Corporation soon began increasing the reserve price, from 507 cents/kg in the 1986-87 season to 870 cents/kg in 1988-89. Wool buyer resistance to the rapid price rise, combined with a 50 per cent sales decline to China and the Soviet Union, soon led to an ever-larger AWC stockpile. The growers used their control of the Wool Council and the Corporation to resist calls for a reduction in the minimum price. It appeared that the Corporation was determined to move the RPS from an income stabilisation instrument to reshape the industry to set market prices. The cries of alarm - predictably from exporters, traders and processors’ representatives, but also from informed industry analysts like Trebeck (1990) and Watson (1990) - were ignored.

By early 1990 woolgrowers faced contributing 30 per cent of their gross income to the stockpiling exercise, while demand collapsed as the textiles industry substituted synthetics. As the year wore on the government became worried about the financing of the growing stockpile held by the Corporation. Ministerial intervention to lower the floor price and increase the wool tax to 20 per cent in May was too little too late; by then the market had formed its own expectations. The government still dithered, sending conflicting signals to the market. In September the government even removed the Corporation’s $2 billion borrowing limit. Then in February 1991 Kerin finally suspended the RPS, leaving the AWC holding 4.7 million bales of wool and the largest nominal debt ever accumulated by a statutory authority. In April the government announced its determination to remove the RPS from the wool marketing legislation. The “wool crisis” was in full swing. The government reacted to public alarm by appointing the expert Vines committee to suggest how the stockpile could be acquitted.

The Vines Committee report (Vines 1991) led to a new wool industry structure. Apart from the now-usual industry council (but since September 1990, also to contain non-grower representatives) and R&D corporation, the industry now had two “commercial” arms: the AWC and the Australian Wool Realisation Commission (AWRC). The former was confined to market promotion and the representation of Australia’s interests on the International Wool Secretariat. The AWRC took charge of the AWC’s debt and the orderly disposal of the stockpile.

A combination of drought and persistent low prices reduced supply and meant that the AWRC was able to acquit the stockpile at a faster rate than originally anticipated. In this it was assisted in securing a premium over the market rate by the fact that most of the stockpile was of good quality, a reflection of the three previous good seasons. By the end of 1991, halfway through its first season, it had sold 250,000 bales (about 4 per cent of the stockpile) for $150 million, more than enough to meet its first year debt repayment target of $20 million.

But the collapse of the RPS was of profound importance for Australia’s rural future. Firstly, it confirmed the economic rationalists’ suspicion of statutory restraints on free markets. This was important as the deepening rural recession provided an otherwise overwhelmingly powerful political incentive to return to traditional agrarian socialism. In particular the RPS imbroglio encouraged questioning of the current institutional structure of rural industries and so portended reforms to secure broader-based, integrated rural industry structures, such as those that Crean had foreshadowed for the grains sector.

Secondly, the collapse of the reserve price coincidentally cleared the way for important reforms in wool marketing, with the likely advent of electronic marketing and sale-by-description to supplement (eventually to replace?) the auction system as direct grower-processor links develop and specialist markets are aggregated and grow in importance. These developments are necessary, for the removal of the reserve price will reduce the previous implicit disincentives for individual growers to improve quality.

Paradoxically, the 1990-91 “wool crisis” might yet prove to be the long term saviour of an Australian
high quality wool industry.

A diverting sidelight to the wool crisis was the Commonwealth Auditor-General’s protest about his agency’s removal from auditing both the AWC and the AWRC. This, the Auditor argued was weakening the accountability of government agencies to the Parliament (Auditor-General 1990-91). As the government’s popularity waned it received further reminders that governmental power is limited in Australia’s political system. In June 1991, the States resisted attempts to restructure the RAS, forcing the government to divert $13.6 million of Part C funding into Part B debt reconstruction funding. The government was also defeated in the Senate in mid-1991, when its preferred 15 per cent wool tax option was overturned by the Democrats and the Coalition in favour of a 12 per cent impost.

3.1 The Government’s “Crisis” Management

Facing deterioration both of the rural economy and its political support, the government’s intermittent rural policy crisis management was under greater pressure than at any time since 1985-86. Its responses are here detailed using a four-fold categorisation derived from previous reviews. These responses are described as amelioration, depletion, symbolic satisficing and, most importantly, agenda management.

