

SYMPOSIUM

Agricultural policy in Australia: deregulation, bipartisanship and agrarian sentiment

Linda Courtenay Botterill 

School of Government and Policy, University of Canberra, Canberra, ACT, Australia

ABSTRACT

This paper provides an overview of the development of agricultural policy in Australia from a complex web of government intervention in the sector in the first half of the 20th century to the deregulation of the past 40 years. It highlights the close interrelationship between agricultural policy and manufacturing policy as well as the areas in which agricultural policy has been distinctive, namely the largely bipartisan nature of agricultural policy development and the strong cultural attachment across the community to farmers in general and family farming in particular. Recent policy debates suggest that agricultural policy will remain a sector apart in terms of the broadly bipartisan nature of policy and the ongoing influence of non-economic considerations. Australia will retain its comparative advantage in agricultural exports into the future and policymakers will need to continue to balance policies that support the economic performance of the sector with those that reflect community expectations of support for the farming community more broadly.

ARTICLE HISTORY

Accepted 9 September 2016

KEYWORDS

Agriculture; agrarianism; industry policy; trade; deregulation

The question of the appropriate policy settings for a healthy agriculture sector extends beyond the economics of yields, productivity and prices; it also encompasses the issue of the ownership of the nation by the people in the most seminal and tangible form. Farming is a statement of who we are. (Commonwealth of Australia 2014: x (emphasis added)).

Agriculture is at the heart of the Australian identity. (Commonwealth of Australia 2015a: 1 (emphasis added))

Agricultural policy has been developed in conjunction with or as an adjunct to policy for the secondary industries since Federation. As an important export earner, for many years the sector was seen as a source of critical foreign exchange for the purchase of necessary imports – to address the ‘dollar problem’, as Commerce and Trade Minister John McEwen put it in the 1950s. Policies introduced to support manufacturing had inevitable consequences for agriculture by, for example, increasing the cost of agricultural inputs due to tariff policy designed to support nascent industries in Australia. In addition to the connections with other areas of industry policy, the policy settings for agriculture are worthy of consideration in their own right due to the particular contexts within which farming operates. Apart from the obvious characteristics of agricultural production that distinguish it

from other industry areas, such as climatic uncertainty, there are cultural and social sentiments surrounding farming as an activity that impose limits on what governments can do. These have contributed to a further distinctive characteristic of agricultural policy, its bipartisan nature. A recent Productivity Commission report on agricultural regulation (Productivity Commission 2016) highlights some areas in which efficiency in the sector could be further enhanced by the streamlining of government regulations in a range of areas. Given the political importance of farming and the intersection with other areas of public concern such as animal welfare and the environment, governments will need to continue to juggle the economic imperatives with other considerations, arguably to a greater extent than is the case in other areas of industry policy.

Along with natural resources, agriculture has been – and indeed remains – one of Australia’s main areas of comparative advantage. However, since Federation, the importance of agriculture in Australia has declined as a percentage of both national income and exports. In 1951 agricultural production accounted for a post-war high 29 per cent of GDP (Miller and Stoeckel 1982: 167) and more than 90 per cent of exports (Miller and Stoeckel 1982: 169). By contrast, in 2014 agriculture contributed ‘around 2 per cent of GDP’ and 15 per cent of goods and services exports (Commonwealth of Australia 2015a: 4). These figures only tell part of the story, as the sector has experienced productivity growth for decades and the volume and value of production has continued to increase. However, farmers face ongoing declining terms of trade (Commonwealth of Australia 2015a: 15) and the associated pressures on incomes.

This paper provides an overview of how agricultural policy has evolved in line with broader economic policy from increasing levels of complexity up until the 1970s, the winding back of these measures following the release of a Green Paper in 1974 (Harris et al. 1974), as part of the broader trend to deregulation during the 1980s and 1990s, and the latest national agricultural policy statement, the 2015 White Paper on Agricultural Competitiveness (Commonwealth of Australia 2015a). This paper begins with a discussion of the distinctive context within which agricultural policy is made, namely the ongoing influence of agrarianism in the Australian community and the consequent bipartisan nature of the policy approach.

