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INCOME LEVELS OF AUSTRALIAN FARMERS. IV.

In the previous article in this series it was pointed out that when figures for rural income are broken down on an industry basis they show a wide disparity between income levels in the pastoral group on the one hand and agricultural and dairying groups on the other. The distinction between farm-operators and those who are dependent upon them provides the second significant classification of the rural labour force. It is the purpose of this concluding article to estimate as accurately as possible the earnings of farmers proper, and to see what differences exist in income levels as between property-owning and property-less classes in the rural economy.

Previous articles have referred to Australia as a whole. Unfortunately, it is necessary to confine the discussion in this final stage to New South Wales, as the requisite statistics are not available on an Australian basis. Figures for the value of wages paid to permanent and casual employees, which provide the main basis for the allocation of aggregate net farm income, are lacking. It is also impossible to ascertain numbers in each class of producers.

N.S.W. and Australian Income Levels.

As comparisons will inevitably be drawn between figures in this and preceding articles it may be well to provide a bridge between N.S.W. and Australian conditions. This bridge, in the form of a comparison between average earnings per worker permanently engaged in rural industries, is provided by Diagram II.

In the case of Australia, the aggregate income attributed to permanent producers is obtained by deducting a flat rate of 10% from net farm income in each year. (See June issue). N.S.W. figures, however, are based upon year-to-year estimates of payments made to casual workers and contractors, which are deducted from net farm income in each case². The flat-rate deduction for Australia has the effect of slightly overestimating the share going to permanent workers in bad years and underestimating their share in good ones.

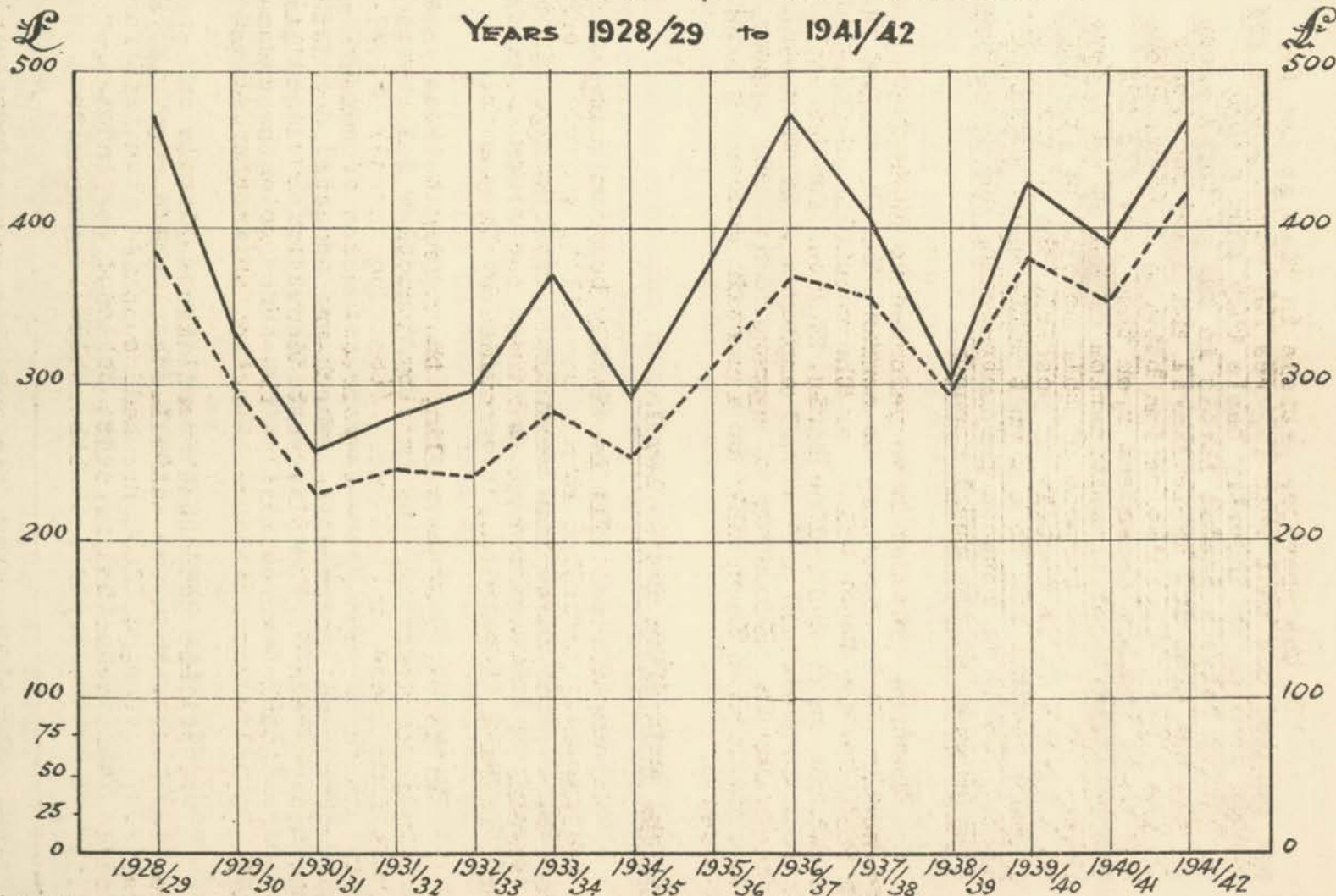
It will be noted that rural income levels are appreciably higher for N.S.W. than for Australia as a whole. Over the fourteen years, N.S.W. averaged £368 per head compared with £315 for Australia. This means that results obtained for income per farmer in N.S.W. cannot be applied to the whole Commonwealth.

