Rural Adjustment Schemes: Juggling politics, welfare and markets

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Abstract

The Commonwealth government has offered support to farmers in the form of structural or business adjustment-type schemes since the *Loan (Farmers Debt Adjustment) Acts* of 1935-1971. Since 1971 a series of more comprehensive rural reconstruction/adjustment schemes with a range of objectives from debt alleviation to encouraging some exits from agricultural industries, has been in place. While having little direct impact on the structure of these industries, the various schemes have been politically important and an indicator of how core values relating to agricultural production and rural life have changed. A review of the schemes shows an increasing focus on improving farm productivity and sustainability, accompanied by a discourse emphasising the need to promote the 'farm business', rather than to protect the 'family farm'. On the other hand, governments have also used these schemes to deliver 'welfare' outputs.

In common with agricultural producers throughout the developed world, Australian farmers have faced declining farm terms of trade for decades as their costs of production have increased faster than prices received for their output. Unlike their Western European and North American counterparts, Australian governments from the 1970s sought to ease the process of adjustment to changing conditions, rather than insulate farmers from market signals. One of the important mechanisms for facilitating adjustment while ameliorating its worst impacts has been a series of rural adjustment schemes. These rural adjustment programs have generally provided short to medium term funding, as either grants or loans, intended to induce the re-deployment of labour, movement out of an industry by some, usually smaller firms (farm businesses), and the business and/or physical restructuring of the remaining firms. An explicit goal of the programs is the creation of a sector in which most of the remaining firms operate efficiently and more importantly, self-sufficiently. According to the most obvious indicators the programs have contributed little to achieving this objective. There has been an unbroken sequence of modern rural adjustment programs for more than 33 years, with debt relief dating back further to the 1930s, with little prospect that these programs will be phased out anytime soon. Indeed, the Commonwealth government is delivering yet another 'rescue' package for the sugar industry in 2004, a mere three and a half years since the last \$83 million was allocated, *'…to work towards positioning the industry to ensure its long term viability'* (Truss 2000).

Over the years, the various programs have been regularly reviewed and altered but never wound up, as has been the case with most other sectoral adjustment packages. Adjustment programs are maintained as base level funding vehicles into which additional money can be poured during periods of peak political demand, as was the case with the sugar adjustment package following the conclusion of the 'free' trade agreement with the US. That is, when there are biophysical or political 'shocks' in particular agricultural industries or regions, governments can increase funding, thereby helping to preserve the family farm. If, where and when there are reasonable financial conditions or limited political agitation, then programs are adjusted so as to encourage farmers to be more 'business like'. Nonetheless, the programs have struggled to meet the apparently conflicting objectives of meeting the welfare needs of the farm family while encouraging the farm business to become more productive and self reliant.

From Closer Settlement to Reconstruction

The changes in the rural adjustment programs reflect an increasing acceptance of neo-liberal principles, at least by policy-makers, and a diminution of the sort of agrarian mercantilism that dominated rural policy from 1788 to the 1970s. Colonial and later, state governments, allocated land, dictated the conditions of use and then subsidised and protected agricultural production. These 'closer settlement' schemes were conceived in ignorance of the nature of Australian soils and seasons and, in some cases, market conditions and transport costs (Wadham 1947; Davidson 1981). The social goals of the various schemes were often admirable, including: the desire to reform convicts (Connors 1970 and Shaw, 1990); to spread 'civilisation' (Lake 1987); to promote egalitarianism so as to diminish class conflict (Callaghan & Millington 1956 and Lake 1987); to provide employment in depressions; and to reward returned soldiers (Lake 1987). These goals were embodied in and to be achieved through a class of 'yeoman' farmers (Pike 1962). While new (to Australia) agricultural industries were developed and closer settlement arguably reduced unemployment and class tensions at critical times, it has long been difficult to keep the yeomanry on the land.