Divided jurisdiction

Before proceeding further, though, it is worth noting that agriculture is primarily a State responsibility in Australia’s federal system, with the Constitution providing grounds for only a limited role for the Commonwealth. Lloyd (1982: 356) notes that ‘The constitutional division of powers has been one of the most pervasive and powerful influences upon the development of Australian agricultural price policy.’ Responsibility for agricultural production and pricing lies with the States, so any national schemes to support industry require negotiation, and in many cases, a *quid pro quo*, with state governments. The constitutional guarantee of free trade between the states (§92) has also had implications for agricultural production.

The Commonwealth’s powers are limited to §51(i.) Trade and commerce with other countries, and among the states; §51(iii.) Bounties on the production or export of goods, but so that such bounties shall be uniform throughout the Commonwealth and §51(ix.) Quarantine. This has meant that national agricultural policy has largely been

developed in agreement with state and territory governments, with important programs, such as the Rural Adjustment Schemes, delivered by the states under \$96 grants. Until 2013, such policy agreement was reached through the Australian Agriculture Council (AAC) and its successor bodies. The AAC was the first of the ministerial councils established in Australia, set up in 1934 after a meeting chaired by Sir Earle Page called to discuss four issues:

- (1) Means to make it possible for Australia to speak with one voice on agricultural and marketing matters;
- (2) Determination of a definite policy in regard to international and especially intra-Empire marketing relations;
- (3) Formulation of a definite policy on wheat, both immediate and ultimate;
- (4) The finalising of a basis of a rural rehabilitation scheme through relief of farmers' debts (cited in Grogan 1968: 298).

The final incarnation of the ministerial council was abolished by a decision of the Council of Australian Governments in December 2013 so there is now some uncertainty around the development and implementation of consistent national agricultural policy outside the narrow areas prescribed in the constitution.

These constitutional limitations mean that agricultural policy settings are always subject to negotiation and there is potential for inconsistency in program delivery where support is delivered through \$96 grants. On some issues, such as dairy industry reform, different state governments have different interests to pursue depending on the strengths of particular sectors within their jurisdiction. States also introduce their own policy measures separate from those negotiated with the Commonwealth and these can run counter to the general policy direction being taken nationally. Intergovernmental cooperation was highlighted in the Commonwealth government's 2014 Green Paper on Agricultural Competitiveness as one of the key areas which will be critical to improving the sector's competitiveness. The paper notes that 'Many of the policy ideas raised in the Green Paper would require the Government to work with the States and Territories to deliver improved outcomes for Australian agriculture, and the community more generally' (Commonwealth of Australia 2014: 18); however, the mechanism through which this might occur was not discussed.

Agrarian exceptionalism

Agricultural policy debate is characterised by a particular social and cultural context that provides some limits on government policy options and also acts to minimise disagreement over policy settings. The Australian community holds a deep cultural attachment to farming as a special and worthwhile activity that is reflected in broad, often unquestioning, sympathy for farmers and support for government assistance to agriculture (Berry et al. 2016; Cockfield and Botterill 2012). This agrarianism, or 'countrymindedness' (Aitkin 1985), has resulted in a form of 'agricultural exceptionalism' (Skogstad 1998: 467) that has allowed governments otherwise intent on cutting industry support to quarantine agriculture. It has also provided an environment in which more generous welfare support for farmers is accepted uncritically (see Botterill 2006) and been evident in

ongoing rhetorical support for the family farm as the preferred form of agricultural production. In policy terms this manifests in a concern with farm income levels and ensuring producers receive a 'fair price' at the farm gate.

Unique circumstances

Agricultural exceptionalism is also anchored in the particular material characteristics of agricultural production. Farmers are subject to vagaries of climate in a way other industries are not. This is particularly so in Australia, which has one of the most variable climates on the planet. As price takers on the international market, individual farmers are also very susceptible to shifts in commodity prices and exchange rates and vulnerable to changes in government policy in competitor countries. This is compounded by an enduring perception among farmers, both in Australia and elsewhere, that they are the victims of unscrupulous 'middle men' who exploit information asymmetries to deny farmers a fair price for their produce. These factors have led to a preference among many producers worldwide for collective marketing arrangements and, in the past, global commodity agreements. More recently, there has been concern about the distribution of market power along the agricultural supply chain, the supermarkets being of particular concern.