* I have followed Mr. V.G. Crawford (Review of Industrial and Business Conditions, January, 1939) in taking payments to contractors as one-third of total wage payments. This estimate was made after consultation with Mr. Carver, N.S.W. Government Statistician.

DIAGRAM II.
45-655

FARM INCOME PER PERMANENT PRODUCER IN
N. S. W. AND AUSTRALIA.

YEARS 1928/29 to 1941/42



Compiled and
Checked: W.H.P.

Drawn: E.S.

N. S. W. shown thus: — AUSTRALIA shown thus: - - - -

The marked advantage enjoyed by N.S.W. is probably due principally to the greater preponderance of pastoral industries in this State. Although N.S.W. contributes only one-third of the Australian rural income, it provides 40% of the pastoral income. In the third article in this series it was shown that net income per producer averaged £580 in the pastoral industries, compared with just over £200 in the two other groups.

Rural Wage Levels.

The way is now clear to study the distribution of the net income fund in N.S.W.

It is perhaps desirable to note first the classes whose livelihood is principally dependent on the size and distribution of this fund. In the first instance, rural income passes almost wholly through the hands of owner- and tenant-operators. It is, however, from this source ultimately that farm operators must find the wherewithal to pay the following:-

- Wages of casual and permanent employees.
- Allowances to relatives working without wages.
- Sums due to sharefarmers and contractors.
- Crown rents and rents to other "non-farmer" landlords.
- Interest on farm debts and instalments on principal.

Since the income remaining for distribution among owners and lessees is a residual, farmers' incomes will be left till after available information on earnings of other classes has been examined.

Casual employees and contractors can be dismissed immediately, since these are assumed to have non-farm sources of income in most cases. The only concern here is to deduct any payments to these groups, prior to considering the distribution of the residual income between farmers on the one hand and sharefarmers, permanent employees and working relatives on the other.

The most reliable information on any aspect of income distribution relates to the average earnings of permanent employees receiving wages. Figures for numbers and remuneration, including keep, are given on page 697 of the 1940-41 Year Book of N.S.W. and in earlier editions.

