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Review

Again The Lucky Country?: Australian Rural Policy in 1988 and 1989

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1988 and 1989 saw a strong continuation of the 1987 rural recovery. Australia's emphasis on international agricultural trade reform also dominated domestic policy, which was concerned with complementary microeconomic efficiency reforms. The most significant developments in this vein were the reform of the marketing arrangements for the wheat and sugar industries. The government continued the "deal" it had made with the rural sector for rationalisation of rural assistance in return for reforms of industries affecting the rural sector's input and export costs. The slow pace of these corresponding reforms in the transport infrastructure and manufacturing industry sectors meant that the truce between the farm organisations and the Labor government was increasingly fragile by the end of 1989. The major intermittent "political" agenda item to emerge in the review period was the conservation issue.

1. Introduction

Rural policy in 1988 and 1989 featured generally firm commodity prices and consequent policy stability. The absence of elections, despite other intermittent political alarms, allowed the government to concentrate upon recurrent economic and administrative efficiency agendas.

The years in review saw a continuation of the rural revival that had begun in 1987. But the relatively high world prices of commodities led to a strengthening of the Australian dollar, thereby limiting exporters' income gains. Nevertheless, aided by the lowest on-farm inflation rate in 17 years, farm incomes still rose substantially (Kingma 1988, p.5), slowing only in the second half of 1989. The Australian Bureau of Agriculture and Resource Economics (ABARE) reported that farmers' terms of trade improved by 11.6 per cent in 1988, the best result for almost a decade. Reflecting this revival rural property prices, especially for grazing properties, also recovered to reach their highest real prices in a decade. Unlike the case in 1987, when the increase in average prices was distorted by the very large rise for wool, improved prices occurred

across virtually the whole of the agricultural commodity sector (Fisher 1989).

Not all developments were this hopeful. Cotton prices were low, though some producers believed that quality margins would maintain Australian export prices. The US-Canada free trade agreement raised fears for the future of important markets, especially for Australian canned fruits. Also the global oversupply structure had not changed; the Organisation for Economic Cooperation and Development (OECD) reported that world farm production continued to increase by 1.5 per cent per capita while consumption stagnated ("OECD warns Keating of agricultural trade setback" *Australian Financial Review* 26 September 1988). The United States (US) maintained its Export Enhancement Program, one of the reasons for Australia's share of the international wheat trade shrinking from 20 to 12 per cent between 1983 and 1989.

Nonetheless, the economic situation plus the absence of elections meant that in agriculture, as for governmental policy as a whole, microeconomic efficiency reforms were to be the focus of new policy-making. This required the carriage of an explicit bargain. The rural sector was to accept continued reductions ("rationalisation") in its levels of assistance in return for microeconomic reforms in transport infrastructure and manufacturing industry. In addition taxation changes were to improve cash flows. These included general reductions in business taxation as well as measures specific to agriculture (principally in reckoning plant and equipment depreciation rates and the tax treatment of livestock valuation). The government commenced reviewing price underwriting, beginning the phase-down for wheat from 90 to an eventual level of 80 per cent and foreshadowing dairy underwriting arrangement changes after 1992.

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The government, despite some successes in deregulating the transport sector, faced increasing difficulty in delivering lower levels of manufacturing protection. The only success for the rural sector in the period reviewed was a relaxation of the tariff treatment of agricultural machinery. Also, economic rationalism - as seen in the relaxed Commonwealth attitude towards Japanese investment in Australian beef production and processing - was still contrary to the natural inclinations of most farmers. They argued instead that this brought a danger of vertical integration in the beef industry. Because of both such traditional attitudes and the incompleteness of the government's compliance with the policy trade-offs "deal", the level of acceptance of government policy by the farm organisations had declined by the end of 1989.

This disillusionment was deepened by the decrease in both the effective rate of assistance to agriculture and the nature of the dispersion of that assistance (a greater proportion went to the wheat growing sector because of the new underwriting arrangements).

For the convenience of the regular reader (and the authors!), the structure of this survey follows the format established previously (see Gerritsen and Murray 1987, pp.7-8; Gerritsen and Abbott 1988, pp.9-10). The main feature of that format is a distinction between "recurrent" and "intermittent" policy-making. Recurrent policy-making issues are mostly predictable, usually proceed incrementally, and are rooted in the formal institutional structures of agricultural policy. The need for intermittent (crisis) management arises unpredictably and here policy-making is reactive, more "political", and less under the control of bureaucratic policy-makers. Intermittent policy-making often suffers from the pressure of widespread public interest. Similarly, we also here persist with our division of rural primary industry policy into the two groupings of industry regulation and industry management (see 2.5 below).

2. Recurrent Policy-Making

The recurrent policy concerns of 1988 and 1989 were about international trade reform, economic efficiency and the complementary "managerialist" rationalisation of administrative structures.

The microeconomic reform agenda the government attempted to impose on the economy at large also dominated agricultural policy in 1988 and 1989. In the agriculture policy field the government had more success than it did in areas such as labour market deregulation, education and training policy, or industrial deregulation. The reason for this might be that John Kerin has provided a continuity of Ministerial policy leadership lacking in the other policy fields. Certainly the reform of agriculture policy's institutional structures over the past few years provided a framework that facilitated such microeconomic efficiency drives. Another reason for its relative success in the rural policy area was that the government was not here burdened by the need to mollify clients or political supporters.

Progress continued in rationalising the administration of primary industry policy. This saw the sorting out of jurisdictional boundaries — as in the gradual transfer of State meat inspection services to the Commonwealth — and the standardising of industry management arrangements. For example, the years under review continued the Minister's attempts to develop each industry into a three-part structure: a "corporatist" policy council (with producer, government, processor and union representation), an "expert" management corporation, and a research authority. Thus, in December 1989 the government released its fisheries policy — "New Directions for Commonwealth Fisheries Management in the 1990s" — which promised the creation of an Australian Fisheries Management Authority. This was to be the future policy manager for the fishing industry and make that industry's management structure more akin to other rural industries.

2.1 Infrastructural Development

The melding of the former agriculture and mineral resources bureaucratic "cultures" in the new Department of Primary Industries and Energy (DPIE) proceeded apace during 1988 and was firmly cemented by the end of 1989. Perhaps reflecting the Minister's preferences (and the predilections of former Resources Department bureaucrats?), the new DPIE culture was to be more economically "rationalist" than hitherto in Australian agriculture policy-making. Symbolic of this was the departure of DPIE Deputy Secretary Fitzpatrick, a veteran of

“traditional” agriculture policy-making, who left to head the Murray-Darling Commission. Somewhat offsetting this was the October 1988 appointment of Brian Fisher to head the ABARE. Dr Fisher’s career in agriculture at least ensured a continuation of expert advice in that policy field.