Still with us

The explicit influence of agrarianism on policy in Australia has varied over time. Agrarian language in a 1974 Green Paper, *The principles of rural policy in Australia*, prepared for the Whitlam government, was notably muted, with the authors suggesting that such sentiment was diminishing among policymakers and economists. Nevertheless, that paper retained a strong concern with farm income levels. In discussing the rationale for government intervention in the process of structural adjustment in agriculture, the 1974 paper was explicit that

The Government's involvement with assistance for farm adjustment is ... designed to reduce the income problems which arise when help is not provided, and to lessen the inefficiency in the use of the nation's resources that the slow rate of adjustment implies. (Harris et al. 1974: 279)

This focus was about supporting the process of economic adjustment while ameliorating its more undesirable side effects (Harris et al. 1974: 203): 'The social basis for government action to assist adjustment in the rural industries is to avoid or mitigate the severe welfare problems which can arise as a result of the unimpeded action of market forces.'

The 2014 Green Paper and subsequent 2015 White Paper exhibited somewhat stronger use of agrarian language as shown in the quotations at the beginning of this article. This illustrates the persistence, and perhaps something of a revival of, agrarian sentiment in the 21st century. Recent public opinion research in Australia demonstrates that the sense that farming is a basic, special and worthy undertaking deserving of government support remains strong across the community (Cockfield and Botterill 2012). This sentiment is particularly evident in times of hardship such as drought. It is inconceivable that a government document on any other area of industry policy would suggest that that particular activity was 'a statement of who we are' or 'at the heart of' our national identity. This view of agriculture as an activity apart from other economic activities continues to

complicate the agricultural policymaking process as social and cultural considerations impact on policy debate.

Bipartisan policy

One of the consequences of the pervasiveness of agrarian sentiment in Australia is that agricultural policy is rarely an area of explicit ideological or partisan debate. The Coalition, particularly the National Party, have sought to paint the Labor Party as incapable of understanding farmers or their communities, but analysis of actual policy settings as distinct from rhetorical party differentiation reveals that agricultural policy has developed incrementally over time with little difference between the parties in their policy approach (Botterill 2008). Incoming governments have announced the termination of, and changes to, programs, but these have almost invariably been replaced with similar schemes with common objectives. On some issues, the National Party is actually closer to Labor with regard to rural policies, particularly around spatial and regional equity issues. Both parties are more inclined towards regional development policies than the Liberal Party. Most recently, the National Party's position on the roll out of the National Broadband Network was, initially at least, closer to Labor's than that of the Liberal Party.

In summary, agrarian sympathy has had an impact on the pace and extent to which both sides of politics have been able to remove support from agriculture and in some areas, such as drought relief, there remain considerable levels of support available. Broad public support for farmers means that policy inconsistencies and inequities between the treatment of farmers and non-farmers in the former's favour are rarely noted in media reporting and public debate (Botterill 2006).

Agricultural policy since Federation

In addition to responding to broad-based sympathy for farmers, policy settings for agriculture often developed with reference to those for manufacturing – from the 1950s push to earn export income from agriculture to pay for the import needs of manufacturing, to the tariff compensation arguments in the 1960s around the impact of protective tariffs for manufacturing on the exchange rate and therefore farm incomes. The relationship was two-way in some instances, with downstream industry receiving compensation or assistance where supported agricultural products have been inputs into the manufacturing process. The economy-wide deregulatory trend that began in the 1970s in Australia also affected the agricultural sector, resulting in the dismantling of many of the industry assistance measures that had been in place since early in the century.

The 'stabilisation' era

From its origins, Australian agriculture was subject to government intervention, with an acceleration occurring in the 1920s. Support for the dairy industry was in place as early as Federation, and a bounty was placed on sugar grown with white labour from 1902 (Shann 1930: 436). During the Second World War, assistance to agriculture was expanded further with the introduction of schemes to control farm output in order to meet domestic and overseas requirements and ensure reasonable incomes for producers.

The assistance measures that were introduced across the various sectors of agriculture up until 1972 were generally developed on an ad hoc basis and, under the Coalition governments until 1972, often in response to specific requests from industry for support (McKay 1972: 32). The responsible Minister Jack McEwen went so far as to tell the Commonwealth Parliament in 1965 that:

My attitude is that neither the Australian Country Party nor the parliamentary members should decide what is the correct policy for primary industry. It has always been the policy of my party that those who produce, own and sell a product are the best judges of the way in which their property should be treated. It is the function of my party to see that the will of those who produce and own the product is carried into legislative and administrative effect. (*Parliamentary Debates House of Representatives* 23 November 1965, 3044)