Most of the first fleet farmers left the budding agricultural sector within 5 years of settlement, a pattern that was repeated in the 1820s and 1830s (Shaw 1990: 1-3). The post-gold rush settlement schemes resulted in high rates of adjustment within 20 years (Davidson 1981), as did the first soldier settlement scheme (Commonwealth Government 1949: 6). These instances can be explained as resulting from inexperienced farmers, with limited capital, operating before the biophysical conditions were understood and suitable cultivars had been developed. These were contributing factors but there were and still are the impacts of the underlying economic forces evident in even protected agricultural markets. Farm input costs tend to rise more quickly than commodity prices, to produce what is commonly known as the ‘cost-price squeeze’ (Campbell 1964). There is a ‘treadmill effect’ (Gow 1993), whereby farmers, having limited control over prices try to reduce costs in order to maintain profits. This can be done by switching enterprises, introducing new technology or by amalgamating farms in pursuit of economies of scale.

Switching enterprises, such as from grazing to grain production or from grain to cotton does help to maintain farmer numbers, given that these changes usually require more intensive labour use in the short to medium term. This, however, provides only temporary relief from the cost-price squeeze and the competitive pressures produced by perpetual innovation. Eventually in even the more intensive industries there are amalgamations. Once industries reach the limits of the natural resource capacity, whether that is due to soil type, climate, available irrigation water or a combination of all three, the capacity to switch enterprises is limited and so amalgamation remains the only option and consequently industry adjustment takes place. Even if prices are fixed by intervention or subsidy, the increasing costs will erode profitability unless there are commensurate increases in assistance and/or levels of protection.

Some of the problems associated with closer settlement were recognised as early as an 1821 report (Davidson 1981:138) and again during the Victorian Government's 1915 Royal Commission on closer settlement (Lake 1987: p.8) and both the general and particular problems of soldier settlement schemes were comprehensively identified in Justice Pike's 1927 commission of inquiry (Commonwealth Government 1949). Further criticisms were made by the Royal Commission into the Wheat, Flour and Bread Industries (1932-35) and the Rural Reconstruction Commission (RRC) Reports of the early 1940s. The Reconstruction Commissioners, sounding somewhat like 1980s 'economic rationalists', recommended that governments assist with industry adjustment in order, amongst other things, to eliminate *'… the unfit farmer and the uneconomic farm'* (Rural Reconstruction Commission, 1945:.45).

Land was still redistributed in the post-war period but management of the various schemes was tighter and criteria more stringent. Farm income levels were of central importance to policy in this period (McKay 1965: 35). The first listed objective of the Chifley government's 1946 statement on rural policy was *'to raise and make more secure the levels of living enjoyed by those engaged in and dependent on the primary industries'* (Chifley 1946: 2). The return of the Country Party to national Government in 1949 and the relatively high commodity prices from 1948 to the mid-1950s, combined with relatively good seasons in some areas, lessened adjustment pressures for a time. During the 1950s, instruments of industry support, such as publicly funded research, statutory marketing arrangements, tariffs, subsidies and tax concessions, were used to support production and income and to reduce or offset input costs. Farm organisations, working through the Country Party, dominated agricultural policy-making during the 1950s and 1960s (Warhurst, 1982: 15) but this political ‘monopoly’ was under challenge. During the 1950s the Agricultural Economics Society was formed and its journal became a vehicle for critiques of contemporary agricultural policy (Gruen 1986). Various articles and books that gained more notoriety over time, attacked assistance arrangements (see for example Anon 1967; Lewis 1972) and the lingering attachment to land development schemes (Davidson 1966), while other work clearly spelt out the inevitability of adjustment pressures (see for example Campbell 1964; Makeham & Bird 1969).

In July 1970, the Federal Government introduced the Marginal Dairy Farms Reconstruction Scheme (MDFRS). The scheme provided funds for state authorities to buy ‘unviable’ dairy farms and resell them for the ‘most practicable and economic use’ (Industries Assistance Commission (IAC) 1984: 139). If the farms were resold to dairy farmers, then the new aggregation had to be an ‘economic unit’. The title and content of the Scheme were recognition that not all the yeomanry could be preserved, for dairy farming had been promoted as the endpoint of intensification with, where there was suitable climate and transport, grazing land initially cultivated for grain crops and grain farms ultimately converted to dairy production. In this scheme there was explicit recognition that the farm businesses had to be ‘viable’.

