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Rural Sector: Changing towards 2000

by

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1 INTRODUCTION

In 1994 the NSW Parliamentary Library's research service produced a background paper on the rural sector. It looked at the main changes in the sector: such as the decline in the significance of rural production; the transformation of production in the sector; the recommercialisation of the sector's trading relationships; and the focus on new areas for exports.

This briefing note not only intends to update the 1994 paper, but also intends to look at the social dimension of the transformation: the changes to services and opportunities, and the outlook for country towns.

2 CORPORATISATION OF PRODUCTION

(a) Ending the Involvement of Government in Lesser Traded Commodities

Originally production in the rural sector emerged within a network of commercial financial organisations and commercial marketing organisations. Production in the countryside tended to be conducted as a business venture. There was not, however, complete acceptance of the commercial nature of these transactions. Smaller wool producers, for instance, thought that the commercial organisations endeavoured to force down the offering price as low as possible, when bargaining with producers for their products. In his study of the formation of the Country Party, B.D. Graham observed that "small graziers found that wool sales by the auction system. . .worked to the advantage of the large grower; he, because of the size of his clip, could sell his wool in relatively uniform lots, while the small man was forced to offer his in mixed lots which were often poorly graded and ignored by important buyers."[1] Smaller grain growers tended to see themselves as confronted by cartels amongst the wheat merchants. A royal commission, conducted in South Australia, in the early 1900s, into the marketing of wheat, concluded that the principal wheat merchants in the state had formed, according to Edgar Dunsdorfs, "a price cartel and the opinion of the royal commission, proved by statistics, was that farmers' prices had been reduced by 1d. to 2d. per bushel."[2]

Shortly after the outbreak of the Great War, however, the British government began making contracts for bulk purchases of Australian wool and wheat. To deal with the organisation of supplying these commodities to Britain, the then ALP government established an Australian Wheat Board (AWB) in 1915, and a Central Wool Committee in 1916. The AWB, as described by Graham, "was entrusted with the task of fixing the purchase price, allotting shipping to each port, and realising the crop. It was assisted by various state authorities. . .and was counselled by an advisory board consisting of representatives of Darling and Co., Bell and Co. and Louis Dreyfus and Co. These pre-war trading firms. . .

1 B.D. Graham, *The Formation of the Australian Country Parties* (Australian National University Press, Canberra, 1966), pp.101-102.

2 Edgar Dunsdorfs, *The Australian Wheat Growing Industry 1788-1948* (Melbourne University Press, Melbourne, 1956), p.225.

were appointed as receiving agents". The CWC, according to Graham, "consisted of nine members representing growers, brokers, buyers and manufacturers" and its operations created a new, temporary, marketing body whereby "within four days of his lot's appraisement, that is, well before the wool's realisation, the grower had been paid 90 per cent of the price from funds provided by the British government."[3]

After the war, exchange of commodities returned to a conventional commercial basis, but smaller primary producers remained attached to the concept of marketing boards. One South Australian grower commented in the *Farmers and Settlers Bulletin*, in 1919, that smaller producers should not "relinquish a system that is just getting a sound foundation, for one whereby we know the merchants get the better of the deal through their rings, combines and 'honourable understandings'."[4]

ALP state governments, during the 1920s, decided to respond to these concerns of small producers by re-introducing marketing boards, and expanding the number of them. In 1923 Theodore's ALP government in Queensland established the Queensland Sugar Board to acquire sugar from all producers in Queensland. An arrangement was made with the Colonial Sugar Refining company (CSR) to refine and market the sugar. Imports of sugar from overseas were embargoed. Theodore's successor, McCormack, secured passage of the *Primary Producers Organisation and Marketing Act* to provide for the establishment of marketing boards in other commodities, in Queensland.[5]

In New South Wales, Lang's ALP government obtained passage of the *Marketing of Primary Products Act 1927* under which, if one hundred producers of any particular commodity petitioned the state government to set up a marketing board, a ballot would be conducted amongst producers and a board established if half of 60% of those voting were in favour. A marketing order thus established would be under the control of producers and have the legal power to acquire all of the commodity produced in NSW and to sell it inside the state at a price determined by the board.[6]

Over the years, smaller primary producers were successful in having state governments establish a number of marketing boards in a wide range of commodities. During the 1970s and early 1980s, as Watson and Parish remarked, "the most distinctive feature of marketing arrangements for Australia's agricultural products . . .[was] the existence of a plethora of

3 Graham, op.cit., pp.97-98.

4 ibid., pp.100,147-151.

5 J.M. Dixon, "CSR's Unusual Functions in the Australian Sugar Industry" in A.G. Lowndes (ed.), *South Pacific Enterprise: The Colonial Sugar Refining Company Limited* (Angus and Robertson, Sydney, 1956), pp.187-190; Brian Carroll, "William Forgan Smith: Dictator or Democrat?" in Denis Murphy, Roger Joyce and Margaret Cribb (eds.), *The Premiers of Queensland*, revised edition (University of Queensland Press, Brisbane, 1990), p.403.

6 Bruce Davidson, "Rum Corps to IXL: Services to Pastoralists and Farmers in New South Wales" in the *Review of Marketing and Agricultural Economics*, vol.60, no.3, December 1992, p.336.

statutory boards. . .to. . .regulate or perform marketing functions. Eleven marketing boards operate[d] under Commonwealth government statutes, and more than fifty under state government legislation."[7]

Australia's agricultural produce, however, had essentially been based on large-scale exports to Britain. During the 1930s, for example, Britain took around 75% of Australia's wool exports. Amongst Britain's imports of commodities during the 1930s, the following amounts came from Australia: 31% of Britain's wheat; 15% of Britain's butter; 12-14% of Britain's pears and apples; and 10% of Britain's sugar.[8]

Australian agricultural exports to Britain were, moreover, deliberately assisted by preferential tariff arrangements negotiated between the British and Australian governments. In 1924, for instance, it was agreed that the duty on foreign tins of canned fruit, imported into England, would be levied at a rate of 2.82 pence per dozen cans, whereas the duty on cans of tinned fruit from the British dominions would be levied at the lower rate of 1.78 pence per dozen.[9]

After the combined financial impact on Britain of both the Great War and the subsequent European and Pacific Wars of the 1940s, Britain was forced to relinquish its empire and place its overall destiny in Europe. Britain formally applied to join the EEC (formed in 1957) in 1961 and was finally admitted in 1973.

As Britain joined the EEC, preferential tariff treatment for Australian goods, imported into England, ended. Furthermore the position of agricultural commodities in overall world trade was also declining. From 1913, when agricultural produce had formed 45% of world trade, the share of rural products in world trade fell to 36% by 1953, and to 21% by 1973.[10]

It was clear that, with the loss of the market in Britain, and the overall decline of agricultural products in world trade, there would be too many producers growing too much agricultural product. Marketing boards, however, had been specifically devised so that small producers could stay in production. With federal governments deciding that the solution to the loss of the British market was to give the rural sector over to the forces of supply and demand -

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7 A.S. Watson and R.M. Parish, "Marketing Agricultural Products" in D.B. Williams (ed.), *Agriculture in the Australian Economy*, second edition (Sydney University Press, Sydney, 1982), p.326.

8 See Brian Pinkstone, *Global Connections: A History of Exports and the Australian Economy* (Australian Government Publishing Service, Canberra, 1992), p.88; Kevin Burley, *British Shipping and Australia: 1920-1939* (Cambridge University Press, Cambridge, 1968), p.129; Charles Smith, *Britain's Food Supplies in Peace and War* (Routledge, London, 1940), pp.25,49; Nancy Windett, *Australia as Producer and Trader 1920-1932* (Oxford University Press, London, 1933), pp.109,118.

9 C.J. King, *An Outline of Closer Settlement in New South Wales*, part I, *The Sequence of the Land Laws 1788-1956* (NSW Department of Agriculture, Sydney, 1957), p.238.

10 Frederick Clairmonte and John Cavanagh, *The World in Their Web: Dynamics of Textile Multinationals* (Zed Press, London, 1981), pp.27-28.

allowing this to rationalise production in the countryside - interventions in transactions, such as marketing boards, no longer had a place. As well as the McMahon government's *States Grants (Rural Reconstruction) Act 1971*, and the Fraser government's *States Grants (Rural Reconstruction) Act 1976*, which were introduced to help smaller, struggling primary producers to leave production, other federal and state governments also proceeded to eliminate marketing boards. In New South Wales, in 1989, the Greiner government abolished the NSW Egg Corporation, selling off the components to private companies.

During the 1990s the review of marketing boards, in the lesser traded commodities, has continued. The existence of the following marketing boards, in New South Wales, has ended, in one or other ways, during the 1990s:

- Barley Marketing Board (subsumed in NSW Grains Board)
- Central Coast Citrus Marketing Board (voluntarily abandoned 1993)
- Dried Fruits Board of NSW (voluntarily abandoned 1997)
- Grain Sorghum Marketing Board (subsumed in NSW Grains Board)
- Kiwi Fruit Marketing Committee (failed, in 1993, to meet poll requirements for continuation of organisation)
- Milk Marketing (NSW) Ltd (now a subsidiary of the Dairy Corporation)
- Murrumbidgee Irrigation Area Citrus Fruit Marketing Order (voluntarily abandoned in 1995)
- NSW Grain Corporation Ltd (fully privatised in 1990s)
- Oats Marketing Board (subsumed in NSW Grains Board)
- Oilseeds Marketing Board (subsumed in NSW Grains Board)
- Processing Tomato Marketing Committee (voluntarily abandoned in mid-1990s)

Other marketing boards have been subjected to review under the provisions of the National Competition Council. The establishment of the objective of competition has been propelled by the recommendations of the Independent Committee of Inquiry into competition in Australia: a body established by the Keating government, in 1992, and chaired by Professor Fred Hilmer. The findings of the committee became the basis of national competition policy. In its basic report, delivered in 1993, the committee said, with regard to agricultural marketing, that on an initial basis, there should be "repeal of the provision permitting conduct to be specifically approved by state or territory law or regulation".[11] A year later, in an article in the press, Hilmer recommended the establishment of an institution to analyse the trade-offs brought about by abolishing producers' recourse to a marketing board as this would inevitably result in there being "winners and losers". The name he suggested for the body was the National Competition Council (NCC),[12] and this body was subsequently established by the Keating government in late 1995. The NSW boards which have been reviewed, or are being reviewed, under the NCC guidelines, are as follows:

- Banana Industry Committee (subject of competition policy review in 1997, legislative basis altered)
- Murray Valley Citrus Marketing Board (to be reviewed under national competition policy)
- Rice Marketing Board (reviewed in 1995, vesting powers limited to 2004)
- Wine Grapes Marketing Board (continuing subject to competition policy review, vesting powers extended until 2000)

There are three marketing boards simply still in place - one of which has had its powers already reduced by a previous state government:

- Dairy Corporation of NSW (due, under the provisions of the Fahey government's *Dairy Industry (Amendment) Act 1993*, to have its control over processor profit margins, retailer profit margins, and franchiser zones, removed by 1 July 1998)
- Meat Industry Authority (NSW)
- Poultry Meat Industry Committee

(b) Government Encouragement towards Greater Commercialisation of Primary Production

Although, by the early 1990s, agriculture's share of Australia's gross domestic product had shrunk to 3.6% ($10 billion in money value),[13] the food processing industry, on the other hand, had become the largest manufacturing industry in Australia, employing around 170,000 people (16% of manufacturing industry employment) and had an annual turnover

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11 *National Competition Policy*, report of the Independent Committee of Inquiry (Australian Government Publishing Service, Canberra, 1993), p.143.