“Amelioration”

For cynics this function could be described as “pork barrelling”. But it was intrinsic to the “deal” that Kerin had made with the farm lobby: reductions in commodity assistance in return for restructuring the farm input industries to achieve microeconomic efficiency comparable to the farm sector (Gerritsen and Abbott 1990, 7-8). The problem was that “rationalising” farm supports was substantially achieved by the end of 1990, whereas reform of transport infrastructure and manufacturing tariffs proceeded more slowly because the government was bedevilled by its “partisan coalition” with the trade unions and Labor voters (Gerritsen 1992, 69).

Positive assistance measures - for example, under the Rural Counselling scheme and other locally-based initiatives - were not of the type to attract widespread support in the farm sector and so did not solve the government’s political problems as the rural recession deepened.

By the end of our survey period relations with the farm lobby had soured as the National Farmers Federation (NFF) and other farm groups became increasingly impatient with what they saw (probably correctly) as a lopsided deal. The protracted anti-dumping procedures required to combat the inroads of imported canned tomatoes, for example, was contrasted with the alacrity with which the government responded to the car industry’s appeal for a 100 per cent tariff to prevent the import of second-hand Japanese cars. To compound farmers’ woes, the Uruguay round of GATT seemed unlikely ever to reverse the export price squeeze on Australian farmers. Gradually, as the farm lobby’s criticism intensified (and its electoral prospects plummeted), the government began to accept that the reinstatement of some rural support measures was justified. Crean led the way in mid-1991 by accepting a six-month breathing space for application of Part C of the RAS to farmers facing negligible prospects for eventual viability even after rural recovery occurred.

The rural downturn was also reflected in a growth in RAS outlays and the (temporary?) abandonment by the Commonwealth of attempts seriously to reform the Scheme by tightening the eligibility criteria for carry-on finance and attempts to put some of these recipients on Part C funding.

In October 1991 the government recognised the severity of the rural downturn with a two-year, $140 million rural assistance package. This provided $40 million through extending the eligibility criteria for unemployment assistance to farm families. Some 2,000 farm families previously excluded by the assets test but judged by the RAS administering authorities to be economically viable in the long term were made eligible for Job Search and Newstart Allowances. Their economic plight was further recognised by making these families eligible for the Family Allowance Supplement and educational subsidies (the Austudy and Assistance for Isolated Children schemes). Further funding was provided to the RAS (excluding Part C) and then, two months later, the government
extended the statutory deadline for the Wool Supplementary Payments Scheme.

"Depletion" (Rationalisation)

Until mid-1991 the government’s “economic rationalist” nerve held. For example, it rejected the Grains Council’s call for a guaranteed minimum price for wheat, arguing (correctly) that it was such subsidisation that had corrupted international wheat markets. However it did agree to pay $35.1 million to wheat farmers for markets lost as a result of the sales boycott of Iraq and increased the national credit insurance cover for sales to higher-risk markets. In 1990 it again rejected the orange industry’s appeals for tariff protection or a stabilisation program to protect it against Brazilian frozen concentrate imports. The government promised instead an accelerated anti-dumping inquiry.

In response to the gathering drought in New South Wales and Queensland, the government made incremental additions to funding for drought relief. But the form of that assistance - dollar-for-dollar interest rate subsidies under the RAS for “carry-on” finance - was of a very different ilk from the previous drought arrangements. In particular, putting drought funding under the RAS had removed the previous fiscal (and political) incentives for State governments to declare droughts. The States were not impressed and their complaints amplified the government’s political woes.

The government somewhat vitiated its “depletionist” RAS initiatives in late 1991 when, in response to drought in Queensland and northern New South Wales it put another $60 million into the RAS (making $160 million in all for the year) and widened the eligibility criteria for unemployment benefits to include more farm families.

The government’s difficulty lay in the scale of the rural downturn. Unlike the previous rural “crisis” in 1985-86, when about 7 per cent of farmers faced severe liquidity problems, in 1991-92 the comparable figure was 20 per cent. This was “depletion” on a scale inimical to the national welfare, especially as escalating unemployment meant that farmers had few alternative forms of economic activity.

In this area the only comfort the government could draw was the evident nervousness of some elements of the National Party about the long-term effects of the restructuring of agriculture (“Farmers Seek Changes in Market Policies” Australian Financial Review 30 August 1991). This portended trouble for the Coalition as the election due in early 1993 approached, though it was dubious that disruptions of the extent of the “Joh-for-Canberra” campaign in 1987 (Gerritsen and Abbott 1988, 21-22) would ensue, particularly if the Opposition looked likely to win the election as seemed increasingly probable.