In 1971 the Bureau of Agricultural Economics released its report into debt reconstruction and farm adjustment which concluded that *'… (u)nless there is a reduction in the resources, particularly the number of producers, in agriculture many of these resources are likely to earn lower returns…'* and *'…(t)his will create social and human as well as economic problems, and will raise larger issues of the effects on rural communities and associated industries'* (BAE 1971: 41). Despite the critiques of the agricultural economists, the Bureau saw a role for government intervention in the form of debt restructuring although advised that this be *'…closely related to assistance to structural adjustment'* (BAE 1971:17-19). Nonetheless, the Report also argued that *'…(c)onsideration of the need for specific policies to assist further the process of farm adjustment may be based on both welfare and economic factors'*, with the welfare of children on low income farms highlighted as of particular concern (BAE 1971: 20).

The resulting 1971 Rural Reconstruction Scheme (RRS) allowed for debt reconstruction and farm build-up as recommended by the BAE and it also contained a program for 'rehabilitation' grants, which was a direct inducement for farmers to leave agricultural industries. More than 21,000 applications for assistance in the various program categories were received from 1971-76, but there were only 300 applicants for the rehabilitation grants, of which 197 were approved. Perhaps the maximum of $2700 was too little incentive to leave compared with the rewards for the successful applicants for debt reconstruction who received an average of $37,000, while those eligible for farm build-up got an average of $46,000. Alternatively, perhaps the scheme provided an opportunity to apply for 'soft' finance and farmers responded accordingly. Forty per cent of applicants for what were effectively subsidised loans were successful. Of the 59 per cent of applicants who were refused either debt reconstruction or farm build-up assistance, about one third were said to be unviable (IAC 1984: 180). This means that 2.3 per cent of farm establishments (1974 figures) were deemed ‘unviable’, yet only 0.1 per cent of Australian farmers were directly assisted to leave agriculture during the five years of this scheme. A BAE survey of rejected applicants found that, by 1975, 70 percent of those surveyed were still in agriculture (reported in IAC 1984: 187).

The total number of farm business units fell by 7.5 per cent between 1971 and 1976 and given that the total production area increased, this implies significant aggregation during this period. ‘Natural’ adjustment however was more than 70 times greater than assisted adjustment. It could be argued that the 3261 farm build-up approvals may have indirectly ‘paid’ for some voluntary exits but at most this would bring the ‘assisted’ exits up to 24 per cent of total exits. While doing little to directly reduce the number of farmers, the Rural Reconstruction Scheme (RRS) contained three indicators of likely policy directions. First, the implicit assumption was that bigger farms would generally be more viable farms and as a consequence there could be, and perhaps should be, fewer farmers. Secondly, the Federal Government intended to drive reconstruction policy using devolved funding, though this allowed for differences between states in administration of the RRS (Threlfall 1977) Thirdly, the RRS legislation contained sunset clauses and a requirement for review, suggesting that reconstruction was not an open-ended commitment.

From Reconstruction to Adjustment

The Whitlam Government commissioned a green paper on *Rural Policy in Australia*, the first attempt at unified rural policy since the 1940s, which flagged an even greater concentration on efficiency and acknowledged the need for industry adjustment (Harris et al, 1974, S3.4). However, it still contained explicit reference to the welfare needs of farm families, justifying government intervention on the basis that action may be required *'…to avoid or mitigate the severe welfare problems which can arise as a result of the unimpeded action of market forces'* (Harris *et al.* 1974: 203). The Government revamped the MDFRS to create the Dairy Adjustment Program (DAP). Amalgamation and adjustment remained part of the program but new components included funds for upgrading milk-handling equipment, diversification, property development and relocation assistance (Threlfall 1977: 189). Once again, the demand for the programs relating to a shift out of the industry, or to another area or to a reduced involvement in the industry, was very limited. The big demand was for finance that could improve efficiency or keep the business operating. In the two years of operation, only 125 dairy farmers applied for some form of exit or partial exit assistance. This was despite a broadening of the assessment criteria in April 1976. Nonetheless, it could be argued that this program was one more step towards a more market-oriented approach. In particular, the concessional finance for bulk milk conversion, development and farm build-up was directed towards creating a more 'efficient' sector.