12 Fred Hilmer, "The Way Ahead" in *The Australian*, 28 February 1994, p.21.

13 Barry Pestana, "Agriculture in the Australian Economy" in National Farmers Federation (ed.). *Australian Agriculture*, fourth edition (Morescope Publishing, Melbourne, 1993), p.9.

of $30 billion.[14] A similar situation has developed, interestingly enough, in the USA where, in the late 1980s, although net farm income was only around 1.3% of gross national product, the annual turnover of the food processing industry was around $240 billion.[15]

In the early 1990s the Keating government endeavoured to set in train a strategy for integration of agriculture with the processed food sector. In 1992, Simon Crean (Minister for Primary Industry and Energy) and John Button (Minister for Industry, Technology and Commerce) issued a joint statement on Australian agrifood industries. This foreshadowed the establishment, later in the year, of an Agri-Food Council which was to oversee the integration of primary production with the food processing sector. In 1993 the National Farmers Federation (NFF) published its own document on the future viability of the rural sector - *New Horizons: A Strategy for Australia's Agrifood Industries*. The NFF's outline of the shape which this integration would assume was described as follows:

> Agriculture sees itself and projects itself as a separate, stand alone, industry. . . agriculture must consider changes to this. . .separatist stance. Farmers are part of the consumer food and fibre sector and must see themselves as such. . .Farmers must be prepared to become directly involved in the rest of the production and marketing chain. . .The Agrifood Policy Council established by the federal government in 1992 is a positive first step in this direction.[16]

Under the recently elected Howard government this strategy has been reconfigured as the "Supermarket to Asia": announced in September 1996 along with the establishment of a Supermarket to Asia Council.[17]

(c) Greater Commercialisation within Australian Primary Production

When the Keating government established the Agri-Food Council, in 1992, one of the original members was John Cook, managing director of Kellogg Australia.[18] This appeared to be a definite indication that the Keating government was envisaging an arena of, previously, independent primary producers turning into an arena of agribusiness. This

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14 See *Food Processing*, working group paper presented at the fourth meeting of the Prime Minister's Science Council (Australian Government Publishing Service, Canberra, 1991), p.6.

15 See B. Delworth Gardner, *Plowing Ground in Washington: The Political Economy of US Agriculture* (Pacific Research Institute for Public Policy, San Francisco, 1995), p.3; A.V. Krebs, *The Corporate Reapers: The Book of Agribusiness* (Essential Books, Washington DC,1992), p.35.

16 National Farmers Federation, *New Horizons: A Strategy for Australia's Agrifood Industries* (National Farmers Federation, Canberra, 1993), pp.5-6.

17 *Supermarket to Asia*, press release, The Prime Minister, the Hon. John Howard MP, 12 September 1996.

18 See John Cook, "Adding Value for Overseas Markets" in *The Australian*, 15 February 1993, p.21.

scenario had already begun to develop in another nation, comparable to Australia: the USA.

As described above, big business has acquired an increasing predominance in American rural production. A.V. Krebs has written that, within the USA, "By 1990 agribusiness accounted for over 16 per cent of the nation's gross national product (GNP) while farming, itself, accounted for slightly over one per cent of the GNP."[19] In the USA, in 1990, the top ten farms, by dollar value of produce sales, were as follows: Tyson (sales of $1.1 billion, producing broiler chickens and pork, located in Arkansas); Conagra (sales of $1.05 billion, producing broiler chickens and beef, located in Nebraska); Castle and Cooke (sales of $800 million, producing vegetables and fruit, located in Hawaii); Perdue Farms (sales of $619 million, producing broiler chickens and turkeys, located in Maryland); Gold Kist (sales of $566 million, producing broiler chickens and eggs, located in Georgia); Holly Farms (sales of $558 million, producing broiler chickens, located in North Carolina); Barlett and Company (sales of $555 million, producing beef, located in Maryland); Continental Grain (sales of $554 million, producing beef and broiler chickens, located in Illinois); Cargill (sales of $529 million, producing beef and turkeys, located in Minnesota); US Sugar Corporation (sales of $365 million producing sugar and beef, located in Florida).[20]

Within Australian agriculture, some of this tendency already seems to have become apparent. In 1994 there were 8 corporate rural landholders, each with properties of over 1 million hectares, operating in Australian primary production. These were S. Kidman and Company, Stanbroke Pastoral Company, Heytesbury Pastoral Company, Australian Agricultural Company, North Australian Pastoral Company, Consolidated Pastoral Company, BT Australia and Colinta Holdings.[21]

Cotton, the fourth-largest primary product export (after wool, meat and wheat), already demonstrate many of the features of agribusiness. Colly Farms, for instance, which produces around 20% of all the cotton grown in Australia, has at least one property - Collymongle, west of Moree - which is over 30,000 hectares. Auscott, another large cotton producer, has large holdings in the Namoi, Gwydir and Macquarie valleys. Many of these properties have large water storage, and large-scale water pumping, facilities to supply water for irrigation.[22]

The presence of similar large-scale American agribusiness concerns, in integrated food production, is also steadily emerging in Australia. Simplot, for example, within the USA, not only owns concerns such as the Simplot Feedlots in Idaho, but, according to Krebs, "reportedly supplies the McDonald's chain with seven out of every ten fries its customers consume." Its president, J.R. Simplot, as Krebs also describes, owns "one of the world's

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19 Krebs, op.cit., p.16.

20 ibid., p.458.

21 See Don Jones, "Barons of the Bush" in the *Australian Farm Journal*, vol.4, no.7, September 1994, pp.46-57.

22 Siobhan McHugh, *Cottoning On: Stories of Australian Cotton Growing* (Hale and Iremonger, Sydney, 1996), pp.49-59.

largest privately-held multinational corporations."[23] Throughout the first half of the 1990s, Simplot has begun to acquire various food processing concerns in Australia, particularly by acquiring brand name lines which were sold off by the Pacific Dunlop group. By 1998, it now owns the Edgell, Birds-Eye, Four and Twenty, Leggos, Herbert Adams, Big Sister, Nana's, Harvest, Plumrose, Chicko, I and J, and Sea Lord brands.

In October 1997 the Australian Agribusiness Export Forum was presented in Orange by the Central Western Regional Development Board. The current Minister for State Development, Michael Egan MLC, remarked after the forum that "there is enormous potential for further growth in agribusiness in New South Wales".[24]

(d) Additional Departures from Australian Agriculture

Family farms in the USA, correspondingly, have been disappearing. Krebs estimates that, between 1980 and 1986, "nearly 235,000 US farms" were sold up. Overall he estimates that, during "the eight years of the Reagan administration alone. . .[1980-1988] 65,000 [farms] a year" disappeared.[25] Delworth Gardner has written that "The number of people actually living on farms [in the USA] was only 1.9 per cent of the nation's total population in 1989".[26]

In Australia, the departure of smaller primary producers from the land paralleled that in the USA. As the years progressed after 1973, many primary producers continued to encounter difficulties and the various forms of States Grants (Rural Reconstruction) legislation, mentioned above, assisted them to leave production. By 1985 there were 10% fewer farmers than there were in 1970.[27] Both the Hawke and Keating governments persisted with the policy of letting supply and demand determine the direction of production in the countryside. In 1986 the Hawke government released a policy statement on the rural sector which declared that "Many of the problems facing rural Australia today are beyond the capacity of any government to resolve directly."[28] In 1992, in the third edition of their annual survey of Australian agriculture, the National Farmers Federation commented that, within primary production in the years to come, "The most common expectation is for the larger farmer to grow at the expense of the smaller, less efficient operator."[29] In that same year, the Keating

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23 Krebs, op.cit., p.369.

24 Questions without Notice, "Agribusiness Export Opportunities". NSW Parliamentary Debates. Legislative Council. 21 October 1997, p.1015.

25 Krebs, op.cit., pp.18-19.

26 Gardner, op.cit., p.4.

27 Richard Stayner, "Adjustment on Family Farms", paper delivered at the *ABARE Outlook 94* conference, Canberra, 1-3 February 1994.

28 Department of Primary Industry, *Economic and Rural Policy: A Government Policy Statement* (Australian Government Publishing Service, Canberra, 1986).