The new portfolio mesh was also reflected in the reorganisation of the Rural and Allied Industries Council, agriculture’s “peak” organisational body. In June 1988 this was reconstituted as the Primary and Allied Industries Council. This added a representative of the Australian Mining Industry Council to the rural, trade union and services sector representatives on the previous Rural Council.

Yet, despite the developing “cultural” commonalities, there was some evidence that the new DPIE was not operating to the entire satisfaction of the senior policy-makers. When the new department had been created in 1987 a decision had been made, on the basis that the characteristics of the commodities encompassed by the new portfolio were sufficiently different, that the structure should be on commodity-specific lines (Evans 1988, p.64). That meant, on the political level, that the division of responsibilities between Ministers Kerin and Cook was in part predetermined along commodity-cum-industry lines. Kerin became responsible for the coal and nuclear industries and for the livestock, cropping and fishing industries. Senator Cook was to have responsibility for mineral commodities, petroleum and energy programs, natural resource management, the Australian Quarantine Inspection Service (AQIS), the Bureau of Mineral Resources (BMR), and corporate services. Senator Cook was to chair the “natural resources” Councils - the Murray-Darling Basin Council and the Soil Conservation and Forestry Councils. Kerin chaired the Fisheries and Agriculture Councils.

This division did not necessarily lead to efficiency in pursuing the basic aims of the creation of this particular “mega-department”: that is, to make an impact in areas such as the levels of industry protection; the business tax structure; productivity in the shipping and transport sectors; reorganisation of the labour market; and the productivity of public resources - which had been identified at the time of amalgamation as requiring priority attention (Evans

1988).

There was some recognition of an incongruence between the department’s structure and its policy priorities by the end of 1988. The following year ended with portents of further restructuring of either the department or the roles of the two Ministers.

Rural Research Structures

This is an area of considerable governmental emphasis, both in money and organisational terms. In part the increased effort is a consequence of the post-1983 reforms of research funding arrangements and institutions (Gerritsen and Murray 1986, p.9). The government thus reaffirmed its commitment to provide matching funds with industry for rural research, up to a ceiling of 0.5 per cent of each industry’s gross value of production. In this way total expenditure on rural R & D rose from \$58.7 million in 1984/85 to \$125 million in 1988/89. The governmental component of that investment also continued to increase substantially, up to \$80.4 million in the 1989 Budget, an increase of \$25 million over the previous year.

The Minister’s reorganisation of research administration was virtually completed with the May 1989 creation of the Primary Industry and Energy Research Council. This “peak council” was charged with administratively streamlining and more effectively targeting R&D in Australia’s leading export sectors. In May 1989 the membership of thirteen rural industry research councils was announced. The research councils and corporations are now the creatures of industry, preoccupied with accountability for funds expended, and more innovative and results-oriented than before the reforms (Martin 1989). The transfer of the formerly government-held industry research trust funds has allowed rural R&D to be placed on a more “commercial” basis, in the sense of being more immediately profit-oriented.

Demands for research funding were predictably unremitting. For example, in August the Cattle-men’s Union called for increased research funding to meet the market demands of liberalisation of the Japanese market (“Cattlemen call for beefed-up research” *Australian Financial Review* 3 August, 1988). They overlooked the fact that extra funding

would accrue automatically from producer levies if the greater Japanese trade raised Australian beef prices (either directly or indirectly).

Progress from the Bureau of Rural Resources (BRR) was slower because of the inevitable delays in personnel recruitment. But by the end of 1989 most positions had been filled and this body was expected to make a considerable future contribution towards marshalling and coordinating scientific inputs into Australian agriculture.

Rural Development Policy

The government continued strengthening its rural development programs in 1988 and 1989. Apart from a \$500,000 trial Commonwealth Services Information Program (CSIP), rural women's access grants expanded as did the Rural Assistance Scheme (RAS) rural counselling scheme.

In 1989 the Commonwealth began an inquiry into rural education. While sponsored by the Department of Employment, Education and Training and part of the comprehensive restructuring of the tertiary education system allegedly attendant upon the post-1987 election agenda of microeconomic reform, DPIE had acted in a "ginger group" capacity to secure the early consideration of the rural education sector. Action was taken even before the inquiry had seriously begun, with a \$1.5 million Innovative Rural Education Fund established in the 1988 Budget. Two new programs - the Rural Education Access Program and the Innovative Rural Education and Training Program - were launched in this Budget.

2.2 Marketing Organisation

The major marketing question of the 1988-89 period was wheat. The time-sanctioned monopoly of the Australian Wheat Board (AWB) to buy and sell Australia's crop (90 per cent of which is exported) came under review. Controversy was inevitable, with the wheat industry split between its fear of inroads by multinational grain traders, such as Cargills, and its desire to eliminate some of the costs to growers imposed by the rigidity of the traditional arrangements. The Minister opted for a ventilated approach, throwing open the question of the Wheat Board's future, as well as of the associated handling and transport issues, to the Royal

Commission headed by McColl, a former South Australian Director General of Agriculture (and more significantly, formerly a Commissioner of the Industries Assistance Commission (IAC)). The final report of the Royal Commission was published in February (McColl Report 1988). It contained few surprises. The Commission found that considerable efficiency costs were imposed on the industry by the post-harvest processes, particularly the operations of the state grain handling authorities. It estimated that these added significantly to production costs and recommended sweeping changes to wheat transportation, handling and marketing.

The government's reaction was to deregulate the domestic market. Kerin vigorously defended this decision from widespread unease, pointing to previous arrangements as inhibiting innovation, imposing unnecessary costs on lotfeeders and industrial users, as well as having a differential impact in producing, de facto, cross-subsidisation (Media Release PIE 88/328K, 31 August 1988). The Minister justified imposing a limited exposure to the marketplace in a paper released to the April 1988 Annual Conference of the Grains Council. This compared the need for adjustment to that faced by the wool, dairy and sugar industries, where commercial viability had been improved. He also pointed to surprising levels of support for deregulation amongst growers (Media Release PIE 88/345K, 16 September 1988).

The main changes were a strengthening of the AWB's commercial capacity by allowing it to purchase wheat for cash, trade in other grains, and operate more flexible pool-payment arrangements. The Board was to retain control over export marketing of milling and industrial quality wheat. For this purpose the Commonwealth provided \$100 million of capital funding in 1989/90. The Board's structure was changed to maximise commercial competitiveness. The permit system for seed wheat was extended. The domestic wheat market was to be freed up, after a transition period. Also the government provided a guarantee on borrowings to fund high advance pool payments (this was phased down from 90 to 80 per cent), and continued underwriting on the principles outlined in the May 1988 Economic Statement. The government also committed itself to continue to supply "national

interest" insurance cover. The proposals were effected when the previous marketing arrangements expired in July 1989.