The incoming Coalition Government, with a still powerful Country/National Party component, did 'redress' some of Whitlam's rural policies (Watson 1979: 167) but its members were unwilling or unable to halt the review of the reconstruction schemes which provided the blueprint for the first sector-wide 'adjustment' program. Apart from the fruit reconstruction schemes, which were terminated after a few years, all other strands of reconstruction were incorporated into the Rural Adjustment Scheme in 1977. The states' existing Rural Reconstruction Authorities continued to administer the program but there was an extra incentive for the authorities to tighten their lending criteria and reduce debt write-offs (Threlfall 1977: 197). The provision of 'soft' finance remained, through the programs for debt reconstruction, farm build-up and farm development but the criterion of 'long-term viability' applied. Carry-on loans were available for specific areas/industries but only on a short-term basis. So the restrictions on finance increased slightly, as did the incentives for industry exit.

Rehabilitation loans (convertible to grants) were set at a maximum of $5000 and a new welfare initiative, Household Support was set at a maximum of $3000, amended to $5000 in 1979 (Senate Rural and Regional Affairs and Transport References Committee 1994). The emphasis now was not so much on saving most farmers but on saving the viable farmer (IAC 1984: 18). The IAC, by now more openly neo-liberal, was given another opportunity to streamline the scheme when the Fraser Government commissioned it to review the RAS in light of perceived problems which resulted from the 1982 drought. Reporting to the new Hawke Labor government, the Commission doubted:

> *that the gains to the community from providing adjustment assistance selectively to some farmers on the basis of "needs" outweigh(ed) the community costs involved in providing assistance in this way* (IAC 1984: ii).

The Commissioners believed that '...*many who have received assistance could have continued farming in the absence of the RAS*' (IAC 1984: iii). Worse still, the scheme could be just another opportunity for lobby groups to demand '… *poorly targeted and inappropriate assistance'* but at least it removed the pressure for:

> *... more distortionary ad hoc measures, or for the retention of long-standing measures which have provided high levels of assistance to rural industries or have imposed costs on them* (IAC 1984: 70).

For the Commissioners, the Scheme was a way to prevent a return to rural fundamentalism and rent-seeking. The Report stated that the '…*Commission has reservations about the role of rehabilitation and household support in any ongoing program of adjustment assistance but concluded that due to the low uptake of these features of the scheme the 'effect on resource use is likely to have been minimal'* (IAC 1984: 69).

The Commission recommended: that access to the scheme be restricted; the preferred form of funding should be grants; as these would be cheaper to administer and would allow the recipients greater choice in spending the money; assistance should be provided to regional or industry 'black spots'; and there should be regular program reviews (IAC 1984: 72-73). All of these things were implemented, though not immediately. By the time the IAC report was released in 1984, it was received by the Federal Labor Government, which was receptive to 'market reforms', although the 1985 scheme introduced following the review did not change markedly from its predecessor. The carry-on program was dropped, on the grounds that this was a straight 'welfare' program. Rehabilitation assistance was increased to $8000 and, although the Government was still to provide concessional loans via the states, the emphasis shifted to subsidising the interest on commercial loans (Senate Rural and Regional Affairs and Transport References Committee 1994: 3). The goals of the 1985 scheme had subtly shifted from maintaining viable farmers to a means by which '…*(G)overnment augments the capital market in encouraging the process of capital formation and* *adjustment in the rural sector...'* (Coopers and Lybrand 1988: 2). The subsequent review of the Scheme, this time by Coopers and Lybrand W.D. Scott, suggested that RAS 1985 allowed unviable farmers to delay off-farm adjustment decisions too long, neglected other facets of adjustment, such as training, and spread the money too broadly so that assistance could often be too little and granted too late.

The objective of the resulting *States and Northern Territory Grants (Rural Adjustment Act) 1988* (RAS 1988), in line with Government's overall policy direction, was to:

> *…improve the efficiency of Australian rural industry to enhance its international competitiveness and its potential to contribute to the national economy. ... The RAS was not aimed, at this period, at keeping farmers on the land, or propping up farm enterprises that were not viable* (Senate Rural and Regional Affairs and Transport References Committee 1994:6).