Given the ad hoc way in which agricultural assistance was developed, and reflecting the particular nature of agricultural commodity markets, it is perhaps not surprising that the policy measures in place were highly diverse. Known generally as 'stabilisation', the policy instruments included 'guaranteed prices, two-price schemes, bounties and subsidies, mixing requirements, protection from imports, protection from substitutes, production controls and orderly marketing' (McKay 1972: 33). To complicate the picture further, different combinations of these mechanisms were applied to different industries. The wheat industry had, from 1948, a system of collective marketing underpinned by the statutory Australian Wheat Board (AWB). The Board had compulsory powers of acquisition over the national wheat crop until 1989, an export monopoly that was inherited by its privatised successor, AWB Limited before it was finally removed in 2008, and, for several decades, guaranteed minimum prices and, at times, production quotas. Wheat Board borrowings to finance a system of advance payments to growers were underwritten by the Commonwealth government creating a significant contingent liability on the national Budget. Dairy manufacturers received direct subsidies and protection from competition from margarine through both quotas on its domestic production and, for a time, a prohibition on imports unless the product was dyed pink (Lewis 1972: 289). Dairy was also subject to home consumption pricing. As a result of the haphazard development of policies, the impact of support was not uniform across sectors with some, such as dairy being highly assisted while others such as the beef industry, received virtually nothing. Lloyd (1982: 364) reports that some of the stabilisation arrangements in place actually delivered 'negative assistance' in some years.

In the first half of the 20th century, agricultural policy was largely concerned with farm incomes, but by the 1950s, the focus of government intervention had shifted to a goal of increasing exports in order to earn income to pay the growing import bill. Commerce Minister Jack McEwen was explicit in acknowledging agriculture's role in contributing to the whole economy. In 1952, he announced that:

The Commonwealth Government has decided to adopt as its policy objective a Commonwealth-wide programme of agricultural expansion not only to meet direct defence requirements but also to provide food for the growing population, to maintain our capacity to import and to make our proper contribution to relieving the dollar problem.

Later that decade, he reiterated the point: 'Australian agriculture, in Government policy-making, cannot be considered in isolation. It is an important part of the total national economy and Government policy and attitude towards agriculture recognises this fact'

(McEwen 1959: 251). The 1974 Green Paper also pointed out that agricultural policy was part of a bigger picture. The first of the ‘Principles and Guidelines’ in the report was that:

A national rural policy should be an integral part of a national economic policy and should be judged in terms of its contribution to national economic and social objectives with equity not only between those in rural areas and those in the rest of the community, but also among those within the rural areas. (Harris et al. 1974: 48)

Paradoxically, policies developed with the goal of supporting manufacturing, for example high tariffs on farm inputs, led to calls for compensatory assistance to agriculture, through subsidies and other protective measures. In turn, manufacturing then called for compensation when support to agriculture raised its cost structure. An example of the latter was the need to introduce an export sugar rebate for fruit canners and jam manufacturers to offset the high domestic price of sugar which was an important input and which affected the international competitiveness of these industries (Mauldon 1990: 313).

The increased assistance sought by the agricultural industries from the 1920s is described by Lloyd and MacLaren (2013: 21) as being based on ‘an equity principle of a little something for everyone’. This came to be known as ‘protection all round’ – though that is a misleading term in that it implies tariff protection as in the case of manufacturing and, within agriculture, universal treatment of the whole sector. Even then, a system of ‘double protection’ (Davey 2010: 110) that compensated agriculture for all the wealth transferred to support domestic manufacturing would not add up. Brennan and Pincus (2002: 9) make the point that ‘protection all round’ is a ‘logically impossible notion that disguised the fact that there were losers – in this case, the factors of production used intensively in Australian exporting industries’, which were mostly the primary industries of agriculture and mining. Banks (1998: 150) describes the term as ‘oxymoronic’. From their analysis of industry assistance over the century from 1903, Lloyd and MacLaren (2013: 19) find that ‘the basic result of the Australian regime of assistance to industries has been to discriminate persistently against agricultural producers’ (see also Anderson et al. 2007). As pointed out by Fenna (2016), this discrimination was the entire rationale of protectionism as explained by the Brigden Committee.