Politically, the advantage of the McColl Report was in placing the farmers' costs "ball" firmly in the states' court. New South Wales has already acted (Graham 1989), though some States were tardy in passing complementary legislation. This led to threats from the Commonwealth to override State legislation. In future the States will not be able to evade their responsibilities by referring complaints to Canberra.

But wheat was not the only area in which marketing organisation was being re-evaluated. The government also recognised the importance of the changing structure of agricultural production by appointing a consultant, ACIL, to prepare a report on the implications for Australia of international developments in agribusiness. Another important marketing initiative was the development in 1989 by AQIS of a computerised export documentation service (EXDOC). This was expected to noticeably reduce costs in the areas of documentation and inspection.

Marketing Developments 1: GATT and Multilateral Trade

International developments in agriculture policy were dominated both in 1988 and in 1989 by the continuing search for the liberalisation of world agricultural trade begun when the current negotiating round of the General Agreement on Tariffs and Trade (GATT) commenced at Punta del Este in Uruguay in 1987.

The issues of agricultural trade barriers, introduced to the agenda at Punta del Este, proved to be both delicate and intertwined with those of trade in services, another new GATT item. The negotiating illustrated the continuing jockeying for position of the United States and the European Community (EC). The US insisted on long-term reform without any concrete short-term measures to cut subsidies, plus a renewal of the Farm Bill due in 1990. The EC was concerned to highlight some of its short term production-reducing measures, for example for dairy products, and to obtain recognition for its political will in contrast to the United States. Production reductions, however, still trigger income

support measures, which although preferable to output-boosting incentives, are still distortionary and politically difficult. The visit to Australia during the year of the German Agriculture Minister emphasised this difference between the major trade players.

Progress in the talks overall was difficult to gauge; some improvements in trade in tropical agricultural products emerged. But Trade Negotiations Minister Duffy expressed disappointment that negotiating flexibility had been lost by the intransigence of the US and the EC, with consequent threats of a trade war.

Some observers argued that the GATT impetus had been lost and that the situation was self-correcting; others that the lessening during 1988/89 of the pressure from overhanging stocks of commodities should enable a more open and effective negotiating process. The Cairns Group continued to press its advocacy of an early freeze on subsidies and a gradual winding back of their institutional frameworks. As a leading member of the group, Australia participated in its caucuses and assisted in maintaining its cohesive and effective presence in the GATT round. Nonetheless, the slow progress engendered pessimism; there was even some discussion of the possibility that, in the event of the failure of the GATT, a Pacific Rim trade bloc could emerge.

Perhaps Australia's greatest contribution to the process of trade liberalisation has been its policy of targeting European, US and Japanese domestic consumers via studies demonstrating the deleterious effects of subsidies upon them as taxpayers. These studies demonstrated the fiscal and consequent standard of living and employment costs of these market distortions (eg. see Miller 1986). In February 1988 ABARE published a major critique of Japanese policies. This study found that Australian beef exports faced a higher effective tariff than US exports and led to Australia and the US instigating parallel actions against Japan under Article XIII of the GATT. The ABARE published a discussion paper which sought to win developing countries to the Cairns group cause (Gunasekera *et al* 1989). Also in this vein, the Centre for International Economics, in conjunction with the National Farmers' Federation (NFF), targeted US trade

subsidisation policies. Australia was able to draw upon some international support for its efforts; in September Kerin welcomed a study by the United Kingdom-based National Consumers Council which showed costs of 160 European Currency Units (ECU) for every 100 ECU raised by the EC farm sector.

Other multilateral fora to which Australia (DPIE/DFAT) contributed during 1988 were the OECD's High Level Group on Commodities and the United Nations Council for Trade and Development (UNCTAD) Committee on Commodities, both of which addressed an appropriate agenda for world agriculture and trade issues. The government continued to encourage research both on a country and comparative basis, with the objective of creating a credible information base to supplement the work of other institutions such as the World Bank.

Marketing Developments 2: Bilateral Trade

During the year a range of bilateral contacts took place, the emphasis being on major trading partners such as Japan, the Republic of Korea, China and the Southeast Asian nations. Further attention was placed on countries with potential for trade expansion, such as the Soviet Union and Papua New Guinea (PNG). Trade barriers were removed in a number of cases to facilitate trade. The revised Closer Economic Relations agreement with New Zealand (NZ) was signed on 18 August, giving the CER treaty status and offering additional export opportunities to Australia in a sector where trade had been growing at a rate of 20 per cent in recent years. The well-publicised fears of Australia's dairying industry were eventually allayed by measures instituted to counter any predatory pricing by the NZ Dairy Board.

Trade arrangements between Australia and PNG were improved on a number of fronts. Under the umbrella of the Torres Strait Treaty, joint management of the rock lobster fishery of the Torres Strait Protected Zone and the Gulf of Papua was extended in March for a further two years. New rules were also instituted to control movements of prawn trawlers across the maritime boundary between the two countries. During the November 1988 visit to PNG of Resources Minister Cook, a Memorandum of Understanding on quarantine was signed, giving a more formal bilateral mechanism

for plant and animal issues of mutual concern, and enhancing the effectiveness of the Northern Australian Quarantine Strategy announced in August.

Again during 1988 a Soviet delegation led by Deputy Prime Minister Kamentsev visited Canberra for talks on access possibilities for Soviet fishing boats and a range of related commodities issues. Subsequently a joint DFAT/DPIE delegation visited Moscow for further negotiations. Relations are cordial, as evidenced by the Australia-USSR Agricultural Cooperation Agreement, but access difficulties with the Soviet bureaucracy continue to hamper trade expansion. By the end of 1989 it had become obvious that the Soviet economy was in serious trouble, ending the likelihood of significant trade expansion.

Minister Kerin continued during the year to use overseas visits to press bilateral issues, such as the visit to Japanese Agriculture Minister Sato in March to protest against impending beef quota restrictions. Giving the Roy Milne Memorial Lecture on 21 September 1988, Kerin argued that "in all matters of business, trade and immigration, the task for Australia is to effect harmony, look for beneficial joint approaches, and seize the opportunities as they present themselves". Nevertheless, this proved difficult. Even though major trade talks were held with US Trade Representative Yeutter in Canberra in January, and later with a delegation of five US Senators, in September the US proposed a "voluntary restraint agreement" restricting Australia's US beef exports in 1988 to eight million pounds (about 363 Kt). The realities of international power severely tested Australian goodwill.