There were new programs to encourage skills acquisition, adoption of new technology and enterprise switching as assistance generally shifted to more indirect forms. Re-establishment grants increased to a maximum of $34,635, and household support payments, set to match the unemployment benefit in 1985, were restricted to two years. The household support payments were intended to be offered as a grant for the first six months with payments received after that deducted from any subsequent re-establishment grant. The administering State authorities had the discretion to convert the loan to a grant and in some states this was done almost as a matter of course. The increased rehabilitation grants did lead to an increase in applications and approvals, but even in 1991, with approvals at an historic high, only about 0.3% of Australian farmers obtained re-establishment grants and in a decade (early 1980s on), only 1.2 per cent of all farmers were re-established. In something of a 'backslide', Debt Reconstruction with Interest Subsidy (DRIS) was introduced in 1991, largely in response to the emerging drought in parts of Queensland and New South Wales.

Following a review of the scheme, the replacement *Rural Adjustment Act 1992* (RAS 92) contained the most sweeping changes so far, with the concessional loan component finally removed, though interest subsidies were to be available under the new categories of Exceptional Circumstances and the Farm Productivity program. Farm productivity money was to be used by farmers to increase the capacity, efficiency and sustainability of farms. Successful applicants had to be viable and have formal property plans. Other programs to boost productivity, training grants of up to $500 and professional advice subsidies, were to increase the managerial and technical skills of producers. There was provision for land trading, whereby state authorities could buy and sell land to speed up the process of amalgamation, or even to retire land from agricultural production. This was rarely used except in Western Australia.

Re-establishment grants were retained with a maximum of $45,000 and there were also grants for professional re-location advice. Successful re-establishment applicants had increased from about 50 in 1984 to more than 400 in 1994, though this was still only about 0.3 per cent of all farmers at that time. On the administrative front, the Commonwealth increased its control and established a supervisory body. In 1994, of the eight members on Rural Adjustment Scheme Advisory Council (RASAC), only two were farmers, with one representing the NFF and the other also working as a rural counsellor (Senate Rural and Regional

Affairs and Transport References Committee 1994: 9). The scheme was intended to promote better financial, technical and management performance from the farm sector; provide support to farmers who have prospects of sustainable long-term profitability with a view to improving the productivity of farm units; and provide that support in a way that ensures that the farmers who are supported become financially independent within a reasonable period (Senate Rural and Regional Affairs and Transport References Committee 1994: 9). Recipients of aid were effectively being put on notice.

With the 1992 changes, household support was hived-off into a stand-alone Farm Household Support (FHS) Scheme to be administered by the Department of Social Security on an agency basis. The FHS scheme provided income support at the level of the unemployment benefit for up to two years. The first nine months of payments were on the basis of a grant with subsequent payments repayable to the Commonwealth at commercial rates of interest. Although the scheme built on the approach taken with the household support component of RAS 1988, the explicit nature of the loan arrangements attracted a great deal of criticism (Botterill 2003a: 19-21). The Democrats moved unsuccessfully to amend the legislation in the Senate to make the payment a grant rather than a loan (Lees 1992, p5465). Democrat spokesman, Senator John Woodley voiced a common criticism of the scheme when he stated in February 1995 that Farm Household Support recipients were:

> *…among Australia's worst off farmers, and they are being penalised for not being able to sell up their properties and get out of farming altogether. Given the situation in rural Australia at the moment, farmers in many parts of Australia would be lucky to*

> *give their farms away, let alone to sell them. In spite of this, these people are ... going to have to repay a debt to the Commonwealth. It is a debt accumulated while they were basically living in poverty; a debt on which the government will charge a commercial interest rate. ...since the object of farm household support payments is solely to cover the day-to-day living expenses of totally destitute farm families, the payments should be made as a grant.* (Woodley 1995)

In 1994, the FHS legislation was amended to provide for the introduction of a drought relief payment. This was a welfare payment for farmers experiencing extreme, or 'exceptional circumstances', drought conditions. In a departure from the structural adjustment philosophy of FHS and the broader National Drought Policy, this payment was not tied to either farm viability or industry exit.