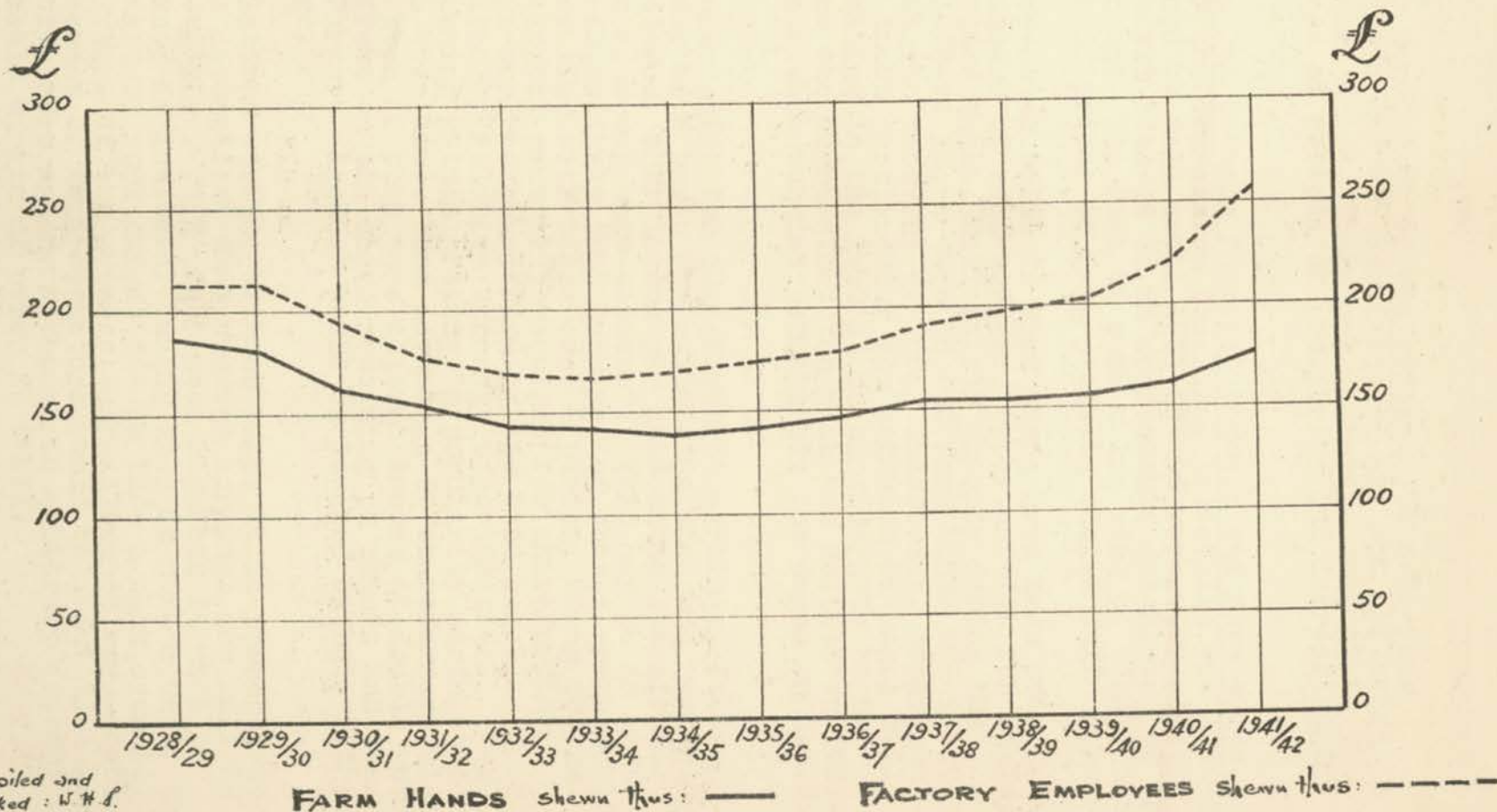
The resultant average earnings per head are shown in Diagram 12. Three things stand out:

(1) The low level of wages in rural industries. At no time have average wages (which include keep) exceeded £3.12.0 per week. During the depression the average earnings of agricultural labourers and station hands fell to £2.10.0 to £2.15.0 a week. There has probably been considerable improvement since 1941-42, but statistics have not been collected since March, 1942. For purposes of comparison, the average wage paid to factory employees is shown also. About 75% of factory hands are males and about 97% of rural employees.