One manifestation of the debate around the impact of support for manufacturing on agriculture was the issue of ‘tariff compensation’. In the 1974 Green Paper, written by some of Australia’s most eminent economists,¹ it was stated that ‘The Tariff in Australia was originally designed to redistribute income from the rural sector to the non-rural sector and to encourage employment in manufacturing industry’ (Harris et al. 1974: 41). The authors (1974: 42) went on to argue that ‘There is then a case on economic grounds, a second best course of action, for providing some compensating protection.’ As Lloyd and MacLaren (2013: 22) note, this view was not universally held by economists and it eventually became less important as governments increasingly deregulated the economy.

Winding back agricultural industry assistance 1974–2014

The ‘bewildering array’ of price support offered to agriculture (Throsby 1972: 13) described above was wound back from the 1970s onwards, largely antedating the rise of market liberalism in other sectors. Agricultural economists had begun agitating in the 1960s for rationalisation of the range of measures that were in place, calling for increased

economic literacy among those engaged in rural policy debate (Lewis 1972; Lloyd 1970). The 1974 Green Paper was something of a watershed, marking a move away from the post-war policy approach and placing greater emphasis on market signals.

The establishment of the Industries Assistance Commission presented the farm sector with both challenges and opportunities. It opened agricultural assistance to public scrutiny as it did support for other industry sectors. In fact, the rural sector accounted for a large number of the inquiries conducted by the Industries Assistance Commission (IAC) in its early years (Warhurst 1982). However, the creation of the IAC also provided farm groups with the opportunity to lobby for a reduction in support to manufacturing and, incidentally, provided a major impetus for the farm sector's many industry lobby groups to unite and form the National Farmers' Federation (NFF) in 1979 (Botterill 2005; Connors 1996). The NFF's policy position was notably different from that of its predecessor organisations, largely because of the dominance within the newly formed national body of policy officers from grazier organisations, which had always had a more free market orientation than the 'farmer' groups that supported collective marketing and stabilisation policies. Through the NFF, farmers were no longer arguing for compensatory support to agriculture, but were lobbying for the reduction of support for manufacturing, and in fact for the reduction in assistance across the board. In 1981 the NFF made this very clear:

NFF does not believe that any industry – rural, mining, manufacturing, or tertiary – whether highly protected or not – should be permanently shielded from the forces of economic change. The overall interests of the economy demand that all industries must participate in the inevitable adjustment process. (National Farmers Federation 1981: 48)

The winding back of support thus largely proceeded with the support of the wider policy community. The pace of change was generally slow and the nature of the policy reform largely depended on the extent to which the industry had been supported in the first place. This process was further complicated by the fact that some industry support, such as quotas for the egg industry, was delivered by state governments while other industries, such as the wheat industry, were subject to Commonwealth government intervention.

In some industries, such as wheat, the shift was staged, with the removal of the Australian Wheat Board's domestic monopoly and compulsory acquisition powers occurring almost a decade before the privatisation of the statutory Board and nearly 20 years before the end of the export monopoly. In the case of dairy, the first Dairy Adjustment Scheme was put in place in 1974 and support was still being offered as late as 2001 when a \$2 billion package, largely funded by an 11 cent per litre levy on consumers, was introduced. The latter scheme came to an end in 2009 however this was not the last of the interventions in the dairy industry. In 2016, in response to low milk prices, the government announced a \$555 million concessional loan scheme for dairy producers along with fast-tracked access to welfare payments and a further \$1.8 million for rural financial counsellors and for 'one-on-one business advisory support' (Grattan 2016). This package was announced in the face of large scale farmer protests calling for a 50c/litre consumer levy.

One of the most 'untidy' (Richardson 2001: 109) deregulations was in the wool industry with the collapse of the reserve price scheme in the 1990s. A floor price for wool was established in 1974, underpinned by a levy on wool growers. The scheme unravelled in the late

1980s for a range of reasons, including the floating of the Australian dollar and the high level at which the floor price was set (for a good overview of the scheme and its demise, see Richardson 2001).

The bulk of support remaining for agriculture is through broad-based policies such as significant funding for rural research and development, support for farm financing, drought relief, tax concessions such as the fuel tax credit and through the benefits obtained indirectly from quarantine regulations.

Support for research and development in agriculture began in the 1920s with the establishment of the Council for Scientific and Industrial Research (CSIR), which became the Commonwealth Scientific and Industrial Research Organisation after the Second World War. Although the CSIR was set up to provide research support to both the primary and secondary industries, its early work was dominated by research related to agriculture. In 1989 the Hawke government set up a number of rural Research and Development Corporations (RDCs), funded jointly by government and industry through compulsory levies.