"Symbolic Satisficing"

This stratagem involved persuading the farmers (or at least rural communities) that the government was both cognisant of and sympathetic to their plight while avoiding expensive fiscal commitments to short-term palliatives.

That this tactic succeeded, at least over the period in which Kerin was the Minister, is indicated in that he was universally lauded as an excellent Agriculture Minister, some said the best since Wreidt (the Minister during the Whitlam Labor government). Activities such as “bank-bashing” succeeded in enlisting farmer sympathies without requiring (expensive) governmental interventions (“Govts Take on Banks Over High Rural Rates” Sydney Morning Herald, 13 December 1990). Similarly, in July 1990 Kerin sought to allay farmers’ fears by asserting that SMAs had a continuing role in agricultural marketing (“Australia still needs statutory marketing authorities - Kerin” Australian Financial Review, 17 July 1990).

However, once Keating - the architect of economic rationalism - became Prime Minister and Crean the Primary Industries Minister, it became more difficult convincingly to deploy this tactic.

"Restructuring the Agenda"

Hitherto the Labor government had a remarkable degree of success in determining the political agendas of agricultural policy. In part that was because the farm lobbies, by-and-large, shared the government’s economic rationalist/restructuring agendas. By the end of this survey period that was no longer
the case. The farm lobby was increasingly divided, and the calls for a return to pre-1980s income and price support schemes were gaining a wider hearing even than in the crisis of 1985. The government, nevertheless, pursued a four-fold agenda management strategy involving maintaining its reputation for managerial efficiency; pressing on with agricultural restructuring; defusing conservationist agendas; and an addition - Crean's value-adding initiatives.

1: Economic and Managerialist Efficiency

Economic rationalism in the recession meant resisting pressure for short-term palliative measures to "solve" economic difficulties. This depended on a residual support for this approach in the general economic policy community, the NFF and the advisory agencies of government. Thus the government did not follow the panic reaction of the Western Australian State government in March 1991, and refused to set a guaranteed minimum price for wheat.

The revamp of drought policy following the 1989 suspension of drought relief from the Natural Disaster Relief Arrangements also relied on principles of allocative economic efficiency. In August 1990 the Drought Policy Review Task Force reported to the Agriculture Council and in May 1991 the Minister confirmed that drought arrangements would be funded through the RAS. The main policy amendment was the provision of funding under Part A of the RAS for interest subsidies on investment to "drought-proof" properties.

Revealing a similar economic rationalist orientation the government used the March 1991 Industry Statement to announce the phasing-down of all agricultural protection to 5 per cent between 1993 and 1996. In addition the sugar industry faced two progressive 20 per cent reductions in assistance over 1992-93. The farm lobby sourly (and reasonably) contrasted this approach with the new industry assistance measures granted to manufacturing.

Another minor initiative in this area included, in May 1990, Kerin launching the first Compufarm competition aimed at developing a computer-based financial package for the farm sector.

2: Restructuring Agriculture

The period under review saw Labor lose the initiative in this area of policy agenda management.

Hitherto the Labor government had been able to convince the farm organisations of the necessity of rationalising Australia's industrial structure. But by the end of the period of this survey the agenda management of this issue had gone badly awry. Principally this was a problem of policy sequencing. The reforms of agriculture had proceeded apace; but the promised, compensatory, reforms in the sectors that supplied the inputs for and the distributional infrastructure of the agricultural sector were not implemented in a similarly decisive fashion. By the end of 1991 the rural sector was clearly restive, as evidenced by the enthusiasm with which they greeted the Opposition's "Fighthback!" policy statement. This perverse reaction - the majority of farmers were then too poor to benefit more from a reduction of income tax rates than the increased input costs from a value-added goods and services tax pitched at 15 per cent to fund the income tax cuts, despite the respite from fuel excises and other problematic elements of the Opposition's package - was indicative of the level both of rural despair and hostility to the Labor government.