DIAGRAM 12.
45-636

AVERAGE EARNINGS (including Keep) OF PERMANENT HIRED FARM HANDS IN N.S.W. AND AVERAGE WAGES PER EMPLOYEE PAID IN N. S.W. FACTORIES

YEARS 1928/29 to 1941/42



Compiled and
Checked: W. H. S.

Drawn: J. H. S.

(2) The regularity of the series. Year-to-year fluctuations in gross and net rural income are not reflected in the earnings of farm hands. These are, however, subject to the cyclical influences of periods of prosperity and depression in rural industries.

(3) The lag between farmers' incomes and farm wages. The worst year of the depression for rural industries was 1930-31, but wages continued to fall until 1934-35 and were very slow to rise again. Not until 1941-42 is an appreciable quickening of the upward trend apparent. The fact of such a lag will be significant for postwar years if prices of farm products should fall again.

An interesting point is that there have been considerable changes in the numbers of wage-workers. Opportunities for employment, even at reduced wages, fell fairly sharply during the depression. In 1928-29 there were 35,000 farm hands and in 1931-32 only 27,000. With the recovery of rural industries, employment rose rapidly (no doubt partly under the stimulus of wages well below rates prevailing in the 1920's) to considerably higher levels than before the depression. The peak was reached in 1937-38 when 42,000 persons were working permanently for wages on N.S.W. farms.

No figures exist for sharefarmers' earnings. It is proposed to assume, as a basis for estimating the sums remaining for owners and lessees, that income per head among sharefarmers has been the same as among wage-earners^{*}. This may be an underestimate, but it is unlikely that earnings of sharefarmers would get greatly out of line with wages over a period. Owing to the small amount of capital generally required for sharefarming, movement from wage-work to share-farming and vice versa is fairly free and is dictated by relative economic opportunities. (For instance, sharefarming gained greatly in popularity during the 1930's when wages were low). Some advantage to sharefarmers might be expected, but even if they were allowed income at double rural wage-rates the effect on the share remaining to owners and tenants would be small. Farmers' incomes would be lowered by only £15 per man on the average.

For relatives working without wages it is proposed to accept Crawford's assumption^b that average earnings are half as high as for wage-workers. This might seem high but it must be remembered that keep is included. Taking keep at 20/- a week, the cash allowances assumed work out at 5/- to 15/- a week overall, depending on the year. If the average cash allowance were doubled, the calculated incomes of farm-operators would be about £9 a head lower. Consequently, here again, although an arbitrary assumption is made, the probable margin of error is small.

* I have here again followed Crawford.

^b Article cited previously.

Incomes of Farm Operators.

Deductions have now been made for payments to casual workers and contractors, permanent hired hands, working relatives and share-farmers. These deductions are shown in the Table on page (174). The remaining income is available to farmers, in the strict sense of the word, for personal and household expenses and for payment of interest and Crown dues.

Farmers' incomes may be taken either inclusive or exclusive of these latter payments. Perhaps the best terminology would be to describe the income derived after deducting all operating costs, including hired labour and depreciation, as 'Net Income', and the income derived after deducting also any payments of interest, principal or rent as 'Available Income'.

'Available Income' is frequently taken as the standard for comparisons of farmers' incomes with incomes in other sections of the community. This is, however, open to the objection that people other than farmers also have debts and the interest on these must be met from net income. Furthermore, in reducing his indebtedness to the Crown the farmer is increasing his equity in his property.

This is not to say that 'Available Income' is not important. While hardly a fair basis for income comparisons, it is otherwise considerably more important than net income. It is available income which sets the limit to the farmer's standard of living and his ability to effect improvements.

The estimated incomes earned by N.S.W. farmers, as farmers, are set out in Diagram 16, which shows incomes in both "net" and "available" terms. No account is taken, of course, of the rental value of the farm home, but other farm perquisites are, theoretically at least, included in the original estimate of gross rural income.