In addition to the RDCs, there have been a number of agriculture-focused Cooperative Research Centres (CRCs). In 2012, the Commonwealth government invested \$715 million in rural research, development and extension including through the RDCs and CRCs (Productivity Commission 2011: 13). Like other areas of agricultural policy, the focus of rural R&D was initially on particular industries and although this continues, there is now a greater emphasis on broader cross-sectoral topics, such as climate change (Productivity Commission 2011: 2).

One of the responses to the 'special nature' of agriculture discussed above has been a series of programs for decades in the area of farm finance. The first major government intervention in this area was the Loan (Farmers' Debt Adjustment) scheme that ran from 1935 until 1971. This was followed by a series of Rural Reconstruction and Rural Adjustment Schemes, all of which were an uncomfortable and potentially contradictory mix of industry policy measures and farm welfare support. Through these schemes, the government provided concessional loans, subsidies on the interest payable on commercial finance and other forms of intervention to assist farmers with managing debt. In recognition of the highly variable nature of farm incomes, government intervention has also included tax effective income smoothing programs such as the Income Equalisation Deposits Scheme and, more recently, the Farm Management Deposits Scheme. While direct industry support has been wound back in line with broader economic policy, these farm-financing measures have remained and in some cases have become increasingly generous. For example, the recent White Paper included the extension of a concessional loans scheme for drought-affected farmers from the originally time limited scheme to one extending over 11 years at a cost of up to \$250 million per year (Commonwealth of Australia 2015a: 11). It is this latter scheme that has been extended in 2016 to provide support for dairy farmers as noted above.

Also related to the particular circumstances of agricultural production and related to farm-financing arrangements has been the provision of drought relief. The Commonwealth government originally became involved in the provision of drought following its first foray into disaster relief more generally in 1939. In recent years, the bulk of the assistance provided has been in the form of debt relief or concessional loans but this has been augmented with farm household support payments (often on more generous terms than welfare provided to other members of the community), rural financial counselling and

family and community support services. (For more detail of the history of the approach to drought policy, see Botterill 2003; Productivity Commission 2009).

Other measures

Apart from these agriculture-specific measures, farming benefits from the fuel tax credit (formerly the diesel fuel rebate), which also provides support to the mining industry, and, indirectly from Australia's strict quarantine regime. The fuel tax credit costs the Commonwealth budget in the region of \$5 billion a year and over the four years from 2009 to 2010, the agricultural industries on average claimed credits of over \$650 million per annum (Australian Taxation Office 2015).

Australia's relatively stringent quarantine regime provides something of a de facto form of import protection for agricultural producers. Australia is a signatory to the Sanitary and Phytosanitary Agreement of the World Trade Organization, which prohibits the use of quarantine measures as a barrier to trade. However, signatories to the agreement can set their own national 'Appropriate Level of Protection' in determining the quarantine measures that they apply. Australia's relative geographic isolation has resulted in the country's not having many of the pests and diseases that are of concern to agricultural industries elsewhere, and as a result Australia is in a position to apply strict quarantine protocols on the importation of potentially competing agricultural products. This can act as an import barrier and provide some benefit to Australian industry and, as Anderson et al. (2007: 474) note, some quarantine measures 'may well be warranted on externality grounds, but some (such as a complete ban on imports of certain fruits from all countries) may be excessive from a national welfare viewpoint'.

The impact of non-sector-specific economic reforms

In addition to changes to the sector-specific support for agriculture, policy changes across the economy more broadly have had an important impact on the farm sector, for example the National Competition Policy (NCP) of the mid-1990s. The NCP Inquiry report specifically identified anti-competitive practices within agricultural marketing including 'compulsory acquisition' and 'monopoly marketing arrangements'. The report stated that practices of this nature were 'often grossly inefficient' (Hilmer et al. 1993: 141). More generally it argued that there was a need for a 'systematic review of regulations that restrict competition' and that 'there should be no regulatory restriction on competition unless clearly demonstrated to be in the public interest' (Hilmer et al. 1993: 190). This recommendation had profound implications for statutory marketing arrangements and for the existence of export monopolies, specifically that of the Australian Wheat Board. The National Competition Policy Agreements and their associated incentive payments by the Commonwealth to the State governments ensured that the deregulatory trend extended to State agricultural support programs.