29 *Australian Agriculture*, third edition, p.455.

government obtained passage of the *Rural Adjustment Act 1992.* This legislation continued to provide a small proportion of funds to assist primary producers, in financial difficulties, to leave the land. The assistance was in the form of a grant, up to a maximum of $45,000. Between financial year 1992-93 and financial year 1995-96, $19,336,000 was provided to struggling farmers in New South Wales (out of a national total of $46,547,000) for purposes of re-establishment.[30]

(e) Decline of Government Subsidies in Agriculture

While federal governments have been orientating primary production towards a more commercial basis, primary producers have still received a considerable amount in government subsidies. The Industry Commission has estimated that, in financial year 1994-95, agriculture in Australia received around $1.9 billion in assistance. According to the Commission "The level of price supports provided to some industries including dairy, tobacco, dried vine fruits, wine grapes and sugar contributed significantly to this total."[31] In 1995 the Organisation for Economic Co-operation and Development (OECD) estimated, in its annual report on agricultural policies, markets and trade in OECD countries, that government subsidies to the agricultural sector in Australia amounted to around $1.5 billion. It listed five components of these subsidies as follows:

- funds provided under rural adjustment legislation
- industry research and development (such as by the Department of Primary Industry and Energy and by the CSIRO)
- tax concessions (such as an investment allowance of 10% for investment in storage facilities for fodder, and water for stock)
- interest subsidies on commercial loans available to primary producers affected by drought (amounting to $128 million in 1995-1996)
- rebates on diesel fuel (in 1995 nearly all of the 32c a litre duty, on diesel fuel used for agricultural purposes, was rebatable)[32]

Under the *Rural Adjustment Act 1992*, funds are not only provided for purposes connected

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30 Rural Adjustment Scheme Review Committee, *Rural Adjustment: Managing Change*, mid-term review of the Rural Adjustment Scheme (Department of Primary Industries and Energy, Canberra, 1997), pp.55,193.

31 Rural Adjustment Scheme Review Committee, op.cit., p.39.

32 Organisation for Economic Co-operation and Development, *Agricultural Policies, Markets and Trade in OECD Countries: Monitoring and Evaluation 1996*, vol.I, *Main Report* (Organisation for Economic Co-operation and Development, Paris, 1996), pp.24-28. Gardner comments, interestingly, that in the USA, in 1988, the US Department of Agriculture "paid out about $14.5 billion in direct payments under the farm commodity programs. . .The top 18 per cent of farmers received about 90 per cent of all payments." See Gardner, op.cit., pp.126-127.

with leaving the land, but are provided to primary producers with prospects of doing better. The headings for expenditure between 1992-93 and 1995-96, and the total amount spent in NSW contrasted with that spent overall in Australia, are as follows:

Rural Adjustment Scheme Expenditure between 1992-93 and 1995-96		
	New South Wales	**Australia**
Productivity (Interest Rate Subsidy for Loans Taken Out to Increase Long-Term Prospects)	$19,544,000	$74,709,000
Skills Enhancement	$4,774,000	$11,239,000
Re-Establishment	$19,336,000	$46,547,000
Administration	$11,476,000	$55,469,000
Exceptional Circumstances (Interest Subsidies for Drought Relief)	$100,309,000	$243,563,000
Rural Adjustment Scheme 1988 (Continuing Interest-Rate Subsidies, Re-establishment Assistance and Training Assistance	$79,374,000	$168,493,000
TOTAL	$234,813,000	$600,020,000[33]

In September 1996, however, the newly elected Howard government instituted a review of the Rural Adjustment Scheme (RAS). Nine months later, in May 1997, the then Minister for Primary Industries, John Anderson MP, announced that the RAS would be ended and that no applications for interest rate subsidies would be accepted after 30 September 1997.[34]

[33] *Rural Adjustment:Managing Change*, p.55.

[34] Rural Adjustment Scheme Advisory Council, *Annual Report 1996-97* (Australian Government Publishing Service, Canberra, 1997), p.8.

(f) Diminishing Involvement of Government in Heavily Traded Commodities

Until the late 1940s marketing boards were, therefore, principally only established at a state level. During the 1920s, under conservative federal governments, the wartime wool committee, and wheat board, had subsequently been dissolved. By that time, the international trade in grain was conducted by five companies, all of which had begun during the worldwide expansion in wheat trading in the 1870s. Michael Atkin has written that,

> There are five major international grain trading companies. They are Cargill. . . Continental Grain, Louis Dreyfus, Andre. . .and Bunge and Born. Together, they probably account for three-quarters of the grain shipped internationally. . .they. . . grew up around families and are still controlled by family interests: Cargill by the MacMillans, Bunge and Born by the Born and Hirsch families and Continental by the Fribourgs. The families who gave their names to Andre and Louis Dreyfus still control those companies. . .they have never seen a need to go public and have not needed access to the public capital market: the fact that they are private means that it is not possible to get information on their profitability.[35]

Production and trading of grain in Australia returned to a conventional commercial basis during the 1920s. Louis Dreyfus remained as the main overseas grain broker in Australia, and was joined in 1923 by Bunge which quickly became one of the nation's largest exporters of wheat and flour.[36]

It was in the meat trade, in the 1930s that a marketing board first appeared in a heavily traded commodity. Again, the international meat trade was conducted by a relatively small number of very large international companies which had had their origins in the massive expansion of global grain and meat trading that occurred in the 1870s and 1880s. The major companies in the Australian meat trade were Swifts (USA), Borthwicks (Britain) and Vestey's (Britain). The major local companies were Angliss and Walker. Once more, the agitation for a board came from producers facing low prices. R. Duncan has written that, "In the depression year of 1921 [just after the mini-boom that followed the end of the Great War] the Prime Minister, Mr. W.M. Hughes, told a deputation of graziers and exporters, anxious for government assistance, that the trade must organise and speak with one voice if it hoped to improve its situation."[37] During the remainder of the 1920s the trade remained entirely in commercial hands but, after the Ottawa Tariff Agreements of 1932, in which Australia managed to gain a degree of privilege in the British market for a number of products, particularly beef, the Lyons government moved to establish a marketing board. Although the beef exporting companies had tended to oppose such a body, on the grounds of it being "socialistic", the Lyons government obtained passage of the *Meat Export Control*

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35 Michael Atkin, *The International Grain Trade* (Woodhead Publishing, Cambridge, 1992), pp.112,117.

36 Bunge and Born Limited, *Bunge (Australia) Pty.Ltd : The First Half Century* (1973).

37 R. Duncan, "The Australian Beef Export Trade and the Origins of the Australian Meat Board" in the *Australian Journal of Politics and History*, vol.5, no.2, November 1959, p.195.

Act 1935 and the *Meat Export Charges Act 1935*, under which an Australian Meat Board (AMB) was established in 1936. While the board did not have power over the entire industry, it did have significant power with regard to exports through the issuing of licences to approved bodies in the meat trade. According to Duncan, "the board received power to regulate the flow of meat to overseas markets [principally Britain] and practically to determine the vessels on which it could be shipped."[38]

The establishment of the Australian Meat Board was of some significance for New South Wales because, by the 1930s, there were 2,000,000 beef cattle in the state, out of a total national herd of 9½ million. The NSW state abattoirs at Homebush Bay had become the biggest single meatworks in the world. During the financial year 1933-1934 the abattoirs treated 4,000,000 carcases, of beasts of all kinds, of which 1¼ million were exported (amounting to 25% of all Australian carcas exports).[39]

A marketing board in the wheat trade was subsequently established by the ALP, while in power in Canberra from 1941-1949. During the late 1920s small wheat growers had continued to agitate for a national marketing board. At the first conference of the Victorian Wheatgrowers Association, in 1929, one grower advocated such a scheme because, as he declared, wheatgrowers "were up against many combines".[40] While, at that stage, conservative federal governments ignored such calls, with the onset of war once more, in 1939, the then Menzies government re-established an Australian Wheat Board. As Whitwell and Sydenham have outlined, "the board was made responsible for wheat marketing, storage and shipping arrangements, and for overseeing a scheme for compulsory pooling of wheat. Funded by the Commonwealth Bank, the board was to make an advance (preliminary payment) to growers for all wheat delivered." The AWB was represented overseas by two committees. One, in London, included a representative from John Darling and one, in Shanghai, included a representative from Louis Dreyfus.[41] Whereas the 1915 wheat board had been dissolved after the Great War, three years after the end of the Pacific War the Chifley government obtained passage of the *Wheat Industry Stabilisation Act 1948* which permanently established an Australian Wheat Board. Once this permanent wheat board was established, wheat growers sold direct to the board and no longer dealt with the traditional trading companies. According to Whitwell and Sydenham, the means which Chifley established for the marketing of wheat involved "a guaranteed price and a home consumption price. . .a stabilisation fund and compulsory pooling. . .The board was made the sole buyer of wheat from growers and the sole marketer of Australian wheat on both the domestic and export market. It was also the board's responsibility to administer the

38 ibid., pp.196,201.

39 *The National Handbook of Australia's Industries* (Specialty Press, Melbourne, 1934), pp.34,208.

40 Greg Whitwell and Diane Sydenham, *A Shared Harvest: The Australian Wheat Industry 1939-1989* (Melbourne University Press, Melbourne, 1991), p.43.

41 ibid., pp.59-60.

stabilisation fund and to make payments to growers."[42]

An important element of this government intervention in wheat transactions was that - according to Karen Ackerman of the economic research service of the American Department of Agriculture - the "Australian government guarantees a percentage of AWB borrowing for its operations".[43]

This government guaranteeing of AWB borrowing allows the functioning of a second aspect of the AWB's intervention in grain trading: pooling of wheat. According to Ackerman and her colleagues, pooling is important because it "allows an STE [state trading enterprise] greater flexibility in export pricing relative to private grain trading companies, particularly when pool payments are underwritten by the government".[44]

Again, the establishment of the AWB was significant for New South Wales because, by the 1930s, NSW had become the state with the largest share of the national wheat crop. In 1930, just at the onset of the investment depression, there were just over 5,000,000 acres of land planted to wheat.[45] In 1948, the year the board was permanently created, NSW had around 2 million hectares planted to wheat, out of national total of 5½ million.[46]

Wool trading had, also, originally been conducted through companies. In the late 1800s and early 1900s wool produced in Australia was sold through the big auction houses such as NZL, Dalgety and Goldsborough (which merged with the Adelaide firm of Elder Smith to form Elder, Smith, Goldsborough Mort).[47] This continued to be the essential arrangement for transactions in wool sales until, in the late 1960s, the price of wool began to fall significantly. In response, in 1970, the Gorton government established the Australian Wool Commission. As Alistair Watson and R.M. Parish wrote,

> The first round of support by the Australian Wool Commission was a salvage operation that was financed exclusively by government loans. It was linked at first with income supplements and then a deficiency payment to woolgrowers based on a guaranteed price that was 20 per cent above the low-point of wool prices in 1971. The loans to the Australian Wool Commission to support wool prices through stockholding were repaid when the wool market recovered spectacularly in 1972-

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42 ibid., p.137.