The major bilateral success of 1988 was the increase in the Japanese export beef quota, secured in June. This followed a liberalisation of the Japanese beef trade which resulted in a virtual doubling of the minimum import quantity of chilled and aged beef to 1990. In July, Korea reopened its beef market, closed since 1984 and the subject of a GATT action by Australia in March. Also in July, Australia and China signed a revised agreement on quarantine and health requirements for Australian exports of cattle, sheep and goats, and a new agreement on breeding pigeons. Potentially very significant in improving exports of Australian horticultural products was the successful completion in No-

vember 1989 of the two year Tasmanian campaign to obtain fruit fly-free status for access to the Japanese market.

Another bilateral event, a fishing agreement with Japan in November 1989, is of interest because of its implications for future arrangements; the access fee for Japanese fishers incorporated resource rent and cost-recovery components. This development encapsulated both the government's microeconomic efficiency and resource conservation concerns.

Statutory Marketing Authorities (SMAs)

The two most important recurrent policy advances in the area of SMAs during 1988 and 1989 were the restructuring of the Australian Wheat Board and the creation (finally) of the Australian Horticulture Corporation.

The restructuring of the AWB was part of the policy package derived from the Grain Handling Royal Commission (McColl Report) referred to above. This restructuring involved the establishment of a chairperson as a non-executive position; a chief executive officer as a Managing Director with a position on the Board; and up to eight other Board Members (plus a government nominee). All the non-government Members were to be selected on criteria including commercial and financial skills by a selection committee with an independent chairperson appointed by the Minister, other members being appointed by the Grains Council.

The "horticulture package", the subject of some fruitgrower resistance in 1987, was finally implemented during the year. The Minister announced the membership of the Australian Horticulture Corporation, its Research and Development Council, and the Horticulture Policy Council. The operation proceeded with some difficulty, hampered by the fragmentation of the industry and the tendency of the producers towards even greater individualism and heterogeneity than is common in the rural sector at large.

In August 1988, with the inaugural appointments to the Horticultural Research and Development Corporation, concluding the horticulture industry's tripartite corporatist organisation, the period under review virtually completed the reforms of SMA structures. Reform of Board memberships had

begun earlier and were designed to promote ability and remove "political" appointments (Gerritsen and Abbott 1988, p.11). During 1989 the restructuring of the SMAs' Board membership terms was implemented. The process of bringing the various bodies' terms into line removed anomalies such as the staggered terms of some members appointed to fill casual vacancies. The near-simultaneous appointments to all SMAs' Boards was supposedly to ease one future problem of recurrent policy-making. In August 1989 Kerin announced a review of the SMAs to see whether the 1986 membership reforms, through reducing direct governmental control, had succeeded in achieving commercial flexibility.

In 1988 Hugh Beggs replaced David Asimus as Chairman of the Australian Wool Corporation. The departure of Asimus, one of the most powerful agro-politicians of recent years, was acknowledged as a landmark in wool politics in particular and in the management of statutory marketing authorities in general.

2.3 Advisory and Issue Generation Processes:

Institutional Advisory Processes

An informed contribution to the debate about the Hawke government's faltering drive for microeconomic efficiency reforms came with the ABARE's discussion paper "Primary Industry Assistance in an Economy-Wide Context" (ABARE 1988a). This study was part of the internal portfolio policy review process discussed below (see 2.4). Issued in April, the paper provided a valuable backdrop to the rationalisation measures in the government's May 1988 Economic Statement. The ABARE paper legitimised the May Statement's reductions in agricultural industry assistance and contributed to the continuing - although in 1988 and 1989 only partly realised, through some tariff and budgetary assistance cuts - agenda for manufacturing assistance reductions.

Official Inquiries/ Industry Assistance

In January the Wool Promotion Review Committee (WPRC) issued its report on the promotion of Australian wool. It found that wool was underpromoted and (not surprisingly) that there were limitations on the capacity of woolgrowers to increase funding for this purpose. The Committee recommended further expenditures by government

(WPRC 1988, p.72). The government response, in the May Economic Statement, was to promise continuing assistance for wool promotion but at an annual level of \$25 million, \$20 million less than recommended by the Review Committee. In supporting the government position, Kerin drew attention both to the industry's current profitability and the beneficial effects on it of the reductions in assistance to other industries also announced as part of the May Statement.

In March 1988, Coopers and Lybrand, the consultants appointed to review the effectiveness of the Rural Adjustment Scheme, presented their report. It noted that the RAS was too widely seen as a device to keep farmers on the land and prompted governmental reorganisation of the scheme. In particular, re-establishment grants replaced the rehabilitation loan/grant arrangement. In addition the Part A arrangements were restructured to improve targeting and provide a greater emphasis on the provision of skilled advice and farmer training. The IAC was asked to inquire into the equalisation and export control and underwriting arrangements in the dried vine fruit industry.

Other important inquiries were the IAC report on wheat marketing, the Brucellosis and Tuberculosis Eradication Campaign (BTEC) review in 1989, and the drought policy review. The BTEC review was a response both to allegations of malpractice in the Northern Territory and to concerns that the program would not meet the 1992 deadline. The interim report of the Drought Policy Review Committee in July recommended that drought relief be transferred to Part B funding of the Rural Adjustment Scheme.

2.4 Fiscal Developments

This area of policy was dominated by the Industry Development Review which had been conducted portfolio-wide during the eight months following the 1987 Budget. This initiative was to allow the portfolio some freedom from the mode of scrutiny wielded by Cabinet's Expenditure Review Committee (Gerritsen and Abbott 1988, p.18), and had been enhanced by the late 1987 decision of the Cabinet Structural Adjustment Committee to seek significant, economy-wide assistance reductions in 1988. The process was initiated in the Treasurer's

May 1988 Economic Statement.

The May 1988 Economic Statement and Aftermath

The longstanding possibility of trade-offs in agricultural assistance measures for compensatory reductions in tariff and manufacturing assistance (which had been on the cards since 1983) came to some sort of fruition in the May Statement package. Industrial tariffs were reduced by a "top-down" method intended to reduce all levels (except of course for the motor vehicle and Textile, Clothing and Footwear industries!) to a maximum of 15 per cent by 1992. The primary industries adopted compensatory measures, such as introducing new principles for crop underwriting (Kerin 1988). Assistance in the areas of manufactured milk, citrus and winegrapes production was also scaled down, though for manufactured milk this mostly represented an acceleration of the "Kerin Plan" for the dairy industry.

So-called "economic rationalism" prompted recurrent fiscal policy developments. In April 1988 cost-recovery for quarantine services was imposed on international shipping and airline companies. More dramatically, the NFF and the government negotiated the removal of the superphosphate bounty, ironically the same policy which had caused so much trouble between the Whitlam government and the farmers some fourteen years earlier. Some rural assistance was actually increased. For example, the BTEC and Rural Adjustment Schemes received extra funding, as did a new marketing skills scheme in the Innovative Agricultural Marketing Program. Other rationalisation either benefited or missed the rural sector. An example of this was the Diesel Fuel Rebate Scheme, which in March 1989 was "rationalised" to exclude recreational and tourist fishing activities but left mainstream primary producers unaffected.