Under RAS 92, the federal government, in conjunction with some state governments, also introduced Regional Adjustment Strategies. The Rural Adjustment Scheme Advisory Council had identified up to 23 regional and industry 'black spots' in rural Australia (Queensland Department of Primary Industries 1994: 2). According to a draft report on one black spot, South West Queensland:

> *... it is estimated that 40 per cent of all properties are of marginal size in terms of their carrying capacity and ability to generate positive cash flows. The situation becomes worse during times of low wool prices* (Queensland Department of Primary Industries 1994: 11).

Landholders in such black spots could get up to $90,000 for re-establishment purposes, this being closer to the (1994) price of a house in a major centre (Queensland Department of Primary Industries 1994: 17). The idea was to promote rapid and extensive adjustment, thereby eventually reducing demands on governments from landholders in these regions.

Agriculture Advancing Australia

In 1996, the Rural Adjustment Scheme was again reviewed. The inquiry found that '..*RAS 92 is not appropriate to the adjustment needs of Australian agriculture in either today's business environment or that expected in the next century*' (McColl *et al.* 1997: ix), stating that '…*RAS 92 has generally addressed symptoms rather than causes*' (McColl *et al.* 1997: 118). In September 1997, the Minister for Primary Industries and Energy, John Anderson, announced the Agriculture Advancing Australia (AAA) package. Although presented as a new approach, AAA represented an incremental development of the approach taken by RAS 92. Its objectives were:

- to help individual farm businesses profit from change;
- to provide positive incentives for on-going farm adjustment;
- to encourage social and economic development in rural areas; and
- to ensure the farm sector had access to an adequate welfare safety net (Anderson 1997).

The welfare component of the 'exceptional circumstances' provisions of the Rural Adjustment Scheme, which had been central to the delivery of drought relief to farmers, was moved into a new exceptional circumstances relief payment and, in 1999, Commonwealth and State Ministers agreed that '…*the purpose of*

EC [exceptional circumstances] assistance is moving away from business support (through the phasing down of interest rate subsidies) with a greater resultant emphasis on EC as a welfare measure (family income support)' (ARMCANZ 1999: 60). For details of the evolution of the exceptional circumstances program and it relationship to drought policy, see Botterill 2003b. As we write, the National Drought Policy, of which the exceptional circumstances program is a central component, is under review by the Commonwealth government.

Under the new Farm Family Restart program, the normal re-establishment grants stayed at a maximum of $45,000 but the assets test was liberalised. The income support measure allowed those in trouble 12 months to assess their options, before having to make a decision. There was an increased emphasis on indirect assistance, with money designated for research into climate and decision support tools, thereby presumably making farmers more self-sufficient because of better management practices. The Farm Family Restart Scheme was subject to a review in 2000 which, like other reviews before it, was very sceptical about the efficacy of re-establishment grants. The review found that 79 percent of farmers who took re-establishment grants would have left farming anyway (O'Neil *et al.* 2000: i). It also reported that '*…the overwhelming majority of farmers in receipt of income support indicated that the availability of the [re-establishment] grant would not influence them to leave the farm'* (O'Neil *et al.* 2000: iv).

Reviewing the Rural Adjustment Programs

The direct impact of the government programs on overall adjustment in rural industries has been very limited. Over the last 33 years, governments have funded only a small percentage of 'industry exits' with most adjustment being driven by 'autonomous' responses to socioeconomic factors. Similarly, most of the production and business re-structuring amongst the remaining agricultural firms has been funded by commercially obtained and priced capital rather than from government subsidised finance. In addition, rural adjustment schemes appear to be rather inequitable, with other sectors having to accept major change with little or no adjustment funding. For example, according to Stayner (1994: 2):

> *Both the number and the percentage of jobs shed in some major manufacturing sectors have been much higher than in farming. The basic metal products industry shed over four times as many jobs (between 1974 and 1992), while the TCF (textile, clothing and footwear) industries shed about seven times as many, which represented 43 per cent of its workforce. The closure of Nissan's plant in Melbourne in 1992 may even have matched job shedding on Victorian farms over the entire seventeen year period.*

While some major manufacturing sectors were subject to plans which included some adjustment funding, programs were usually time-limited. Furthermore, the rural adjustment schemes are internally discriminatory in that they generally help the owners of property while rural workers, who are routinely and often quickly 'adjusted' in periods of drought and commodity price downturns, have usually had to fend for themselves. There are however, some arguments for different treatment of farmers.