43 Karen Ackerman, Praveen Dixit and Mark Simone, "State Trading Enterprises: Their Role in World Markets" in *Agricultural Outlook*, June 1997, pp.11-16.

44 ibid.

45 *The National Handbook of Australia's Industries*, p.30.

46 Whitwell and Sydenham, op.cit., p.295.

47 See N.G. Butlin, *Investment in Australian Economic Development* (Cambridge University Press, London, 1964), pp.142-143; Kosmas Tsokhas, *Markets, Money and Empire: The Political Economy of the Australian Wool Industry* (Melbourne University Press, Melbourne, 1990), pp.4-5.

73.[48]

Under the subsequent Whitlam government the Australian Wool Commission was transformed into the Australian Wool Corporation and, according to Watson and Parish, "a Market Support Fund was established with a levy of five per cent of the gross proceeds of wool sales to guarantee the Australian Wool Corporation against possible trading losses in its reserve price operations."[49]

Once more, the establishment of the Australian Wool Commission was significant for NSW woolgrowers. Ever since the MacArthurs has founded wool growing just outside of Sydney, in the early 1800s, New South Wales had been the foremost wool producing state in Australia. In financial year 1969-1970, at the time the commission was founded, NSW produced nearly 341 million kilograms of greasy wool: around 36% of the Australian total of around 925 million kilograms.[50]

As the rationalisation of the Australian primary sector began, after Britain joined the EEC in 1973, the Australian Meat Board was the first of the marketing boards, in heavily traded commodities, which began to have its powers reduced. In 1979 the Fraser government changed the AMB into the Australian Meat and Livestock Corporation (AMLC). Watson and Parish wrote in 1982 that,

> The Australian Meat and Livestock Corporation, the successor to the Australian Meat Board, has trading powers but they are facilitative rather than exclusive. They are mainly exercised in respect to trade with centrally planned economies and in such cases the corporation has to supply meat in association with the exporting companies because it owns no abattoirs. Otherwise the activities of the Australian Meat and Livestock Corporation are directed towards local and export promotion of meat, the provision of market information, and the general supervision of matters relating to (red) meat production and marketing.[51]

The AMLC has continued through to the present in a situation where new multinationals were entering the industry and acquiring an even bigger presence in the sector. During the 1980s some operations owned by T.A. Field, F.J. Walker, Metro Meats and Tancred Brothers were merged into a single company, Amalgamated Meat Holdings, which became owned by Fosters Brewing. This company, in turn, became initially half-owned by Conagra (USA) and then, by 1993, 90% owned by Conagra. Other acquisitions by overseas companies, in the early 1990s, included Metro Meats by CITIC (China) and Borthwicks by Nippon Meat Packers (Japan). Cargill (USA) has also become involved in the Australian

48 A.S. Watson and R.M. Parish, op.cit., p.331.

49 ibid., pp.331-332.

50 *Official Year Book of the Commonwealth of Australia 1971* (Commonwealth Bureau of Census and Statistics, Canberra, 1971), p.803.

51 ibid., p.336.

meat trade through its Australian subsidiary, Cargill Foods.[52]

Beef production in Australia has increasingly moved into the realm of large-scale operation. The Howard government's 1996 review of the meat industry, and government involvement in it, noted that "Corporate properties make up only 2% of all specialist beef properties, but . . .own 16% of the cattle. The top 10% of family properties (by herd size) operate 51% of land used and run 36% of the cattle." There is also an increasing predominance of company-like methods of operations with the review noting that in the case of "feedlot cattle in Australia. . .Australia's top 20 lot feeding companies account for 73% of industry capacity."[53]

During the mid- to late 1990s both the Keating and Howard government have moved to further decrease government intervention in the meat trade. The Keating government obtained passage of the *Meat and Livestock Industry Act 1995* which provided for the lessening of government involvement in the industry. Soon after the election of the Howard government, the new Minister for Primary Industries, John Anderson, announced in May 1996 that he would establish a Task Force and a Steering Committee to further examine the role of government in the meat industry.[54]

While the AMB was initially transformed in 1979, during the first half of the 1980s the Australian Wheat Board and the Australian Wool Commission remained as they were. Then, in its 1986 policy statement on the rural sector, referred to above, the Hawke government also announced a general change in position on statutory marketing boards: declaring that it would be federal government policy to "examine the rationale for the continued existence of some of the authorities."[55] Three years later the Hawke government secured passage of the *Wheat Marketing Act 1989.* On a domestic level, control of sales of wheat was taken out of the control of the AWB. According to Roley Piggott and his colleagues, "From July 1, 1989, growers. . .[had] a choice of delivering their wheat to the AWB (via an authorised receiver) for inclusion in a pool or of selling it for cash to the AWB or to a merchant, miller

52 See "The 'Top 25' Processors" in *Feeback*, (publication of the Australian Meat and Livestock Corporation), vol. 9, no.4, July/August 1996, pp.24-36. Krebs has written that "three companies - Iowa Meat Processors. . .Excel Corp. (formerly MBPXL Corp. and now a subsidiary of Cargill Corp., the nation's largest private corporation) and Conagra Inc. - in 1990 slaughtered nearly 80 per cent of all fat cattle in the United States." See Krebs, op.cit., p.362.

53 Steering Committee and Task Force Report, *Australian Meat and Livestock: Reform for the Future* (Australian Government Publishing Service, Canberra, 1996), pp.20,27.

54 ibid., pp.xiv,xv.

55 Department of Primary Industry, *Reform of Commonwealth Primary Industry Statutory Marketing Authorities: A Government Policy Statement* (Australian Government Publishing Service, Canberra, 1986), p.4.

or any other person."[56]

On an overseas level, however, as Piggott has described, "The new legislation continue[d] the major functions of the AWB including control over the export marketing of wheat, payment to growers and borrowing monies to make those payments, domestic sales and arranging for receival, storage and transport of wheat".[57] Furthermore, the Hawke government's *Wheat Marketing Act 1989* provided for the establishment of a Wheat Industry Fund (WIF), controlled by the AWB, to which wheat growers had to pay 2% of the farm gate price of their products. The aim of the fund was to eventually take the place of the government as a guarantor of AWB borrowings.[58]

Not long after the AWB's control, over domestic wheat trading, was removed the Big 5 international grain trading companies began to make representations to the subsequent Keating government for the elimination of the Australian Wheat Board: allowing consignments of wheat for export to go directly to them. Asa Wahlquist reported in 1992 that,

> The Australian Grain Exporters Association. . .represents the major private grain traders active in Australia. Membership includes Cargill, Louis Dreyfus, Conagra, Continental. . .Andre. . .The executive director, Mr. Bob McCarthy, is a former head of the Australian Wheat Board marketing division. Mr. McCarthy said [that with eventual] removal of the AWB monopoly over wheat exports. . .the group could take half of the market within five years. . .[and added that] In the three years since deregulation of the domestic industry private traders have moved to control between 1 and 1.5 million tonnes of the 3.5 million tonne domestic market.[59]

Despite the lobbying of the Big 5, however, wheat growers continued to put pressure on the Keating government not to consider the abolition of the AWB. They also put pressure on the Liberal-National Party coalition, then in opposition, not to abandon the Australian Wheat Board. Tim Fischer, leader of the National Party, declared just before the 1996 election that, "I. . .repeat the coalition's absolute commitment to retention of. . .the export powers of the Australian Wheat Board."[60]

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56 Roley Piggott, Brian Fisher, Julian Alston and Andrew Schmitz, "Australia: Grain Marketing, Institutions and Policies" in Michael McGarry and Andrew Schmitz (eds.), *The World Grain Trade: Grain Marketing, Institutions and Policies* (Westview Press, Boulder, Colorado, 1992), pp.333-335.

57 ibid.

58 Alistair Watson, *Grain Marketing in Big Hot Countries: Implications for Big Cold Countries?*, self-published background paper prepared for 1998 presentations on grain marketing (available on e-mail via asw@ozemail.com.au).

59 Asa Wahlquist, "Traders Seek Deregulation of Wheat Exports" in the *Sydney Morning Herald*, 6 February 1992, p.19.

60 George Megalogenis, "Hilmer Policy Affects All Rural Selling: Fischer" in *The Australian*, 16 December 1996, p.9.

Notwithstanding Fischer's declaration, the Big 5 made further representations. Anthony Hoy reported in February 1998 that "Multinational grain companies operating in Australia are accusing the federal government of double standards over its support. . .for the NFF waterfront reform initiative while 'going to any lengths to exclude competition from grain marketing in Australia'". Hoy added that Cargill Australia's senior grain merchant had declared that "Australians were paying more for services in grain marketing, handling and transport" because the "undue influence of statutory marketing authorities and resulting lack of competition has led to a lack of liquidity in Australian grain markets" since local operators "find it hard to compete on export markets because of their inability to manage risk as well as overseas competitors can".[61]

Recently, in April 1998, the Minister for Primary Industries, John Anderson, announced that the government would introduce legislation to end the statutory existence of the Australian Wheat Board. Government guarantee for the AWB's borrowing would also cease. The AWB's control of exports, however, would be protected by legislation for a further five years.[62]

Wool transactions continued to be sustained through the Australian Wool Corporation until a point was finally reached when the corporation could, simply, no longer maintain the price of wool. Between 1989 and 1990, Russian, Chinese and other international buyers withdrew from the wool market. The Australian Wool Corporation attempted to maintain a floor price of $8.70 a kilogram for wool, but by May 1990 the reserve price had fallen to $7 a kilogram. In February 1991 the reserve price scheme for wool was suspended and, in July 1991, it was officially abandoned. The Australian Wool Corporation was left with between 3 million and 4 million bales of unsold wool, and a debt of around $2 billion in respect of money borrowed from the federal government to underwrite the purchasing of wool to maintain the reserve price. The Keating government then established a Wool Industry Review Committee, chaired by Professor Ross Garnaut, to investigate the industry and the worth of retaining a statutory marketing board. In its 1993 report the committee commented that "International commodity history is littered with examples of buffer stocks and other price regulatory systems which have failed to provide the essential price and market signals. . .The wool stockpile is the most obvious and measurable symptom of the malaise attributable to the rigid Reserve Price Scheme".[63]

As a consequence of the Wool Industry Review Committee report another statutory body, Wool International, was established, in late 1993, to oversee the sale of the unsold wool on a fixed release schedule (on the basis of the sale of so many tens of thousand bales of wool per quarter of a year). Wool International, as the successor body responsible for the debts

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61 Anthony Hoy, "Competition: Grain Firms Accuse Govt of Double Standards" in the *Sydney Morning Herald*, 4 February 1998, p.8.