In November the new NFF President, Blight, called for a moratorium on further cuts to rural protection. In part this was a reaction to internal NFF tensions, which had seen egg producers' and cotton growers' organisations leave the Federation. But the NFF's previous support of reductions in agrarian protection was a factor, with the Tobacco Growers Council disaffiliating from the Federation over the issue and dried fruit, dairy and cane farmers threatening to follow suit. Blight also attacked the Industry Commission and Miller, the Secretary of DPIE, for advocating the abolition of SMAs, arguing that such Authorities, in particular the Wheat Board and the Dairy Corporation, were necessary to maximise the market power of Australian farmers ("NFF to oppose protection cuts" The Australian, 20 November 1991). A further signal of the NFF's part return to a more traditional (agrarian socialist?) stance was in the Federation's dispute with the government over drought measures. The NFF
wanted a return to cash grants, as applied under the National Disaster Relief Arrangements, rather than interest rate subsidies under the RAS.

Signalling their disillusionment with the government, the NFF again promised a campaign in marginal regional seats for the forthcoming federal election. This time they intended to avoid the inefficacy of their 1987 campaign (Gerritsen and Abbott 1988, 21-22) by promising to endorse candidates and not merely to advertise their views. This will be easier said than done, as farmers' political loyalties are currently evenly divided between the Liberal and National Parties - and both are still officially "dry" economically - but it did spell serious trouble for the Labor government's prospects of holding its 12 marginal regional seats. This time the threat to the Labor government was possibly terminal.

3: Conservation Issues

The management and control of the conservation political agenda was the government's major agenda-management achievement of the review period. After what seemed to be a complete capitulation to the conservation groups during the 1990 election, the government soon moved to incorporate conservationists issues into the "normal" recurrent policy process and to return natural resources commodity policy to more sensible directions.

From mid-1990 the government sought to divert attention from the zero-sum conflicts over forests resources to the undoubtedly more important questions of land degradation and soil conservation. Funding for the National Soil Conservation Program (NSCP) grew at a rate significantly above the general growth in outlays. The projects undertaken through the NSCP included whole farm planning; equipment support for Landcare groups; state soil conservation agencies' natural resource management projects; and pest eradication strategies at both local and regional levels. In 1991 a total of 164 Community Landcare Support projects were funded. In addition, in July 1990, a Land and Water Resources Research Corporation was established to take over the DPIE's National Water Research Program and the research component of the National Soil Conservation Program.

The development of the Landcare Strategy culminated in the release of a Decade of Landcare Plan in December 1991. Landcare also attracted corporate sponsorship from BP and Telecom during 1991, indicating a growing community recognition of its successes.

New conservation issues arose unexpectedly, as with the growth of toxic algal blooms in the Darling River in Spring 1991. In December Crean foreshadowed greater Commonwealth leadership through the Murray-Darling Basin Commission and the Australian Water Resources Council to combat the problem of toxic algal blooms in major waterways. The Commission - which had just completed a preliminary survey of nutrient sources in the Basin area - was directed to expedite the development of a draft nutrient strategy for implementation by the Ministerial Council. The Commonwealth also promised increased resources for water treatment projects in the major towns within the river catchments. The Standing Committee of the Water Resources Council was also required to develop national coordination of research work dealing with nutrient enrichment and to advise the Ministerial Council on a national water quality strategy.

The weakness of the agenda-management of conservation issues was that the government had to appease the political whims of urban-based, middle class groups (Gerritsen 1990) whose interests were not necessarily sensible for long-term conservation outcomes. For example, the creation of property rights in wildlife would give farmers and graziers a direct interest in wildlife conservation. Yet export and breeding bans on wildlife species only encouraged smuggling, with ever-more species of Australian wildlife entering the endangered species list because rural producers had no incentive to preserve their habitats. Also the excited calls by scientists seeking research grants via alarmist calls for controls on farmers and graziers' productive activities ("Farmers face disaster, says scientist" The Australian, 27 December 1991), proved difficult to handle in the context of uncritical media reportage.

However, the government appeared increasingly
ready to ignore conservationist groups to secure its economic development strategies, as evidenced by the preservationists’ hostile reaction to the Forestry Council’s two discussion papers on forest management in September 1990 and the subsequent Commonwealth approval for more logging permits in New South Wales’ state forests. The major initiative that flowed from the government’s tactical reversal was in the forestry sector, with the introduction of resource-security principles in the Forest Conservation and Development Bill, introduced to the parliament in November 1991. This was vehemently attacked by the wilderness conservationists and looked unlikely to emerge unscathed from the Senate. In August 1991 the Minister for Resources, Griffiths, forced the withdrawal of a Federal Court action brought by the Wilderness Society against the Minister’s decision to renew Tasmanian export woodchip licences.