Perhaps opening up of the economy and the lingering protection of EU and US farmers combine to adversely affect the rural sector, the sugar industry being a case in point. Therefore, it is argued, if other sectors benefit from this opening up, the adversely affected sector is entitled to some adjustment assistance. First, not all rural industries are adversely affected by the economic ‘reforms’ and certainly not all of the time. Second, overseas competition may accelerate the economic treadmill for farmers but there is no full insulation from it in a capitalist economy, where there is no cost control. Rural adjustment is a long-standing trend in all developed economies and the adjustment rate in Australia is not that high, relatively speaking. In Canada, a country that has some similar historical and political features to Australia, farm numbers fell from 632,000 in 1951 to 318,000 by 1981 (Gertler & Murphy, 1986: 245), almost a 50 per cent ‘loss’, compared with a 14 per cent decrease in farm business numbers during the same period in Australia. In France, where agricultural protection is extensive, total farmer and farm worker numbers fell by almost 60 per cent from 1960 to 1990 (European Communities Commission, 1993: 11) compared with a 23 per cent drop in total farmer and farm worker numbers in Australia in the same period.

On the socio-cultural front it can be argued that farmers are different in that the workplace is also a home and part of a way of life and those people who ‘cannot continue’ need more than usual help to adjust to a complete change in their lives (Catholic Social Justice Commission cited in Senate Rural and Regional Affairs and Transport References Committee 1994: 42). In addition, family proximity and expectations and the reinforcing stereotyping of farmers and their roles in Australian culture and economy make it additionally difficult for farmers to leave agriculture. There is, however, no substantial evidence that farmers are more disadvantaged by leaving an industry than are other ‘displaced’ workers. A post-exit survey of former dairy-farmers suggested that their average income increased over a three year period (BAE, 1975: 36). More recently the review of the Farm Family Restart Scheme found that of those farmers who took re-establishment grants, 71 percent took up residence in the same postcode area after exit (O'Neil *et al.* 2000: i), suggesting that social ties had been preserved. While some leave with little because of debt, most leave with considerable capital. More importantly, in popular discussion of rural adjustment there is often an implication that all those who leave the land do so reluctantly, whereas at least some are seeking greater economic and social opportunities.

Despite the weakness of these various arguments for ‘special treatment’, politically astute governments know that rural mythology still has some power, especially in the post-Hanson era. Hence, there is a need to subscribe, at least to some extent, to that mythology and to appear to alleviate the sufferings of the ‘salt of the earth’. In addition, there has been a genuine concern about rural poverty. One assumption, underlying the schemes has been that farm poverty is the result of slower than optimal rates of adjustment. This was the conclusion of research undertaken into farm poverty as part of the Henderson Inquiry in the 1970s which recommended that adjustment assistance was the appropriate mechanism for addressing low incomes (Henderson 1975: 185). Secondly, Australia’s general welfare safety net does not cope well with the needs of the self-employed or the asset-rich but income-poor, particularly since the introduction of assets testing in the 1980s. Providing equitable access to welfare support for farmers has been an ongoing concern to policy makers (see for example, Senate Rural and Regional Affairs and Transport References Committee 1995).

On the other hand, aware of the close ties between the farm business and the farm family, policy makers have been concerned that income support may provide a *de facto* subsidy to otherwise unviable farm businesses, thereby slowing the adjustment process. By incorporating household support in rural adjustment packages, attempts have been made to align the objectives of welfare support with the broader industry adjustment goal. For example, the Objects of the *Farm Household Support Act 1992* were:

(a) to provide financial assistance to farmers who are unable to meet day-to-day living expenses and cannot obtain commercial loans; and

(b) to provide a financial incentive for such persons to leave farming. (Farm Household Support Act 1992, Section 6)

These clearly place the purpose of the legislation as facilitating structural adjustment rather than purely delivering welfare support.