62 David McKenzie and Amanda Hodge, "AWB Export Monopoly to Face US Challenge" in *The Australian*, 1 April 1998, p.24.

63 Wool Industry Review Committee, *Wool: Structuring for Global Realities* (Australian Government Publishing Service, Canberra, 1993), pp.73-74.

of the former AWC, now only owes around $350 million. Since 1993 the price of wool rose again to $8.50 a kilogram in late 1994 and then slumped to $5.75 a kilogram in 1995.[64] In late 1996 the price of wool was still at around $5.50 a kilogram.[65] The following year, 1997, the price rose, once more, to around $7 a kilogram and then, in early 1998, fell to around $6.50 a kilogram.[66]

Again, the global wool trade is dominated by a number of large, international wool buying firms. The top ten companies buying Australian wool, during 1996-1997, were as follows: Itochu Australia; Prouvost Hart; G.H. Michell and Sons; Kanematsu Australia; Marubeni Australia; BWK Australia; Dewavrin Australia; Nissho-Iwai Australia; Associated Wool and CIL.[67] The four Japanese companies, amongst these top ten buyers of Australian wool, are themselves great multinational trading companies, buying and selling cotton (and other fibres) as well as wool. In 1979, for instance, the global sales of the four companies were as follows - C. Itoh: $38.6 billion; Marubeni: $36.5 billion; Nissho-Iwai: $25.1 billion; Kanematsu: $12 billion.[68]

By the year 2000, it is intended that Wool International will be dissolved and that there will be no government intervention between wool producers and commercial wool buying companies.

(g) Representations from the USA for the Abolition of Australian Marketing Boards

As well as recent Australian government encouragement for the removal of marketing boards, representations have come from overseas, principally from the USA, for the abolition of such bodies. Within the USA, most transactions in grain, for example (with 2 out of the Big 5 companies being themselves American) tend to occur directly between growers and traders. As Whitwell and Sydenham remark, “The United States has a. . . privatised system. It relies on private traders - dominated by the ‘great grain companies’ such as Continental, Cargill, Bunge and Louis Dreyfus”.[69] Several American presidential administrations have argued that the Australian Wheat Board, for example, is anti-competitive because of its overriding control over export sales of wheat.

American representations have also occurred partly because American producers are in direct competition with Australian producers. Mark Samson wrote in an article in 1996, in

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64 Brad Collis, “Low Price Batters Wool” in the *Sydney Morning Herald*, 6 December 1995, p.27.

65 David McKenzie, “Supply Surge Forces Price of Wool to Fall” in *The Australian*, 5 October 1996, p.5.

66 David McKenzie, “Wool Stockpile Sale Gets Extra Six Months” in ibid., 31 March 1998, p.23.

67 Australian Wool Exchange, *Auction Room Purchase Summary (Bales) - Season 96/97.*

68 See Clairmonte and Kavanagh, op.cit., p.61.

69 Whitwell and Sydenham, op.cit., p.233.

Idaho Grain, that "The Idaho and Washington wheat commissions recently conducted a study of the Australian production, handling and export industry. The goal of the study was to define our competition so that the commissioners can develop marketing activities that will counter Australia's marketing schemes and expand our exports."[70]

Recently, Karen Ackerman, and her colleagues in the economic research service of the American Department of Agriculture, have argued, in an article in the department's *Agricultural Outlook*, that "several countries, included the US, continue to express interest in greater transparency of the activities of STEs [state trading enterprises]." They argue that,

> The chief concern with export-orientated STEs is whether they use their. . .export monopoly (operating as the sole exporter of domestic supply) to engage in unfair trading competition. The lack of transparency which characterises the operations of STEs makes it difficult to determine whether they win sales because of true competitive advantage or because of practices such as excessive price cutting.[71]

A particular aspect of this alleged lack of transparency, according to Ackerman, is "Secrecy in administering international market transactions coupled with control of. . .export markets [which] gives STEs the power to price discriminate - i.e. charge different prices in different markets . . .[allowing] STEs to maximise returns on sales by charging a higher price to countries that are less price-sensitive and a lower price to countries that are more price-sensitive." Ackerman does acknowledge that "Price discrimination is commonly practiced by commercial firms" but adds that "most commercial firms face greater risk than some STEs in procuring commodities for export."[72]

(h) Contrasting Observations on American Government Subsidies to Agribusiness

Although the views from the USA tend to be from one source, and in one direction - from American farm bodies and the USA's Department of Agriculture in favour of eliminating the Australian Wheat Board - there have been some studies in the USA which have thrown a different light on the issue.

In particular, it has been the issue of the American government's own interventions in primary product transactions - manifested in the Reagan administration's Export Enhancement Program (EEP) - which have provoked observations which have dissented from the conventional view of American transactions as essentially unaided and efficient.

Over the years that the Export Enhancement Program has been in operation there has been

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70 Mark Samson, "Our Competitors from 'Down Under'" in *Idaho Grain*, Summer 1996, pp.7-11.

71 Ackerman et.al., ibid.

72 ibid. When the Australian representative body of the Big 5 approached the Hawke, and then Keating government, between 1991 and 1992, to discuss the abolition of the Australian Wheat Board, the then chairman of the AWB, Clinton Condon, was reported as saying that "maintaining single desk export status was paramount" and that "if we lost it we should have to sell at the maximum price to any market in any year". See Wahlquist, op.cit.

an impression that the subsidies, established by the Reagan administration, went to small American farmers. In fact they appear to have gone to large-scale American, and European, corporate agricultural concerns. This was because the Reagan administration organised the EEP as a bonus to exporters, not as a bonus to small primary producers. Exporters were invited, by the Foreign Agricultural Service (FAS) of the American Department of Agriculture, to bid for an EEP bonus award to export grain to a country determined by the FAS as one where American exports could be expanded. Before being awarded a bonus, an exporter had to negotiate a sales price with an eligible buyer in the country selected. After determining what extra amount would be needed to close the gap - between the price at which other nations were selling wheat in the target country, and the higher price of American wheat - the exporter would submit this amount to the FAS as its bonus award bid. The FAS would then award bonuses beginning with the lowest bonus amount requested, per unit of commodity, and would then proceed to the next highest bonus amount. According to the Ralph Nader Centre for the Study of Responsive Law, it was four out of the Big 5 which received the greatest amount of the bonuses, as the following table illustrates:

Top Four Recipients of American EEP Bonuses 1985-1994

Exporter	*Total Bonuses Awarded*	*Percentage of Total Bonuses*
Cargill	$1.3 billion	18.3%
Continental	$1.1 billion	15.5%
Louis Dreyfus	$938 million	13.3%
Bunge	$282 million	4%[73]

[73] Janice Shields, *Aid for Dependent Foreign and US Corporations* (Centre for the Study of Responsive Law, Washington DC, 1995). Shields bases her estimations on the following reports prepared by the American General Accounting Office during the 1990s - *Export Promotion: Rationales for and against Government Programs and Expenditures*, report no. GAO/T-GGD-95-169 and *Agricultural Trade: Significance of High Value Products as Agricultural Exports*, report no. GAO/GGD-93-120.

3 PROCESSES OF ADJUSTMENT IN RURAL INDUSTRIES AND SERVICES

(a) Overall Trend of Adjustment in the Rural Sector

All of the outline above indicates a continuing process of downwards adjustment in the rural sector. Neil Inall, chairman of the Rural Adjustment Scheme Advisory Council, remarked in an interview with the rural affairs journalist Asa Wahlquist, in 1997 that,

> I don't think our leaders, in farm organisations, in agribusiness, the political parties, have realised if we are going to have a world competitive agriculture, ongoing accelerated adjustment is necessary. It's painful for individuals, it is painful for communities, but we can't escape it. Rural Australia will never be what it was in the past.[74]

Graham Peart, director of the agricultural consulting firm Hassall and Associates, has expanded on this view. He remarked to Wahlquist, in the same article, that past government rural adjustment schemes have "spent 40 years propping up people at the bottom end who should have been adjusting out. It hasn't made life easier for them. . .It's kept them. . .at the bottom end of agriculture when, with a bit of training, they could have been extremely good workers."[75]

One problem, is however, a reluctance of farmers to become employed workers. Geoffrey Lawrence, director of the Rural Social and Economic Research Centre, at Central Queensland University in Rockhampton, has observed that "Farmers want to stay as long as they can . . .they believe farming is the best way of life."[76]

(b) Job Losses in Rural Industries in New South Wales

As a consequence of the overall shrinkage in activity in the rural sector, in recent years, there has been a notable decline in certain rural industries in NSW with an accompanying increase in job losses. In March 1998, Tom Allard, in commenting on the trend of unemployment in Australia, wrote that "Rural NSW suffered the sharpest rise in unemployment in February [1998] of any state, up from 10.7 per cent to 11.9 per cent".[77] Studies undertaken by Dr. Bob Birrell, at Monash University's Centre for Population and Urban Research, seem to indicate, according to Sally Loane, "that the vast bulk of working poor families are in rural Australia." Loane cites an organiser, from the Wagga branch of the Australian Workers Union, as saying that "Some farm hands live all their lives in poverty,

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[74] Asa Wahlquist, "Bitter Harvest" in *The Australian*, 20 September 1997, p.19.

[75] ibid.

[76] ibid.