4: Crean’s Value-Adding Agenda

Despite its debatable economic rationale (Lloyd 1989), value-adding agricultural products was Crean’s addition to the rural policy process and was obviously the area where he felt he could make an impact (“Crean’s Cure for our Balance of Payments Ills” Australian Farm Journal September 1991, 27).

Crean dramatised this agenda issue by drawing attention to the fact that three-quarters of Australia’s wool production was exported as greasy wool (conveniently ignoring the significant international over-capacity in early-stage wool processing).

Crean’s position was that government should provide industry with incentives to invest in specific areas that would produce value-added exports rather than relying on across-the-board measures such as investment or depreciation concessions. The food processing sector was identified as the area most likely to realise gains from such a sectoral strategy.

In this area of policy Crean was on familiar ground, having been involved as President of the ACTU in most of the sectoral industry policy-making of the Hawke government in the mid-1980s (Gerritsen and Singleton 1991). It was - in his terms - not a matter of “picking winners” but of... “governments and industry working together to identify barriers to further processing and removing those barriers” (Crean 1991, 6).

The Wheat Board proved enthusiastic about the policy of value-adding, funding a reprocessing plant for wheat stubble in Western Australia and investing in a grains processing enterprise in China (AWB Annual Report 1990-91, 13).

4. Conclusions

The departure of Kerin near the end of this review period requires some judgement about his tenure as Minister. Certainly he left with a high reputation, though I suspect his contemporaries’ judgements were kinder than will be those of future historians. For example, it is difficult to assess how much individual credit (or blame?) should go to Kerin for the major policy features of the 1983-90 period. If we take the five principal administrative-policy innovations: the establishment of industry Policy Councils; the replacement of research committees with Research and Development Corporations; the reforms of the SMAs; the “corporatisation” of the SMAs and the R&D Corporations; and the replacement of day-to-day governmental controls over the staffing and finances of the commodity organs with supervision of corporate and operational plans; then it is surely more than coincidental that Geoff Miller also advocated these in the early 1980s (eg. see Miller 1984).

Kerin’s self-image was of the agrarian reformer, but his procrastination during the wool crisis fatally damaged that reputation. Kerin’s habitual caution ill-suited the market deterioration that had evolved rapidly into the 1990 wool crisis. As late as November-December 1990 - even after he had reduced the wool minimum price - Kerin was still trying to persuade the industry that the market would recover (“Wool Mission to Russia Boosts Agricultural Trade: Kerin” Press Release DPIE90/314K, 27 November 1990; see also “Kerin ‘Cautionly Optimistic’ After Wool Mission” Press Release DPIE90/322K, 2 December 1990).

The problems of policy sequencing, that increasingly characterised Labor’s rural policy as the 1980s progressed, were unequivocally the respon-
sibility of the Minister. Kerin’s “deal” with the farm lobby - which delivered the removal of stabilisation programs, deregulated wheat and sugar, and began the reform of the dairy industry - ultimately founded on the inability of the Labor government speedily to deliver compensatory microeconomic reforms in the non-farm sector of the economy (Gerritsen 1992, 74-75).

However, some of the policy failures of the 1980s were directly the result of the farm lobby’s own activities. For example, in 1985, when the then-Treasurer, Keating, proposed tightening the tax system to prevent the full write-off of farm losses against other non-farm investment income, the farm lobby led the outcry and forced a governmental backtrack. Yet this retreat mostly benefited “Pitt Street” farmers, urban professionals whose investments - particularly in the horse racing bloodstock industry - can be interpreted as more a discretionary luxury than as genuine rural investment. The 1989/90 fiscal year tax statistics back this up. These data revealed that 5,974 horse owners had a total taxable income of over $50,000 but between them reported total tax-deductible losses of $117 million. Consequently, these people retained post-tax incomes of over $50,000. Longitudinal studies conducted by the Tax Office revealed that this group’s bloodstock investment losses almost exactly complemented their income growth. Given that, unlike other rural industries, the bloodstock industry does not organise producer levies to finance research and marketing (and hence export earnings) - and that it advantages the (urban?) rich rather than the poor farmers - this concession by the Labor government to misguided rural protests has produced particularly perverse consequences.

Nonetheless, whatever conclusions one draws about the efficacy of Labor government’s rural policy management, the next election increasingly promised to be Labor’s final “rural crisis”.

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