However, notwithstanding their mutual agreement on microeconomic reform, relations between the government and the NFF soured from July 1988, when the Federation resumed its earlier campaign against the government's post-1985 tax changes. In particular the NFF pressed the capital gains and tax averaging issues. Ancillary to this was a continuation of the NFF war against the means and asset testing of pensions and benefits, which was

claimed to disadvantage farm families. In the latter instance the Federation's "Fighting Fund" sponsored a notable victory before the Administrative Appeals Tribunal. The government reacted with hostility to what appeared as a recrudescence of the previously discredited (Warr 1978) "tariff compensation" approach by the rural sector (see also Edwards 1987, p.132-33).

Indicative of emerging political agendas was the rapid escalation of expenditure on the National Soil Conservation Program. This rose from about \$6 million in fiscal year 1987/88 to \$10.6 million in 1988/89 and then to \$23.4 million in 1989/90. In the 1989 Budget the government announced a \$10 million expenditure on the National Afforestation Program (up from \$5.3 million in 1988/89). Also in December 1989 the government committed \$10 million towards developing a Tasmanian forests and forest industry strategy, which deferred political conflicts in that State. To weaken political argument over forest usage in New South Wales (NSW) the 1989 Budget inaugurated a three-year, \$2.25 million program for a package of measures to resolve disputes over logging in the southeast National Estate forests.

2.5 Rural Primary Industry Policy

As mentioned in the introduction we have retained the arbitrary distinction between industry regulation and industry management. The former is a rather untidy category that includes situations where the Commonwealth government and/or the Department may have no formal and direct regulatory authority, while wielding an influential or even a dominant interest. Under the rubric of industry management we have grouped those activities where the DPIE does have a direct regulatory role and considerable personnel resources committed.

Industry Regulation

Progress in this recurrent policy sphere proved patchy. Further incremental advances were made in reforming the dairy industry. In July 1989 supplementary market support for butter and butter-oil ended. But in the forestry sector greater difficulties attended policy-making. Relations between the Commonwealth and the States continued to be strained over the former's propensity to intervene in the latter's regulation of forest industries.

This occurred over the Tasmanian management of the Douglas-Aspley forests in 1988 and in NSW's southeast forests in 1989.

The government continued to attempt to negotiate a Forests Accord but the antagonism between the National Association of Forest Industries and the Australian Conservation Foundation, plus the suspicion of Commonwealth aggrandisement by some State governments meant that progress was slow.

Perhaps the most significant agricultural regulatory intervention in the years under review was the reorganisation of the sugar industry. In part this reorganisation of the Australian sugar industry reflected a perceived necessity for consistency when advocating reform of international sugar marketing arrangements (Wong *et al* 1989). In the May 1988 Economic Statement the Treasurer announced changes in marketing arrangements designed to achieve more uniform forms of industry assistance for a number of agricultural products. As part of this program the Commonwealth-Queensland sugar agreement was terminated in July 1989. The embargo on sugar imports was replaced by a tariff which was designed to be reduced to 15 per cent in 1992 (Connell 1989). This change was accompanied by considerable angst from the Queensland government, growers who feared the resulting mill rationalisation, and CSR, which saw competition increasing in the milling sector. Given that 75 per cent of Australia's sugar is exported, and that the tariffs on imported agricultural machinery were reduced as a compensatory feature of the May package, the angst here was largely misplaced.

Another industry that traditionally had appeared immune to rationalisation, tobacco, was also served notice in 1988. In November Kerin announced the final Tobacco Industry Stabilisation Plan. Based on the 1987 IAC report, the new plan was to phase out the local leaf content and associated concessional tariff rules by 1995. These instruments were to be replaced by tariff-only assistance at the general industry rates. In 1989, perhaps in recognition of this sea change, the old Tobacco Board was downgraded into the Australian Tobacco Marketing Advisory Committee.

Incremental reform proceeded in other areas. Following upon various working party reports dating

back to 1986, the rationalisation of meat inspection services continued with the substitution of "user-pays" charging for the previous carcass levy system. In addition industry's contribution to meat inspection costs was increased from 50 to 60 per cent. Both these measures provided a powerful incentive to industry to restrain inspection costs, though implementation was confused for a time by Queensland abattoirs' insistence on charging producers the inspection costs. Quarantine services also had user contributions raised to 60 per cent of costs.

Industry Management and Promotion

Apart from wheat, fisheries policy was the major focus for industry management during the period under review. 1988 and 1989 saw significant progress towards the basic thrust of recurrent policy for the fishing industry - the attempt to rationalise jurisdiction over all Australia's fisheries by vesting them in a single government or management agency. Conceived as a logical implementation of the Offshore Constitutional Settlement, that policy thrust began with the Torres Strait Protected Zone Joint Authority in 1985, continued with arrangements with Victoria and Tasmania in 1986 and Tasmania, South Australia, Queensland and Western Australia in 1987. Fisheries were either vested in the State, in a Joint Authority, or (less often) the Commonwealth. In 1988 management of the Northern Prawn Fishery's Declared Management Zone was vested in the Commonwealth government, with the fishery's Management Committee (NORMAC) continuing its advisory role. In October NORMAC was reconstituted with a smaller membership, an independent chairman and a small secretariat.

A further elaboration of fisheries policy was revealed in December 1988, when the Minister foreshadowed the end of the traditional modes of allocating fishing rights. This action was partly in consequence of some fishers "free riding" on the efforts of others in developmental fisheries. In establishing future fisheries, fishing rights were to be allocated through auction, tender and ballot. Also, when a Preliminary Management Plan was issued in future, licence applicants would be required to nominate a program of fishing operations. Alternatively, access entitlements might be based on past effort rather than total boat investment. In answer to industry criti-

cism that these allocatory mechanisms represented a resource tax option, the Minister stressed their administrative efficiency and fairness.

Notwithstanding this potential initiative, the expansion of formal management regimes for fisheries continued uninterrupted during the period under review. In April 1988 the Southern Shark Gillnet Fishery had a management regime incorporated. In that year also formal agreements were reached with Papua New Guinea over joint prawning controls and management of the Torres Strait rock lobster fishery. The latter development completed a comprehensive regime of joint management controls over prawns, Spanish mackerel, pearl shell, dugong and turtle fisheries. In November 1988 an agreement with China allowed its boats to fish in the Timor Sea and on the North West Shelf. Development plans were also instituted for various new potential fisheries. In 1988 this was for the Great Australian Bight fishery, in 1989 for the North-West Shelf, the Western Deep Water Trawl, the Lord Howe ridge and the Norfolk Island deepwater trawl fisheries.