[77] Tom Allard, "Long-Term Jobless Now One-Third of Unemployed" in the *Sydney Morning Herald*, 20 March 1998, p.3.

or conditions approaching it. . .They. . .work for decades on a basic farm hand wage, working incredibly long hours."[78]

On the railways, for example, around 10,200 jobs were lost between 1988 and 1995 due to changes to the state railway system in regional and rural NSW (from a total of 38,000 to around 21,000).[79]

In electricity production, between 1988 and 1996, an estimated 4,000 jobs have been lost in the Lithgow, Hunter Valley and Central Coast areas. Between 1996 and 1997, the previous electricity production operations of 24 county councils were amalgamated into three electricity operations. Another 1,000 jobs were expected to be lost in this process.[80]

In the meat trade, between 1987 and 1996, the following abattoirs have been closed with the following number of jobs being lost: Central Tilba (15); Coonabarabran (15); Guyra (200); Maitland (300); Moss Vale (180); Port Macquarie - Hastings (40); Port Macquarie - O'Brien (40).[81] In December 1997, Gilbertson's South Grafton abattoir closed, with 245 employees losing their jobs.[82] Three months later, in February 1998, the abattoir at Blayney also ceased operations.[83]

In the banking sector, which will be dealt with in sub-section (c) of this paper, an estimated total of over 1,000 jobs have been lost, following the closure of scores of banks in rural NSW.[84]

In the mining sector, during this year, in January 1998, the CSA copper mine, at Cobar, went into liquidation.[85] The following month, in February 1998, the Vickery coal mine, near Gunnedah closed.[86] In March 1998 the Woodlawn mine, near Goulburn, closed with the loss

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78 See Sally Loane, "Life's No Bowl of Cherries in the Bush" in the *Sydney Morning Herald*, 11 December 1997, p.5. Loane's estimation is based on research currently being undertaken by the Centre for Population and Urban Research at Monash University.

79 Asa Wahlquist, "The Gutting of Rural NSW" in *The Land*, 8 August 1996, p.7.

80 ibid.

81 ibid.

82 Anthony Hoy, "Abattoir Workers Lose Out on $1.9m" in the Sydney Morning Herald, 11 December 1997, p.9.

83 "350 Laid Off" in the *Sydney Morning Herald*, 28 February 1998, p.2.

84 Wahlquist, "The Gutting of Rural NSW", p.7.

85 Sally Jackson, "ASC Investigates Cobar Collapse" in *The Australian*, 28 February 1998, p.51.

86 Michelle Gunn, "Bloodied Bush Town Absorbs the Punch" in *The Australian*, 18 February 1998, p.3;

of around 160 jobs.[87]

In February 1998 the NSW Minister for Regional Development and Rural Affairs, Harry Woods MP, said that he recognised that claims of the development of "a rural ghetto" in some regional areas had "some validity".[88]

(c) Decline in Commercial Facilities in the Countryside

As well as the decline in industries in rural NSW, commercial facilities, particularly banks, have been closing down in rural areas. The major banks in Australia have in fact acknowledged that winding down their services in the countryside is a deliberate policy. According to Tim Boreham, the Australian Bankers' Association, in a submission to a federal parliamentary inquiry into rural financial services, declared that "bank closures are an inevitable result of demographic trends which have resulted in people moving from small towns to bigger regional centres."[89] In April 1998 the head of the National Australia Bank, Don Argus, reportedly told the same parliamentary committee that "We can't provide for people who want to have a social experience at the local bank". According to Tim Boreham and David McKenzie, he added that regional communities were well served by alternative facilities, such as Automatic Teller Machines.[90]

In New South Wales, in particular, there have been an estimated 126 branch bank closures in country areas and in large provincial towns, between 1995 and 1997. Closures in rural NSW include the following:

- north coast - 16 (including Bellingen, Bonalbo, Coraki, Grafton South, Kingscliff, Lismore, Macksville, Nabiac, Tuncurry, and Ulmarra)

- northern tablelands - 11 (including Armidale, Barraba, Bingarra, Guyra, Manilla, Murrurundi, Tamworth, Uralla, Walcha and Werris Creek)

- central west and riverina - 22 (including Barellan, Berrigan, Boorowa, Canowindra, Crookwell, Culcairn, Dubbo, Eugowra, Grenfell, Griffith, Gundagai, Henty, Kandos, Mandurama, Peak Hill, Trangie, Trundle, Tullamore, Walla Walla and Wellington)

- west - 9 (Brewarrina, Broken Hill South, Gilgandra, Hillston, Moama,

87 David Humphries and Ardyn Bernoth, "160 May Lose Jobs in Mine Closure" in the *Sydney Morning Herald*, 11 March 1998, p.7.

88 Anthony Hoy, "'Rural Ghettos' Fear as Job Losses Hit Hard" in the *Sydney Morning Herald*, 23 February 1998, p.6.

89 Tim Boreham, "ANZ Breaks Ranks, Says Rural Void Hard to Fill" in *The Australian*, 6 March 1998, p.27.

90 Tim Boreham and David McKenzie, "Bank Chief Defends Rural Bank Closures" in ibid., 23 April 1998, p.3.

Narromine, Ungarie, Walgett and Wentworth)

- south coast and southern highlands - 12 (including Adaminaby, Batlow, Bermagui, Bombala, Delegate, Merimbula, Tahmoor and Tumbarumba)[91]

(d) Decline in Transport Facilities

During the late 1980s and early 1990s, a number of railway lines have been closed in country NSW. Some of the lines, and their date of closure, are as follows:

1989 - Glen Innes to Wallangarra

1989 - Willbriggie to Hay

1989 - Nyngan to Bourke

1991 - Nerrandera to Jerilderie

1991 - Culcairn to Brocklesby

1992 - Kandos to Gulgong

1993 - Murwillumbah to Condong

1993 - Dumaresq to Glen Innes

1993 - Wallerawang to North Junction

Nearly 1,300 kilometres of railway line, in New South Wales, have been closed between 1988 and 1996.

(e) Housing and Public Housing Assistance

For those in rural NSW who are either on low incomes, or unemployed, housing, particularly in the large country towns, can sometimes be a problem. In its annual report for 1994-95, the NSW Department of Housing reported that there were 88,199 people on the waiting list for public housing in the state. During 1994-95, alone, 29,126 new applications were received.[92] By the end of financial year 1995-96, the total number of people on the

91 NSW Department of Fair Trading, *Banks: Are You Being Served?*, report of the NSW regional banking forums (NSW Department of Fair Trading, Sydney, 1998), pp.29-32.

92 NSW Department of Housing, *Annual Report 1994-95* (NSW Department of Housing, Sydney, 1995), p.16.

Department of Housing waiting list had risen to 93,174.[93]

While waiting times for larger public housing homes are not necessarily long, they sometimes become much longer for smaller accommodation. The NSW Department of Housing, in its report for 1994-95, provided the following details on waiting times for those seeking homes, provided by the department, in the six major rural towns in inland NSW:

NSW Public Housing Waiting Times 1994-95 (approx.): Inland Major Towns				
	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom
Tamworth	3 ¾ years	4 ½ years	9 months	2 months
Dubbo	2 ¾ years	1½ years	1 year	1 year
Orange	2½ years	10 months	10 months	2 years
Bathurst	4 months	8 months	8 months	2 years
Wagga	2¼ years	5 months	5 months	5 months
Albury	3 years	2½ years	1¼ years	2½ years[94]

On the whole, according to the supplement to the Department of Housing's annual report for 1995-96, the central west and western areas of rural NSW had "the highest number of allocations [of public housing] for the year (2,120) and. . .[had] the shortest waiting list".[95]

It is in other areas of rural NSW, particularly in the coastal regions, where the waiting lists for public housing appear longer. The same supplement, just mentioned, provides the following overall figures for public housing waiting lists in all of regional and rural NSW:

93 NSW Department of Housing, *Annual Report 1995-96*, supplement (NSW Department of Housing, Sydney), p.10.

94 NSW Department of Housing, *Annual Report 1994-95*, p.18.

95 NSW Department of Housing, *Annual Report 1995-96*, supplement, p.23.

Public Housing in All Rural NSW 1995-96		
	Waiting Lists	*Allocations*
Hunter Region (covering from Gosford to Murrurundi)	11,620	1,647
Northern Region (covering from NSW north coast to Armidale and Tamworth)	8,662	1,312
Southeastern Region (covering from Wollongong to Queanbeyan and Bega)	7,765	1,029
Western Region (covering Dubbo to Albury and further west)	3,325	2,120[96]

4 GOVERNMENT AND COMMUNITY RESPONSES TO DECLINE IN THE COUNTRYSIDE

(a) Overall Government Policy

Since coming to office in 1995, the current government in NSW has endeavoured to take some steps to address the difficulties presently being faced by the rural sector. In 1996 the government established the Rural Communities Consultative Council (RCCC) in an attempt to strengthen the relationship between government and all segments of rural and regional communities. Although initially based in the NSW Department of Agriculture, in October 1997 the RCCC was re-established in the Premier's Department. The RCCC was set up to provide advice on major issues affecting rural and regional communities, and to provide advice on increasing the awareness of the diversity of programs which are specifically addressed to rural and regional communities.

The present government also established an Integrated Government Service Delivery Management Plan (IGSDMP) to consider relocation of NSW public service positions to country NSW and to examine initiatives for the delivery of services to rural areas.[97]

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96 ibid.

97 The aims of the IGSDMP have recently been summarised in a publication produced by the NSW Premier's Department - *Government Beyond the Major Cities: An Integrated Government Service Delivery Management Plan* (NSW Premier's Department, Sydney, 1998).

(b) Government Endeavours in Rural Industry and Employment Assistance

Between 1996 and 1998 the NSW government has been involved in a number of initiatives to address the situation facing rural NSW. In 1997 the government passed special legislation to assist in the development of the Cadia Goldmine, near Orange. Similarly the NSW Premier's Department has liaised with other government departments to facilitate the establishment of a pulp and paper mill at Tumut and has also provided assistance for expansion plans to be undertaken by Bartter's poultry enterprises in Griffith. The Premier's Department also chairs a recently established Regional Investment Task Force comprising representatives from the Country Summit Task Force (see sub-section (c), below), the Local Government Association, the Shires Association, the Mayors Association, and the Department of State and Regional Development.

The NSW government has also endeavoured to address the loss of jobs in rural NSW by relocating the activities of certain state government departments to country areas. In 1997 the Department of Agriculture announced that the Rural Assistance Authority would be removed to country NSW, principally Orange, with the intended overall transference of 214 jobs to the following towns: Wollongbar (near Lismore), Armidale, Narrabri, Tamworth, Trangie, Orange, Camden, Wagga Wagga and Yanco. Similarly during 1998 the government intends to relocate 241 positions, in the Department of Land and Water Conservation, to rural NSW.

(c) Community Endeavours

Among numerous local initiatives to address the situation in the countryside, one of the more prominent has been the country summit, convened by Tony Windsor, MP for Tamworth, in November 1996. The summit meeting endorsed a number of resolutions relating to the following issues: rural health; effect of government decisions on rural NSW; transport and communications; location of government departments; land and environment; business costs; law and order; and youth suicide.