In calculating available income it has been necessary to make an estimate of the interest bill of N.S.W. farmers in each year. Estimates of farm indebtedness for Australia, given in the Rural Economics Research Bulletin # of September, 1943, have been taken as a starting point. After consideration of the differences between N.S.W. and Australia in respect of (a) indebtedness to government agencies, (b) number of rural holdings and (c) net farm income, I have decided to assume that 37% of the aggregate debt for Australia is borne by N.S.W. farmers.

In regard to interest rates a cursory review of rural mortgage rates, bank overdraft rates and lending rates of government agencies suggest that an overall figure of 5% would

be reasonable. Given this rate of interest, an error of 5% in the estimated share of the indebtedness borne by N.S.W. would affect available income to the extent of some £16 or £17 per farmer.

Figures for Crown revenue collections are set out in the 1940-41 N.S.W. Year Book (p. 394) and in earlier editions. Receipts from mining sources have been omitted. As interest on deferred sales is included in Crown revenue from lands there is some double counting of interest. It is thought that this may result in an underestimate of the order of £10 of available income per head.

A number of comments might be made on the situation revealed by these graphs:

(1) Farmers' incomes, on the average, are considerably higher than is generally supposed. But the average in this case is of little value, since it bears no resemblance to a typical farm income. There can be little doubt that these averages conceal much higher incomes for pastoralists (probably in excess of £1000 a year on the whole) and much lower incomes for agriculturalists and dairy farmers*. Unfortunately, there are no ready means for estimating incomes of farm-operators as a class according to type of farming.

(2) The fluctuations in farmers' incomes have been so great that they can only be regarded as a menace to both the stability and the efficiency of our rural economy, not to mention the lives of the families concerned. This applies particularly, of course, to available income. It is available income which ultimately takes almost the full shock of changes in the gross income fund. In the period since 1928-29 the ratio of the best to the worst year was 1.5:1 for gross income (Australia), but 3:1 for income available to farm-operators (N.S.W.). Thus in the process of transmission the fluctuations have been magnified four times.

Inequality of Incomes in Rural Areas.

It has been customary to think of the rural community in terms of the farm-operator. Since, however, other groups aggregate more than half the rural working population, their welfare and the welfare of their families is of equal importance with the welfare of farmers. It is proper, therefore, that equal attention should be paid to them in the study of rural incomes.

