



**AgEcon** SEARCH  
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

*The World's Largest Open Access Agricultural & Applied Economics Digital Library*

**This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.**

**Help ensure our sustainability.**

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

[aesearch@umn.edu](mailto:aesearch@umn.edu)

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

**In Short** ■ by Alan R. Bird

## A "Downunder" Perspective for the 1995 Farm Bill

Creative Australian agricultural policy includes "buyouts," a "Landcare" program that offers the greatest incentives for resource conservation to the highest producers, and a focus on ways to enhance agriculture's international competitiveness. Some Australian innovations may stimulate exploration of new approaches to the 1995 farm bill.

### Rural adjustment scheme

The main Australian farm program is the Rural Adjustment Scheme (RAS). Farmers compete for limited assistance on the basis of their potential ability to perform more efficiently in an open market.

The RAS objectives promote a better financial, technical, and farm management performance by providing transitional financial and technical support to farmers who have prospects of sustainable, long-term profitability. This support, subject to an annual review, includes (a) interest subsidies, up to 50 percent, for productivity improvement measures; (b) interest subsidies, up to 100 percent, for farm businesses experiencing exceptional circumstances, including drought and depressed prices; (c) training grants—up to \$500 per applicant per year—for upgrading farm business and property management skills, and grants—up to 75 percent of the agreed-upon cost—to help pay for expert financial planning and other advice; (d) reestablishment (buyout) grants—up to \$45,000, subject to an assets test—for farmers who wish to leave unprofitable farms.

For interest subsidies, farmers must show that their farms are financially viable and that support will improve their farm's productivity enough to forego further RAS support.

To get a training grant, a farmer

must show how the grant will lead to improved long-term profitability. State RAS officials evaluate applications based on joint national-state guidelines.

In 1993, 11 percent of Australia's 125,000 farmers (with annual sales usually \$20,000 or more) received RAS assistance, mainly interest subsidies. Annual funding by the national government totalled \$175 million (Australian dollars) in 1992–93, an average of \$1,400 per farm. In 1990–91, the government rejected 40 percent of the applications, mainly because the applicant was "not in need or had adequate resources" or had "no prospect of a return to commercial viability."

### Farmer buyouts

The Farm Household Support Scheme (FHS) complements RAS. This farm version of a general program provides income and training assistance to the unemployed and the underemployed. The scheme provides income support for a maximum of two years in a ten-year period so that farmers may consider whether to sell their farms or not. Recipients must meet an income test and a nonfarm assets test. Program features include the following: (a) farmers who sell within the two-year eligibility period receive the first nine months of the \$45,000 FHS payment as a grant and the balance as a loan; (b) farmers who sell within nine months may receive the balance of the nine-month FHS grant as a lump sum; (c) farmers who remain on the farm must repay the FHS money at commercial interest rates.

Farmer buyouts are still in the prototype stage. From 1977 to 31 March 1993, some 1,271 farmers received grants. During this same period, at least 11,000 farmers (with annual sales of at

least \$20,000) left farming.

Family members on nonviable farms may receive various forms of assistance and job training. On 30 April 1993, some 4,000 to 4,500 farmers or farmers' spouses had a Job Search Allowance, a grant available only to those who met assets, income, and work availability criteria.

### Land trading

To help strengthen farm communities, the government may buy farms at depressed values, hold them for restructuring and other organizational and technical improvements, and then resell them. Such efforts may help cushion the adverse effects on local banks and other local businesses.

### Landcare

The Landcare program provides incentives to upgrade the environment and prevent land degradation, but not to boost product prices through supply control. Only commercially competitive farmers, or those with serious prospects of becoming so, may participate in Landcare. The environmental activities sponsored by Landcare also enable long-term increased output. The government provides two types of assistance: income tax deductions and preferential loans.

Activities eligible for Landcare may include water conservation and management measures; building and repairing dams, watering points, irrigation and drainage channels; pumping, fencing, and soil improvement; and eradication of animal and plant pests, and weeds.

### Australian government and farmer roles

Australian states play a more prominent role in agricultural policy than do



states in the United States. They administer RAS and Landcare, while the national (federal) government funds 90 percent of RAS and of Landcare. Moreover, the states and the national government each pay half the cost of drought and flood relief.

Both the government and the farm organizations strive to ensure that Australian agriculture maintains its competitive edge in world markets with a minimum of government assistance. The government provides overall research and information support, plus minimum regulation, rather than market subsidies. Thus, unlike government programs in the United States, the Australian farm programs do not offer farmer entitlements that increase land values and add to production costs. Rather, the national government authorizes farmers to set up, run, and fund their own commodity marketing boards. Farmers who wish to export their products must join the relevant board(s), whereas other farmers may join if they so choose. Farmers do not set import policy.

The main farmer organization, the

National Farmers' Federation, favors farmer participation in the management and rewards from adding value to farm products after they leave the farm gate. They also seek ways for farmers to cut their operating costs through, for example, shared use of expensive machinery.

### Supportive context of other programs and policies

The Australian government focuses on increased farm productivity and does not confound its agricultural programs with welfare or other general social assistance. Other Australian programs provide comprehensive social services and infrastructure. Rural residents, including farmers, have supplementary programs to compensate for their isolation. The Royal Flying Doctor and Royal Flying Dentist services cater to the medical needs of "outback" residents. Schools of distance learning likewise cater to basic educational needs.

Australian states provide a high level of public services. Each state, for example, provides a statewide system of schools with a common curriculum and teacher corps. About two-thirds of all students

attend state schools. The remainder attend private or parochial schools.

State funds also encourage the expansion of towns and cities distant from their respective capitals. In 1992, for example, headquarters of the New South Wales Department of Agriculture were transferred from Sydney to Orange.

### Relevance to the United States

Australia's innovative farm programs have enhanced commercial sustainability and international competitiveness. Rural development programs upgrade human skills and improve access to health and other community services. These types of programs deserve consideration in U.S. farm and rural policy. ■

*Alan Bird is an economist in the Rural Economy Division of the Economic Research Service, U.S. Department of Agriculture. He recently visited Australia, where he consulted with officials of the national and state governments, university and college faculty, and farmers and farm organizations about the latest developments in farm and rural policy.*