Rural adjustment programs may have helped wean farmers off various forms of assistance, which had been described in the early 1970s as ‘a bewildering array of policy instruments’ (Throsby 1972: 13). Adjustment and exceptional circumstances assistance were seen as the *‘... least of a range of policy evils’* (Musgrave quoted in Senate Rural and Regional Affairs and Transport References Committee 1994: 1). In the 30 year period from 1971, the rural sector was almost entirely deregulated. The Whitlam Government reduced dairy subsidies, cut tariffs, briefly removed the super-phosphate bounty (later reinstated) and tried to alter the wheat marketing arrangements. It also created the Industries Assistance Commission which was to subsequently review many of the assistance schemes. While the Fraser Government reversed some policies it did not succeed in halting the clamour for market reforms and indeed the government backbench nurtured some keen rationalists. The real work in dismantling assistance measures was undertaking by the Hawke Government. State governments, albeit reluctantly in some cases, were to eventually follow suit. Since then, nearly all statutory marketing arrangements have been removed, while various marketing boards have been turned into cooperatives or fully privatised. Structural adjustment has continued apace, so that there is now a core of farmers, perhaps 20 percent, who produce 70-80 percent of the output and who will eventually control the most productive land.

Conclusions

Australia's rural reconstruction/adjustment schemes provide a good barometer of the overall policy approach being applied to agricultural policy over time. From the 1940s, farm incomes were an explicit focus of rural policy, which was highly interventionist and government support was provided on an *ad hoc* basis largely in response to industry requests. By the 1970s, rural policy was being formulated in the context of economy wide policy and was moving away from industry-by-industry support. The rural policy green paper and the formation of the Industries Assistance Commission signalled the injection of increased economic rationality into the policy debate (Warhurst 1982). This trend continued through the 1980s and 1990s as statutory marketing schemes were dismantled, regulation removed and, as a result of general macro-economic policy, the sector was further exposed to the international economy. As neoliberal economic principles were embraced by the Hawke and Keating governments, successive versions of the rural adjustment scheme were more sharply focused on farming as a business. The replacement of the Rural Adjustment Scheme with the AAA package did not greatly alter the underlying philosophy of farm support, the major exception arguably being the refocusing of the exceptional circumstances program towards welfare support in 1999

In spite of the incremental, though sometimes sporadic development of rural adjustment policy along the neoliberal path, concerns about the welfare of farm families continued to be raised and programs which were designed to facilitate farm business adjustment also contained measures to alleviate personal hardship. The rationales for including welfare components in what are essentially industry policy measures rested on an amalgam of arguments relating to equity, agrarian sentiment and economic theory. Across the developed world, farmers continue to attract, and exploit, general public sympathy for agriculture as a fundamental and 'special' activity (Botterill 2004). This can reveal itself in justifications for intervention that encompass arguments that the difficulty farmers face is beyond their control, that it is the result of previous government policy, that adjustment will result in poverty and social dislocation, that adjustment is proceeding at a sub-optimal rate due to market failure and so on. This provides a potent mix in support of government intervention, particularly in times of drought when a largely uninformed media arouses public sympathy through iconic images of rural hardship (Wahlquist 2003), or when populist politics in the regions is electorally significant.

In 1997, then Minister for Primary Industries and Energy John Anderson (1997) argued that

> *In the past, the interrelationship between rural welfare and business policy objectives has not been fully appreciated. In a sense, the integration of family life and welfare with the management of the farm business has been taken for granted. This interrelationship needs to be recognised in addressing the welfare*

> *needs of farming families. It is imperative if we are to ensure the current transition in outlook from the family farm to the family farm business runs to a successful conclusion. This means that welfare measures need to be distinct from measures targeted at improving the profitability of farming businesses.*

This statement underlines both the shift in direction that governments have been attempting over the past three decades as well as the residual sensitivity within what is essentially an industry portfolio, to the welfare consequences of policy. While the neoliberal approach has influenced the direction of rural adjustment policy in Australia incrementally, it is clear that agrarian sentiment and political pragmatism continue to ensure that rural adjustment programs in Australia will contain a welfare component.

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