Over the past few years, through exchange rate and price effects, real returns to the fishing industry have risen even though catches have increased only slightly. Despite this fisheries policy is becoming harder. As Australia's fishers have become technologically more efficient, over-exploitation of the biomass has become an omnipresent danger. So the politics of fishing becomes that of regulating a reduction of effort, with the attendant probability of considerable political angst within the industry. In this area Kerin's "corporatism" has obvious advantages. By incorporating the producers (or in this industry the harvesters and processors) within the management regimes covering the various declared managed fisheries, the responsibility for managing this effort reduction is shared with the industry. This strategy was incorporated in the December 1989 fisheries policy statement. Entitled "New Directions for Commonwealth Fisheries Management in the 1990s", it proposed the establishment of a tripartite Australian Fisheries Management Authority; it would control day-to-day policy with DPIE retaining responsibility for broad strategic policy development.

For example, after its failure to secure a compulsory

buy-out of licence entitlements in 1987 (Gerritsen 1987a, pp.390-91), the government placed the onus for regulating the Northern Prawn Fishery (NPF) on the industry itself. Thus for the 1988 season, as requested by the industry, it applied headrope restrictions to reduce fishing effort in the fishery. The fishery also imposed a "Le Mans"-style start to the prawning season, with boats entering the fishery from supervised assembly points.

Nevertheless the government remained concerned about the long-term viability of Australian fisheries and the potential of this problem to spill over into interstate and Commonwealth-State conflicts.

The government warned the industry against over-investment in purse-seine vessels and gear which threatened stocks in the mackerel, skipjack and yellowfin tuna industries. This problem eventuated in 1988-89, with excess capacity entering the Bass Strait orange roughy fishery and rushing orange roughy "hot spots" in the Bight developmental fishery. The government also reacted to pressure from the State governments of South Australia, Victoria and Tasmania by reducing NSW's gem fish quotas in the Southeastern Trawl Fishery. Overfishing to the point of threatening recruitment failure also affected the Southern Bluefin Tuna fishery, with Japanese, Australian and New Zealand fishers' quotas slashed by half in 1988 and further reduced in 1989.

Following these concerns regulatory management of other fisheries was strengthened. The pearl shell beds of Western Australia were protected through a ban on prawn trawling, which had spilled over from the Northern Prawn Fishery during a closure of that fishery in 1988.

In December 1989 the Minister released a consolidated statement of the government's policy. A further difficulty in the fisheries area was that here the Opposition's policies were at their furthest remove from the government's approach. The Opposition favoured fishing industry self-management and chided the Government for its overly-"corporatist" direction of the industry. What policy consequences this Opposition alternative implied was not clear, but it portended significant changes in fisheries management if the Opposition won government in 1990. Too much could be made of

this partisan policy difference; the government itself has attempted to make rural industries more responsible for their long-term viability. For example, in 1989 the government handed over to meat processors the task of applying meat trade description functions.

Other regulatory activities continued. In the area of quarantine regulations successful prosecutions of orchardists were launched following a fireblight scare; illegally imported grape vines were detected and pulled; and banana moko disease was discovered and eradicated. In the wine industry, November 1989 saw the introduction of a Labelling Integrity Program. This program was developed to standardise wine labelling and remove fraudulent or misleading practices that threatened Australia's burgeoning exports.

Regulatory changes were also foreshadowed in other rural industries. Kerin declared his interest in changing Commonwealth legislation on the export of merino genetic material. Acknowledging that the Wool Council was as opposed to this, as it was to the export of rams, the Minister argued that the potentially greater economic returns from the export of genetic material justified the change.

Finally, there were two other important marketing policy developments. In 1988, with surprisingly little controversy (Gerritsen and Murray 1987, p.15), the first genera and species included in the plant variety rights scheme were launched. Regular additions to the varieties covered under the scheme were announced, until at the end of 1989 over 60 species and genera were covered. As well, following a report from Hassall's, the government under the Innovative Agricultural Marketing Program (IAMP) began funding export promotion for under-utilised seafood products. The IAMP continued to widen; 1989 saw funding of schemes to market fish and reptile skins, flowers, tree seedlings, fodder, and mint. This program was proving valuable in diversifying and value-adding agricultural exports.

3. Intermittent Crisis Management

In 1988 the parliament passed the Agricultural and Veterinary Chemicals Act. This enactment estab-

lished a national registration scheme for agricultural and veterinary chemicals and appeared to seal the administrative resolution of the 1987 pesticides crisis.

But during the period here reviewed, two further "crises" occurred even while agriculture generally was prospering. The first was the disruption of the live sheep export trade to Saudi Arabia, which proved to be a difficult situation fraught with diplomatic complications. The Saudis claimed that Australian sheep were diseased with "scabby mouth". Concerns were also expressed there about the quality of Australian sheep (a phenomenon exacerbated by the continued high prices for wool). Cynics here saw the Saudi action as motivated by domestic political interests concerned to protect Saudi market prices. There were even press reports claiming that influential Saudi political interests were seeking to capture the trade and exclude the pioneering operators. In August 1989, after the visit of a high-level Australian delegation, the situation eased and exports resumed. However, the potential remained for further interruptions to live sheep exports.

The issue of conservation, particularly the preservation of wilderness forests, was a more serious political dilemma for the government. This "crisis" required all the government's political skills to balance productive rural interests against predominantly urban political pressures.

3.1. The Government's "Crisis" Management

For convenience we have retained the categories adopted in previous reviews (Gerritsen and Murray 1987; Gerritsen and Abbott 1988) to analyse the government's response to the intermittent political alarms that threaten the smooth recurrent development of agricultural and rural policy. These categories we label: amelioration, depletion, symbolic satisficing and restructuring the agenda. It was this latter endeavour that proved to be the most important stratagem in the period under review.

"Amelioration"

This usually means spending money on relief, subsidisation or other fiscal devices to aid farmers and rural producers. As a tactic amelioration held few attractions for the Labor government. This was

both because of the need to retain fiscal rectitude for macroeconomic reasons and because Australia had to retain credibility amongst the Cairns group in the Uruguay trade negotiations round. But also there was little prospect of electoral gain for Labor in pork barrelling farmers (Gerritsen 1987b, p.49; Gerritsen and Abbott 1988, p.23).