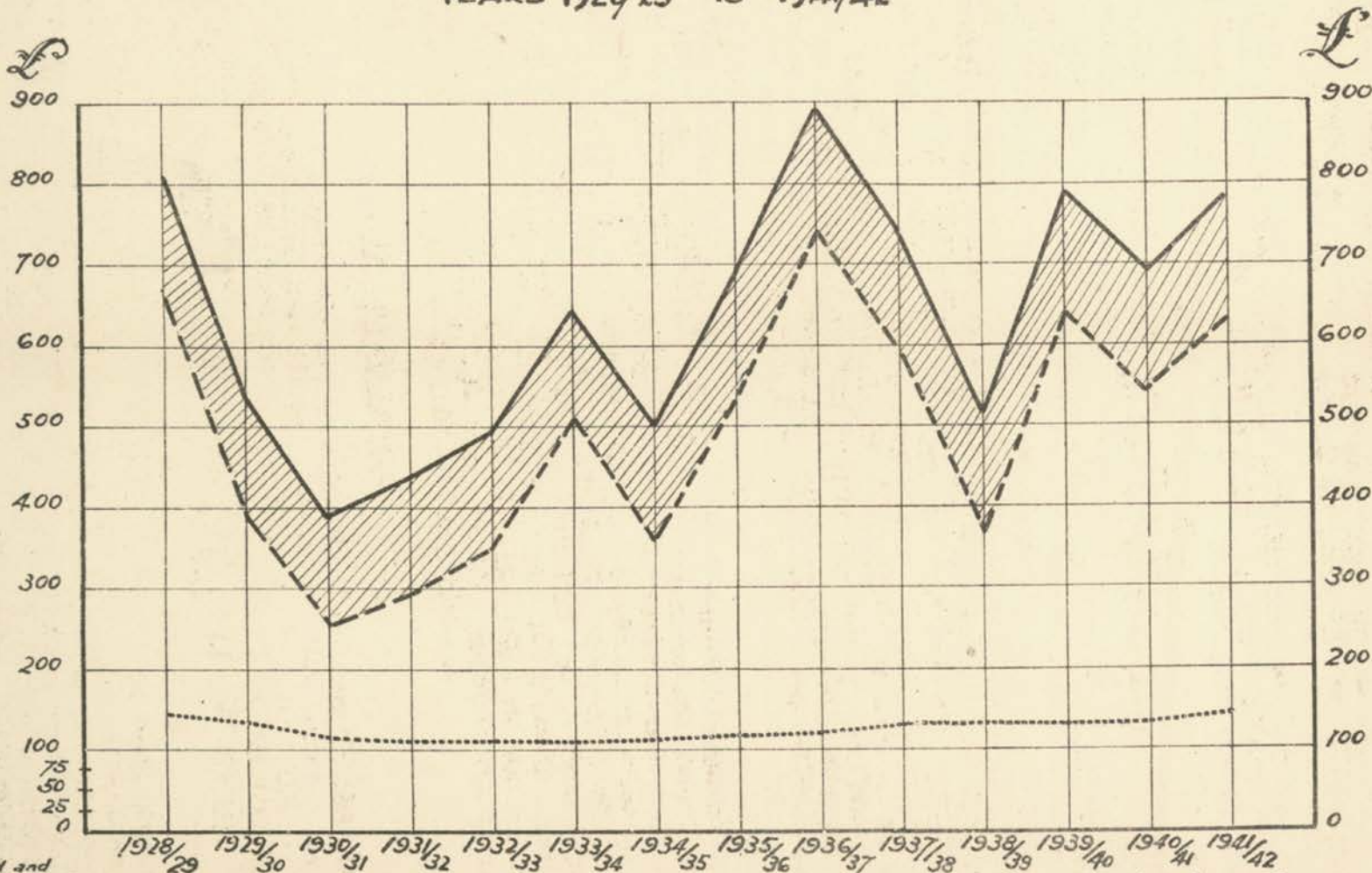
It has already been shown that there is considerable inequality of incomes as between industries in the rural economy. It is now apparent that there is even greater inequality as between economic classes. This inequality is summed up, in its broadest aspect, in the comparison given in Diagram 13 between average earnings in the two major groupings in the rural hierarchy.

* See article in June issue on income levels in different industries.

DIAGRAM 13.
45-697

INCOMES OF FARM OPERATORS (Net and Available) AND OTHER RURAL WORKERS. N. S. W.

YEARS 1928/29 TO 1941/42



Compiled and Checked: W.H.P.

Drawn: S.S.

Net Income of Farm Operators shown thus: ———
 Available Income " " " " : - - -
 Average Income of Permanent Employees,
 working relatives and share-farmers shown thus:

The estimated share of Net Income required to meet interest and Crown dues is shown by the shaded portion:



Over the fourteen years from 1928-29 to 1941-42 the estimated incomes of sharefarmers, employees and working relatives averaged £128, compared with average available incomes for farmers of £491 and average net incomes of £636. Even in the best years the overall remuneration of the dependent groups has worked out at less than £3 per head, while during the depression it fell to just over £2.

It has to be borne in mind, however, that a considerable percentage of relatives working without wages are juniors and that in many cases they share in the amenities enjoyed by the farm-operator. In the case of a junior working on his father's farm, the policy of paying only pocket-money often means that the farm capital, which may subsequently be handed on to the junior, is accumulating at a more rapid rate than it would otherwise be. In some instances, therefore, unpaid family labour is a form of forced saving.

These are mitigating circumstances. By and large, however, it is apparent that agricultural and station hands, share-farmers and working relatives constitute an economically "submerged" section of the nation. The property-less classes in the countryside have probably been worse off than any other part of the community, except those who have been unemployed for long periods.