At the Tamworth conference, a Country Summit Task Force was established - consisting of representatives of the conference participants. In 1998 the current representatives of the Task Force included Bill Bott (president of the NSW Shires Association) and Richard Torbay (chairman of the Country Mayors Association).

In March 1998 a second Country Summit was held - this time in Wagga Wagga. At the conference, Tony Windsor commended the government for endeavouring to proceed on some areas that had been of concern to delegates at the Tamworth meeting. He identified these as the Integrated Government Service Delivery Management Plan (under which the relocation of government staff positions was implemented); the Regional Investment Task Force (which assisted in the implementation of the Visy Mill project and other business undertakings); and the Regional Co-ordination Program (under which there have been improvements to the delivery of services to families on the NSW north coast, and planning assistance has been provided to facilitate the development of an industrial estate in

Newcastle).[98]

On the other hand, the delegates at the conference still expressed the belief that areas remained where government action needed to be taken. New resolutions were passed at the conference, calling on the government to act on the following requests: formation of Local Health Boards or Councils; establishment of a $50 million program, funded via the 3x3 levy, for country blackspots and bridge replacement; government funding for a study of means to encourage greater use of freight rail transport; government support for a study on the feasibility of both an inland marketing hub at Parkes and a second Sydney international airport (located in a regional centre); state government representations to be made to the federal government for a review of the proposed aeronautical charges for Kingsford Smith airport; government to give priority to country centres in the siting of telecentres for government enterprises; government establishment of a working party to investigate recommendations for solutions to remedy cross (state) border anomalies affecting country businesses and country communities; government relocation of the Firearms Registry to regional NSW; government devolution of day-to-day decision-making on water management to a regional river valley level; government provision of special financial resources to relevant regional NSW local governments to address salinity problems; government provision of further financial resources for town and country water and sewerage infrastructure; government repeal of the *Native Vegetation Conservation Act 1997*; government establishment of a Data Integrating Unit to end inter-departmental overlap in managing land use, and resource use, data; government provision of authority and autonomy to local councils and police to administer the *Children (Protection and Parental Responsibility) Act 1997*; government reinstatement of the Distance and Rural Education Directorate.[99]

5 RURAL SECTOR AND THE DOWNTURN IN ASIA

(a) The Origins of the Asian Recession

The use of investment from outside, to expedite commercial and industrial expansion within, has been a policy of Asian countries for many years: not just the 1990s. Between 1971 and 1975, for instance, Pertamina, the national oil company of Indonesia, borrowed around $2.3 billion from western European and American financial institutions. This borrowing contributed to a crisis in Indonesia, between 1975 and 1976, when Pertamina began to suffer severe financial losses and it was discovered that the company's debts, both to overseas and to domestic lenders, had, at one stage, reached $10.5 billion.[100] South Korea similarly used overseas funds for industrial expansion. From the mid-1960s to the 1980s, South Korea's overseas commitments reached $27 billion. By 1985, South Korea's overseas liabilities had

98 See *Government Beyond the Major Cities*.

99 NSW Country Summit Task Force, *Report on 1998 Wagga Wagga Summit* (NSW Country Summit, Tamworth, 1998).

100 Hamish McDonald, *Suharto's Indonesia* (Fontana Books, Sydney, 1980), pp.155-160.

reached over $40 billion.[101]

During the 1990s, however, lending to Asian countries increased even more dramatically. Japanese institutions, in particular, lent large amounts of money to other countries in the region. Murray Sayle has estimated that, by 1997, "Japanese banks. . .[had] lent $265 billion to the rest of Asia."[102] As well as going into productive investment, a considerable amount of investment, unfortunately, went into unproductive investment: such as real estate. In Bangkok, for instance, by 1996, according to Bello, "there was an estimated $20 billion worth of. . . [unsold] residential and commercial property". In Malaya, as well, a significant amount of inward investment had gone into Kuala Lumpur property developments. [103]

The beginnings of a downturn in Asian business activity, in the early 1990s, appeared in Japan where, for instance, in 1992 the Toho Sogo Bank (with client assets of $223 million) and the Toyo Shinkin Bank (also with client assets of $223 million) went into receivership. Bankruptcies continued to worsen during 1993 and 1994. Then, in 1995, the Tokyo Kyowa Credit Union and the Anzen Credit Union (with client assets of $460 million) collapsed. Florence Chong has written that, "Japanese bad debts, largely the result of the real estate market collapse, peaked at US$450 billion".[104] Even in 1996, the Hyogo Bank (with client assets of $5.4 billion), the Cosmo Credit Corporation (with client assets of $1.4 billion) and the Hanwa Bank (with estimated client assets of $880 million) all went into receivership.[105] Bankruptcies continued during 1997 with a record number of companies collapsing: owing a total of $164 billion.[106]

Gradually a subsidence in business confidence began to spread throughout other countries in Asia. It was, indeed, Thailand, where so much money has been invested in property, which was the first to experience a devaluation of its currency, in July 1997, as investors, sensing a downturn, suddenly began to exchange the Thai baht for American dollars. This very quickly led to a chain reaction in South-east Asia as those who had invested in Malaya

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101 See Walden Bello, "Globalisation in Crisis" in the *Multinational Monitor*, vol.19, no.s 1 and 2, January/February 1998; Walden Bello, "The Rise and Fall of South-east Asia's Economy" in *The Ecologist*, vol.28, no.1, January/February 1998.

102 Murray Sayle, "Cracking Up - What's Going Wrong with Japan?" in the *Sydney Morning Herald*, Spectrum, 7 February 1998, p.7s.

103 Bello, "Globalisation in Crisis".

104 Florence Chong, "Financial Fears Switch to Japan" in *The Australian*, 25 November 1997, p.8.

105 Robert Garran, "Giant Broker Faces $75bn Crash" in *The Australian*, 24 November 1997, p.17.

106 Russell Skelton. "Japan: The $164bn Collapse" in the *Sydney Morning Herald*, 20 January 1998, p.26.

and Indonesia similarly sold off the ringgit and the rupiah for American dollars.[107]

(b) Australian Trade with Asia

Ever since the Depression of the 1930s, when the Lyons government decided to significantly expand trade with Japan, Australia has consistently expanded its trade with Asia. Even by the early 1930s, Japan had begun to take 28% of Australia's exports of wool and 19% of Australia's exports of wheat.[108] In 1934, Lyons even sent a goodwill mission, headed by the Attorney General, John Latham, to visit, what was then, Dutch-controlled Indonesia, British-controlled Singapore and Hong Kong, French-controlled Vietnam, and China and Japan. On his return, Latham declared to the Australian parliament that "It is inevitable that relations between Australia and the. . .East will become closer and more intimate as the years pass. . .it is important that we should endeavour to develop and improve our relations with our near neighbours, whose fortunes are so important to us".[109]

Japan's onslaught in Asia, culminating in the Pacific War of 1941-1945, interrupted these developments. However, as described above, with the combined financial impact on Britain of both the Great War and the subsequent European and Pacific Wars of the 1940s (on which Britain expended massive amounts of its national wealth), predominance in international investment and production passed to the USA. Britain was forced to relinquish its empire and place its overall destiny in Europe. The imminency of this eventuality (which finally took place in 1973) spurred Australia to revive, and expand, its developing trade with Asia - as a means of finding replacements for the market with Britain. Only twelve years after the end of the war, Menzies revived trade with Japan through a trade agreement, signed in 1957. At the same time, the Menzies government oversaw the beginning of sales of wheat to China.[110] By 1960, Japan, for the first time, became a bigger customer for Australian wool than Britain. Between 1961 and 1964, Chinese purchases of wheat increased to more than 280 million bushels, with China then becoming Australia's biggest customer for wheat.[111] By the mid-1960s, around 30% of Australia's exports were going to Asia. In an article, in *Far Eastern Economic Review*, in 1964, Menzies declared that, with regard to "the relations between Australia and other countries in the Asian area. . .Our contacts, political, economic or cultural, will be of tremendous significance in the years to come. Co-operation with our Asian neighbours is needed if we are to solve our common

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107 This possible downturn had been suggested in at least one book and one journal article: Walden Bello's *Dragons in Distress* (Penguin, London, 1992) and Paul Krugman's "The Myth of Asia's Miracle" in *Foreign Affairs*, vol.73, no.6, November-December 1994.

108 Alan Rix, *Coming to Terms: The Politics of Australia's Trade with Japan 1945-57* (Allen and Unwin, Sydney, Sydney, 1986), p.21.

109 Ruth Megaw, "The Australian Goodwill Mission to the Far East in 1934: Its Significance in the Evolution of Australian Foreign Policy" in the *Journal of the Royal Australian Historical Society*, vol.59, part 4, December 1973, p.253.

110 *Sandra Tweedie, Trading Partners: Australia and Asia 1970-1993* (University of New South Wales Press, Sydney, 1994), pp.126,166.

111 ibid., pp.126,170.

problems."[112] In 1967 Japan surpassed Britain as the major market for Australian products and, by the time Britain joined the EEC, in 1973, Frank Crowley has estimated that only 7% of Australian exports went to Britain, and only 13% of Australian imports came from Britain.[113]

During the 1990s, Japan continues to be the major destination for Australian exports, taking 20% of all Australia's exports in 1996.[114] Australia's trade with Asia during the late 1990s is illustrated by the following figures:

Australian Exports to Asia: Financial Year 1996-1997

Japan	$15.3 billion
South Korea	$7.1 billion
Taiwan	$3.6 billion
China	$3.5 billion
Singapore	$3.4 billion
Indonesia	$3.3 billion
Hong Kong	$3.1 billion
Malaysia	$2.3 billion
Thailand	$1.6 billion
Philippines	$1.2 billion
TOTAL	$44.4 billion[115]

112 "Australia Looks to Asia" in *Far Eastern Economic Review*, vol.XLIII, no.5, 30 January 1964, p.207.

113 Frank Crowley, *Tough Times: Australia in the Seventies* (William Heinemann, Melbourne, 1985), p.136.

114 Australia-Japan Economic Institute, *Economic Bulletin*, vol.5, no.5, May 1997, p.6.

115 Australian Bureau of Statistics, *International Merchandise Trade: Australia*, September 1997, ABS Catalogue 5422.0, p.69.