The Rural Adjustment Scheme remained the most important vehicle for amelioration of farmers' financial problems. Expenditure for 1988-89 was expected to rise to \$56.4 million (DPIE 1988, p.62), indicating continuing significant farmer indebtedness consequent upon the reliance on monetary policy to maintain the exchange rate and so reduce inflation (thereby making the management of the Accord with the ACTU easier). Following a consultant's report, the RAS legislation was altered during 1988 to attempt to reduce the 8:1 ratio between debt reconstruction and farm build-up loans. This was in recognition of deficiencies in its operation. While the RAS has probably until now slowed rather than hastened rural adjustment, at least in the sense of directly encouraging unviable farmers out of the industry (Martin 1989), it has been an important symbol of government concern for farmer indebtedness. As part of the May 1988 Economic Statement, re-establishment grants of up to \$28,000 were instituted for farmers leaving the industry. This, coupled with regulatory changes giving the States more autonomy in administering the Scheme, should improve the operation of the RAS and strengthen its real purpose, the removal ("depletion") of unviable farmers from the rural sector. Indebted but potentially viable farmers were to be assisted by the rural counselling program, which by the end of 1989 had advised about 4,000 farm families.

Other positive assistance measures to the rural sector were the Income Equalisation Deposit Scheme; the abolition of duties on agricultural machinery parts not manufactured in Australia and the range of education, training and research and marketing initiatives detailed above. In addition it was estimated by the IAC that the general reductions in manufacturing protection would substantially increase returns to agriculture in the long term.

Another rural industry that needed compensation for governmental disruption of its market was the

forestry sector. In November 1989 the first Commonwealth payments were made under the Helsham Inquiry scheme (this was a \$50 million Tasmanian forests industry package to develop that State's industry and forest product markets as an alternative to the Wesley Vale woodchip mill).

"Depletion"

This category involves the reduction of the number of non-viable farmers as well as the political deflection of the Opposition's attacks on government policy. At the industrial level the changes in the Rural Adjustment Scheme, especially the re-establishment grants, were the principal agent for encouraging the departure of farmers unable to achieve long-term profitability.

At the political level, the conservative parties were satisfactorily (from the government's perspective) confounded by the deregulatory thrust of policy. For example, the Liberals quietly supported Kerin's responses to the McColl Report on grain handling while the Nationals were mostly, at least initially, opposed. Three National Senators even voted against the legislation and the Opposition agriculture spokesman, Lloyd, refused to accept the Shadow Cabinet decision supporting wheat marketing deregulation. This disunity portended difficulties for the Opposition in the election likely in 1990. The Opposition was also wrong-footed over Christmas 1988, when CSR sugar refinery workers went on strike. Kerin broke the strike by lifting the embargo on imported sugar. The Opposition let itself be led by the Queensland Nationals' opportunistic hysteria about the inviolability of the embargo and were left looking foolish when the strike quickly ended, the threat of the embargo's removal proving persuasive.

The Opposition's agriculture policy, announced in August 1989, provided Kerin with another platform on which to contrast government policies with their alternatives. In particular he pointed to the Opposition's budget cuts, which would axe programs such as the Rural Employment Access Program; Countrylink; the Marketing Skills program; the Innovative Rural Education Training Program and the Country Areas programs. Kerin accused the Opposition of furthering the interests of the wealthy and ignoring the real disadvantages that rural Australians faced.

The Minister used a similar refrain against the NFF's 1989 Budget submission. The Federation had called for \$3 billion expenditure cuts in health and education spending. This, Kerin argued, would disadvantage low income rural Australians. Also reduced rural education funding would hamstring rural industries, which had to up-grade training from its current low (in international comparative terms) base. Again, in October/November 1989, Kerin was able to ridicule the National Party Leader, Blunt, who had advocated a "no-risk" quarantine policy designed to reduce costs. The Minister in refutation of this argument delightedly quoted the NFF submission to the 1988 Lindsay Quarantine Review Committee, which argued against such a policy on the grounds that it would restrict innovation and encourage illegal trafficking (Media Release PIE 89/333c)

"Symbolic Satisficing"

Labor does not expect to win farmers' votes (Chatterton 1984) and so maximise the extent of its voter base. Because the great majority of farmers are partisanly anti-Labor (Gerritsen 1987b, p.49) they are not candidates for voting trade-offs. But Labor seeks through its rural policy to reduce the intensity of farmer opposition, and hence farmer activism in opposing Labor (Buchanan and Tulloch 1962). Symbolic attention to farmers' attitudes and grievances can serve the end of reducing farmer political intensity. Hence, as part of the process of achieving some deregulation of wheat marketing, Kerin consulted widely and ostentatiously with the Grains Council and State governments.

During 1988 the government expanded national occupational health and safety programs to the rural sector. Farm and fishing safety was the subject of a major "Farmsafe 88" conference in the middle of that year. This new concern reflected a recognition of the costs of accidents and injury to the rural sector. This was particularly so for the meat processing sector, where the Australian Meat and Livestock Industry Policy Council (AMLIPC) estimated that it created a \$330 million annual bill to the Australian economy (Press Release PIE 88/454K). This initiative showed a (low cost!) concern for farmers' welfare.

Also in 1988 the government announced a \$500,000 trial Commonwealth Services Information Program

comprising a package of information services, including a "show circuit" display, a series of smaller static displays for town meeting places, and a toll-free telephone information service. This program was designed to achieve greater equity for rural Australians in their access to government services. An important political spin-off for the government was that the services program, together with its Rural and Provincial Affairs initiatives, dramatised its concern for people in the rural areas. This suited Labor's strategy of circumventing the traditional, farmer-dominated, representative mechanisms of rural Australia and obtaining direct contact with rural voters. In 1989, with a name change to "Countrylink", the program was expanded and made a permanent part of the rural scene.

"Restructuring the Agenda"

During the review period the government continued its endeavours to control the "agenda" of agricultural and rural issues. Activity in this regard focused on four distinct elements: claims for managerialist efficiency; an attempt to corner the increasingly significant concerns about conservation issues; the focus on rural "people issues"; and the restructuring of agriculture.

1: Managerialist Efficiency

Aided by a lacklustre performance from the Opposition agriculture spokesman, Lloyd, the Minister managed to retain the initiative in promoting his managerialist and economic rationalist image. During the period Kerin spent much time attacking the Opposition spokesman for making allegedly false or ill-informed claims, as over the importation of Gamba grass and Senate action over a pesticides inquiry (the latter a left-over from the pesticides "crisis" of 1987). The Minister claimed that Labor alone was the rural innovator, citing "Labor's record of industry innovation, structural reform and improvements to services, and access to them - and its contrast with the ad-hoc, reactive and tired policies of our conservative opponents..." (Media Release PIE/212K).

The government was able to take advantage of the Opposition's ambiguity about the application of economically "rational" disciplines to agricultural industries. For instance it ended administered prices for canned deciduous fruits, forcing that industry to operate at import parity in domestic

markets. Implementation of this decision had been delayed to encourage co-operative cannery amalgamations. Also, despite Opposition and some (southern States) cattlemen's misgivings, the government persisted with the BTEC scheme timetable.