FARM INCOME STATISTICS, N.S.W.
(Columns 1-14 in £ million and Columns 15-19 in £).

No.	Item	1928- 29	1929- 30	1930- 31	1931- 32	1932- 33	1933- 34	1934- 35	1935- 36	1936- 37	1937- 38	1938- 39	1939- 40	1940- 41	1941- 42	1942- 43
1	Net Farm Income \equiv	66.7	47.6	36.4	39.2	43.2	53.7	44.7	56.7	70.0	61.4	47.5	64.2	53.0	61.4	76.7
2	Wages- Casual Workers	3.1	2.8	2.2	2.1	2.4	2.5	2.7	3.0	3.4	3.7	3.6	3.6	3.7	3.7	
3	Payments to Contractors	3.2	2.9	2.3	2.1	2.2	2.4	2.6	2.9	3.2	3.4	3.3	3.4	3.4	3.4	
4	2 plus 3	6.3	5.7	4.5	4.2	4.6	4.9	5.3	5.9	6.6	7.1	6.9	7.0	7.1	7.1	
5	Income of Persons Per- manently Engaged (1-4)	60.4	41.9	31.9	35.0	38.6	48.8	39.4	50.8	63.4	54.3	40.6	57.2	50.9	54.3	
6	Wages - Permanent Employees	6.5	5.8	4.6	4.2	4.3	4.7	5.2	5.6	6.1	6.5	6.4	6.5	6.4	5.3	
7	Payments to Sharefarmers	.8	.8	.8	.9	1.3	1.1	1.1	1.2	1.2	1.4	1.5	1.3	1.3	1.3	
8	Allowances - Working Relatives	2.5	2.5	2.3	2.3	2.1	1.9	1.8	1.7	1.7	1.6	1.6	1.8	1.8	1.8	
9	6 plus 7 plus 8	9.8	9.1	7.7	7.4	7.7	7.7	8.1	8.5	9.0	9.5	9.7	9.6	9.5	8.4	
10	Net Income of Farmers (5-9)	50.6	32.8	24.2	27.6	30.9	41.1	31.3	42.3	54.4	44.8	30.9	47.6	41.4	45.9	
11	Interest Payments	6.6	7.2	7.2	7.2	7.3	7.5	7.5	7.6	7.6	7.6	7.6	7.7			
12	Crown Revenue Collections	2.0	1.8	1.4	1.6	1.6	1.5	1.4	1.5	1.5	1.5	1.4	1.4	1.4	1.5	
13	11 plus 12	8.6	9.0	8.6	8.8	8.9	8.9	8.9	9.1	9.1	9.1	9.0	9.1	9.0	9.0	
14	Available Income - Farmers (10-13)	42.0	23.8	15.6	18.8	22.0	32.3	22.4	33.2	45.3	35.7	21.9	38.5	32.4	36.9	
15	Income/Head Permanent Employees	186	180	161	154	144	142	139	141	146	154	154	157	161	176	
16	Income/Head- Dependent Groups (6 to 8)	149	140	124	119	114	112	114	118	124	131	131	131	135	146	
17	Income/Head - Farmers	308	533	390	436	492	648	500	684	889	743	519	790	695	782	
18	Available Income/Head - Farmers	670	387	251	298	350	509	358	536	740	592	368	640	545	629	
19	Income/Head Persons Permanently Engaged	470	332	256	279	296	370	294	378	473	410	304	429	390	466	

Notes: \equiv The maintenance cost of machinery and structures has not been deducted from gross income. Such costs as insurance and rates have also been omitted. However, drought relief and other forms of assistance were excluded from the original figures for gross income.

ϕ Assumed same as in earlier years. Would be £3.0m. according to formula given in text.

\wedge Assumed unchanged. Number of sharefarmers not known.

∇ Estimated without knowledge of debt burden.

$\phi\phi$ Assuming 7,400 sharefarmers being the number implicit in the assumption of payments to sharefarmers of £1.3m.

$\nabla\phi$ Assuming 58,700 farm-operators. Based on estimate of 7,400 sharefarmers.