Australia's exports to Asia are principally minerals and primary products. On a country-by-country basis, they have been estimated as follows:

Australia's Exports to Asian Countries, 1996-97: Major Categories

Japan	Coal ($3.6bn); Iron Ore and Concentrates ($1.4bn); Beef Meat ($1.1bn); Aluminium ($808m)
China	Wool ($753m); Iron Ore and Concentrates ($660m); Cotton ($166m); Liquified Propane and Butane ($149m)
Singapore	Gold, non-monetary ($1.1bn); Petroleum Oils, refined ($226m); Computers and Office Machines ($160m); Ships, Boats ($90m)
Indonesia	Cotton ($346m); Live Animals ($238m); Petroleum and Crude Oil ($227m); Aluminium ($148m)
Hong Kong	Gold, non-monetary ($360m); Aluminium ($187m); Shellfish etc. ($186m); Wool ($108m)
Malaysia	Gold, non-monetary ($173m); Milk and Cream ($131m); Wool ($108m); Aluminium ($107m)
Thailand	Gold, non-monetary ($209m); Aluminium ($182); Milk and Cream ($100m); Petroleum and Crude Oil ($92m)
Philippines	Milk and Cream ($206m); Live Animals ($114m); Iron and Steel ($53m); Cereals preparation ($44m)[116]

(c) NSW Trade with Asia

New South Wales, as much as any other state in Australia, saw its trade move away from Britain to Japan and to other countries in Asia. Whereas, in 1934, the then Premier of NSW, B.S. Stevens, had declared in the NSW contribution to the *National Handbook of Australia's Industries*, that "There could be no worthier objective than promotion, expansion and concentration of Imperial trade within the Empire",[117] thirty years later, in 1964, the then NSW Premier, Robert Heffron declared, in *Far Eastern Economic Review*, that "the most far-reaching economic development in recent years has been the gradual, yet distinct, shift of Australian trade from Britain to Asia. . .The government of New South Wales bases its policy on the premise that our future prosperity and security is tied up with

116 Trade Analysis Branch, Department of Foreign Affairs and Trade, *The APEC Region - Trade and Investment : November 1997* (Department of Foreign Affairs and Trade, Canberra, 1997), pp.4-13.

117 *The National Handbook of Australia's Industries*, p.97.

Asia as a whole."[118]

Two years before Heffron spoke (in 1962) NSW exports to Japan already amounted to nearly 40% of all Australian exports to Japan (A£70.2 million out of A£186.9 million).[119] NSW exports to Asia during 1996-1997 were as follows:

NSW Exports to Asia: Financial Year 1996-1997 (and as a Percentage of Australian Total Exports)	
Japan	$3.7 billion (29.5%)
South Korea	$1.5 billion (15%)
Taiwan	$900.5 million (27%)
China	$563.5 million (20%)
Singapore	$593.5 million (17.5%)
Indonesia	$651.5 million (26%)
Hong Kong	$857 million (29%)
Malaysia	$435.5 million (20.5%)
Thailand	$407 million (26%)
Philippines	$282.5 million (24%)[120]

(d) Asian Investment in Australia

While, in the past, Britain has been the biggest source of overseas investment funds for Australia, and more recently the USA has become a major source of funds, most recently Japan has also become a major source of investment in Australian business activity. In 1997 the Australian Bureau of Statistics listed the three major overseas investors as follows:

3 Major Overseas Sources of Investment for Australia

118 "Australia Looks to Asia", p.217.

119 ibid.

120 Unpublished figures from the Australian Bureau of Statistics, provided by the NSW Department of State and Regional Development. The figures exclude items exported under the category "combined confidential items of trade and commodities" and so differ from the published ABS figures.

and levels of investment in mid-1997	
USA	$89.5 billion
Britain	$76 billion
Japan	$51 billion[121]

It is possible that further declines in business activity in Japan may have an effect on continuing Japanese investment. It does appear that, ever since financial year 1988-1989, Japanese investment in Australia has been declining on a year to year basis. In the one year 1988-1989, Japanese investors placed around $6.3 billion of funds in Australia. In financial year 1993-1994, Japanese investors placed only around $1.5 billion in Australia.[122] A significant amount of Japanese investment on a yearly basis in the early 1990s, however, has gone into real estate, as the following table indicates:

	Japanese Investment in Australia in the 1990s	
	1992	**1993**
Non-Manufacturing	US$1.9 billion (includes $1.3 billion in real estate)	US$1.2 billion (includes $540m in real estate)
Manufacturing	US$224 million	US$712 million (includes US$619m in food processing)[123]

(e) Possible Impact on the NSW Rural Sector

121 Australian Bureau of Statistics, *International Investment Position: Australia*, June 1997, ABS Catalogue 5306.0, p.17.

122 Australia-Japan Economic Institute, *Economic Bulletin*, vol.5, no.6, June 1997, p.3.

123 Manuel Panagiotopoulos, *Investors Favour Down Under Flavour* in The Australian, 2 July 1994, p.21.

As yet it is still hard to estimate the impact of the downturn in Asia on rural NSW. There is some evidence that the downturn is only having an impact on a sector by sector basis. On a general level, in late October 1997, around $32 billion was with withdrawn from investment in Australian shares, with the all ordinaries index falling to 2470. A massive wave of re-investment has taken place, however, with the all ordinaries index reaching a record point, in April 1998, of 2870. Investment in Australian shares appears to be parallelling the surge in investment in the USA, where the Dow Jones has now passed the all time record of 9000.[124] Some incidents of recessional impact, or lack of impact, have been reported in the press, and elsewhere, as follows:

beef production: beef sales appear to have definitely slowed because of the downturn in Asia. Live sales of cattle, for instance, which in January 1997 amounted to 61,800, dropped to 35, 970 in January 1998. Sales of live cattle to Indonesia, in particular, appear to have simply ended.[125] In December 1997, as mentioned above, the Grafton abattoir closed when Marubeni Corporation, the abattoir's principal customer, terminated its weekly supply of 300 head of cattle from its feedlot at Glen Innes.[126]

wheat production. Sales of wheat seem little affected by the downturn in Asia. According to David McKenzie, as at April 1998, "The Australian Wheat Board has already sold or reserved the entire 1997-98 wheat crop dovetailed for export - about 14.5 million tonnes from a 19 million tonne harvest with only minimal declines in sales to Indonesia, Malaysia and Thailand." The AWB's general manager for merchandising, Nigel Officer, declared earlier in February 1998, that "There has been no major impact on sales to date from the Asian crisis".[127]

wool production. The value of wool exported from Australia actually showed an increase for the period July-December 1997 compared to July-December 1996. According to figures provided by Wool International, between July and December 1997 the total value of wool exported from Australia amounted to A$2.1 billion: 17% more than for the same period in 1996. Declining exports to Japan have been replaced by increased exports to China, which now takes just over 25% of Australia's wool exports. Italy is the next biggest purchaser, taking nearly 20%.[128]

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124 Morgan Mellish, "Banks, Insurers Still Climbing" in the *Sydney Morning Herald*, 16 April 1998, p.31; Wayne Adams, "Traders Unimpressed by Wall Street's Run through 9000" in *The Australian*, 8 April 1998, p.27.

125 Paul Cleary and James Woodford, "Exports Hit as Asian Crisis Bites" in the *Sydney Morning Herald*, 21 February 1998, p.1.

126 Anthony Hoy, "Abattoir Workers Lose Out on $1.9m" in ibid., 11 December 1997, p.9.

127 David McKenzie, "Wheat Exports to Asia Stay Buoyant" in *The Australian*, 8 April 1998, p.26; "Wheat in Fine Shape with 60pc of Target Sold" in ibid., 27 February 1998, p.27.

128 Wool International, *Wool Exports* (Policy and Planning, Wool International, Melbourne, 1998).

tourism. Although tourist arrivals from Asia have declined from 1996 to 1997 - with short-term arrivals, from Indonesia and Malaysia, for the three months October-December 1997 being 22% and 6.5% less, respectively, than in October-December 1996 - tourism in New South Wales does not seem dramatically affected. Carolyn Collins and Patrick Lawnham have written that, during 1997, in "the north coast, the state's far west and the Hunter region. . .jobs [in tourism] rose about 10 per cent to 2,400 with 11 new motels."[129] Recently, however, some evidence of a downturn in tourism does appear to be emerging with the Tourism Council of Australia declaring that the number of overseas tourists visiting Australia, during the first three months of 1998, was 12% lower than for the same period in 1997.[130]

6 CONCLUSION

As far back as 1954, Earl Butz, who was to become Richard Nixon's Secretary of Agriculture in 1972, declared that agriculture "is now a big business" and that "just like the modern business enterprise. . .[it] must 'adapt or die'".[131] Just recently, leading a delegation of 14 European ambassadors to the 1998 Royal Easter Show, the current British High Commissioner to Australia, Alex Allan, commented that "Agriculture. . .[in Australia] is very efficient. . .It is very impressive to see very large properties run by very few people."[132]

Altering agricultural production to fit the changed circumstances of the 1990s appears to correspondingly foreshadow a trend towards agribusiness. As agribusiness becomes the predominant mode of production in rural Australia - with large-scale operations run by fewer people - social activity in rural NSW is likely to diminish. Government and commercial services, to facilitate that activity, seem likely to diminish as well.

Those who attempt to remain as independent producers are likely to find themselves having to deal with well organised, global traders: organisations against whom producers had once enlisted, and gained, the support of government - support which can no longer be sustained.

As this takes place, however, there is certainly a role for government to help people as this adjustment takes place. Country towns still sit along many of the main inland commercial arteries of the nation and, in doing so, help to sustain that flow of commerce. Creatively enhancing the role of regional towns, during this process of adjustment, is one of the many, challenges that lie ahead.

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129 Carolyn Collins and Patrick Lawnham, "Even the Strongest Regions Suffer Fallout" in *The Australian*, 20 April 1998, p.7.

130 Tim Jamieson, "Crisis in Tourism Threatens Pay Rises" in the *Sydney Morning Herald*, 9 May 1998, p.4.

131 Krebs, op.cit., p.214.

132 Anthony Hoy, "EU Leaders Use Show for Mission of Peace" in the *Sydney Morning Herald*, 8 April 1998, p.29.