2: Conservation Issues

Conservationism was a major intermittent policy concern during the period under review. Conservationists' concerns seemed to know no bounds. The ill-advised 1989 decision to veto the Wesley Vale pulp mill in Tasmania represented a high point of governmental deference to the conservationists' extensive political agenda. Perhaps to create some order in this policy area Senator Cook proposed a Forests Accord in April 1988. This, like its labour market cousin, was supposed to operate on negotiated trade-offs. The cynics remained dubious that this would lead conservationists to accept that their activities imposed costs on the economy. Another innovation, the Resources Assessment Commission was a more promising instrument for dealing with the "greenie" agenda. Through its proposed public inquiry mechanism and its insistence on resource use efficiency and equity measures of outcomes, as well as environmental factors, the Commission should at least lead to more rational discussion. Also some assessment of the equity implications of conservation positions may result in different agendas emerging in wilderness issues (eg, see Gerritsen 1990).

In response to this increasingly important political agenda, 1988 and 1989 saw the government sharpening its emphasis on land issues, both those of resource degradation and of the competition between various uses for land. Despite general fiscal restraint and previous Treasury opposition to expenditure in this area (Gerritsen and Murray 1987, p.12), in 1988 Kerin was able to win substantial outlays growth for assistance to State-administered soil conservation programs. From a meagre 1987-88 base of \$6 million, outlays were projected to rise to \$15.8 million in 1990-91 (DPIE 1988, p.17). In the 1989 Budget \$1 million was allocated to funding for the Year of Landcare. Conservation interests were also appeased by the establishment of the Australian Agricultural and Veterinary Chemicals Council, a residue (sic!) of the 1987 pesticides crisis (Gerritsen and Abbott

1988, p.24).

Also early in 1988 the first afforestation projects for the Murray-Darling basin were implemented. Later in the year salt interception works were commenced at Woolpunda. In the 1989 Budget similar salt-retention works were authorised for the Mallee Cliffs and the Mildura/Merbein/Buronga areas.

In 1989 after Kerin and Cook endorsed the government's in-principle decision to grant Harris Daishowa an extension of its woodchipping licence, the conservationists' attention turned to the southeast forests of NSW. The politics of this was easier for the Commonwealth to handle because the NSW State government favoured selective logging in state forests, temporarily diverting the conservationists from their usual focus on Canberra-based intervention. Further diversion was provided by Kerin foreshadowing a national sustainable development strategy and a Commonwealth-initiated study group to examine a southeast forests plantation strategy. In January 1989 a Tasmanian Woodchip Research Program was announced. Also Senator Cook convened a meeting of trade unions, timber industry and State government representatives to discuss Australian initiatives towards solving the problem of tropical deafforestation. This led to a four-year, \$900,000 program in which Australia was to lend its expertise to assist in introducing codes of forest management practices in southeast Asian and Pacific countries facing deafforestation. The dominance of conservation agenda issues in the period under review was evidenced by the NFF's co-operation with the Australian Conservation Foundation in establishing voluntary landcare groups.

3: People Assistance

The government continued its emphasis on reorienting assistance to the rural population rather than to commodity production. In 1988, following a major report on rural women - "Life Has Never Been Easy" - Rural Women's Access grants were doubled. Particular concentration was placed upon grants to women's social support and occupational training and education initiatives. Also in that year the new emphasis on farm safety was given official impetus with the first national conference on rural health and safety - Farmsafe '88 - in Armidale in

July. The emphasis on aid to rural communities rather than rural commodities was continued with grants to small communities under the Country Towns Water Supply Improvement Program (COWSIP).

4: Restructuring agriculture

The third emerging agenda was the debate between the "comparative advantage" and "value-added" schools for Australia's agricultural future. This was an argument, respectively, about whether we should concentrate on the traditional broadacre products for which we were comparatively efficient producers, or whether Australia should instead focus more on downstream processing and converting import-competing production into niche-marketed exports (see Cashin 1988). The government sought to manage this agenda by adopting both approaches. The microeconomic efficiency reforms, for example projected for grain handling and transport, addressed the comparative advantage agenda. And programs such as the Innovative Agricultural Marketing Program addressed the market development aspect of the value-added agenda. In part this latter agenda had become intertwined with concerns about the future role of international agribusiness (Trade 1987; Cashin 1988, p.27). In addition Kerin foreshadowed a greater attention to agricultural education, telling the Institute of Agricultural Science that farmers had the poorest education levels in any sector of the economy ("Kerin urges farmers to close education gap" *The Australian* 14 December 1988).

4. Conclusions

The two years here reviewed saw the intensification of a political agenda dominated by broad-based "environmental" concerns. New markets and processes of sustainable and organic agriculture were a likely future priority. The battle over Australia's forests remained substantially unresolved. Issues of farm land usage, animal welfare and chemical contamination were emerging as increasingly politically contentious. The latter case was exemplified by concern when the government ceased its monitoring of contaminants in domestically-marketed food ("A national basket case" *Bulletin* 11 October, 1988).

These issues were not altogether congruent with

the government's thrust towards greater economic competitiveness. Nor were they controllable as policy items. They were likely to emerge, through the sponsorship of active pressure groups, as intermittent crises at unpredictable intervals. The irruption into rural primary industry policy by "environmentalists" may become a permanent feature if American experience is any indicator (Bosso 1987). In recognition of this point the NFF executive resisted rank-and-file pressure to resign its membership of the Australian Conservation Foundation.

The trade-offs of microeconomic efficiency reforms between the agricultural and the tertiary and manufacturing sectors was proving difficult to handle. Without affiliated political interests in the rural sector, agricultural rationalisation was readily implemented by the Labor government. But the corresponding reforms in the services and manufacturing sectors, where the government faced vested interests with political affiliations to or influence over the ALP, was proving more difficult (Gerritsen forthcoming). This promised eventually to spell trouble for the government.

Also, despite the illusion that agriculture had recovered, that we were once again a rural "lucky country" at least, the real incomes of Australia's farmers were still significantly lower than a decade earlier. And farmers' terms of trade began to decline again towards the end of 1989 (Kirby 1990, p.9), this in part caused by a perversely "sticky" exchange rate for the dollar. The weakness of our international market position had only been marginally improved. No amount of microeconomic efficiency reforms could change the fact that the international agenda of trade reform remained an unresolved priority. Most developments in this arena during 1988-89, in particular the gradual movement towards world-scale trading blocs, led more realistically towards pessimism for Australian agriculture's medium term future. The more astute observers of the agricultural scene entered 1990 in a bearish mood.

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