Competition policy also had an impact on agriculture through its focus on reform of the water industry, with explicit reference to environmental and natural resource degradation concerns. The ultimate outcome of these reforms was the Murray–Darling Basin Plan which has the potential to affect irrigation-dependent agricultural production significantly (for an overview of the development of water reform policy under the national

competition policy see National Competition Council 1998: 99–113). The 2015 White Paper perhaps signals a rethink of water policy. Former Prime Minister Tony Abbott called for an end to ‘dam phobia’ (e.g. Benoit 2014; Maher and Owens 2011) and the White Paper included the establishment of a National Water Infrastructure Development Fund to strengthen water storage capability by ‘investing in water infrastructure (such as dams)’ (Commonwealth of Australia 2015a: 59). Whether or not this will result in substantial public investment, as opposed to hoping for private sector or international state-enterprise investment remains open to question.

In addition to the White Paper on Agriculture, 2015 also saw the release of a White Paper on Developing Northern Australia (Commonwealth of Australia 2015b). Only a small portion of this strategy was actually focused on agriculture, although there was some emphasis on expanding water infrastructure. Focus on Northern Australia as a possible site of development dates back to the 1820s (Courtenay 1982: 276), and interest waxes and wanes. The Abbott government argued that ‘Many previous efforts to develop the north have floundered through a lack of foresight and the absence of markets in our region for high value goods and services’ and confidently stated that the 2015 paper ‘has been developed to stand the test of time – it should be the first, and last, White Paper for the north’ (Commonwealth of Australia 2015b: 1).

Other policy drivers

As well as winding back policies that were no longer consistent with broader economic policy approaches, more recent policies have been developed to address the negative externalities of earlier policy decisions. For example, the Landcare program which began in 1989 sought to address environmental collective action problems arising from agricultural production, while water reform has been necessary due to over-allocation and under-pricing of water as much as to address predicted drier years as a consequence of climate change. The rural adjustment schemes had as part of their policy rationale the need to address the fallout of earlier policies such as the ill-conceived closer settlement and soldier settlement schemes and the poorly timed ‘get big or get out’ mantra of the late 1980s which coincided disastrously for many farmers with historically high interest rates. Policy interventions were also required when the flaws within earlier schemes reached crisis point – for example, with the collapse of the wool reserve price scheme in the early 1990s.

A further major policy change from the 1980s onwards was the profile given to agriculture in international trade negotiations. Because of the export orientation of Australian agriculture, distortions in international markets were of increasing concern to government and farm interest groups. The policies of the United States and the European Union – particularly the latter’s Common Agricultural Policy – were a major focus as export subsidies depressed prices for important Australian commodity exports on world markets. The government argued in the 1986 Economic and Rural Policy Statement (Commonwealth of Australia 1986: 71) that:

There has been a persistent refusal, particularly by the major industrial nations, to face up to market oriented structural changes in their agricultural sectors. Australia, as one of the world’s largest and most efficient agricultural exporters has suffered greatly as a consequence.

Thus, in the 1980s, the Australian government was active during the Uruguay Round of multilateral trade negotiations in promoting the liberalisation of agricultural trade (for a comprehensive record of Australia's role in agricultural trade liberalisation, see Kenyon and Lee 2006). The Uruguay Round was notable for being the first occasion in which signatories to the General Agreement on Tariffs and Trade had taken seriously the need to reform the international trading system in agricultural products. This was largely driven by the Cairns Group, led by Australia, which very effectively made conclusion of the negotiations contingent on some form of agreement being reached on the liberalisation of agricultural trade. This emphasis in Australia's negotiating approach was something of a shift in the relationship between agriculture and manufacturing industry policy. Where, as noted above, agriculture had in many ways been seen as providing a supportive role to the goal of developing manufacturing for much of the first century after Federation, there was a sense among policymakers in Canberra during the Uruguay Round negotiations that manufacturing was being asked to make concessions on protection in the interests of securing freer trade for agriculture.² Access to international markets for Australia's agricultural exports also features in the 2015 White Paper.

Continuity and change in agricultural industry policy

In common with other areas of industry policy, agriculture has experienced a winding back of government intervention in recent decades, but there have been some important points of difference from the rest of the economy. First, the deregulatory trend began earlier with respect to agriculture, with agricultural economists lobbying from as early as the 1960s for the removal of the vast array of support measures that were applied inconsistently across sectors. Second, the pace of change has been slow, as every step of the way social considerations have come into play and policies aimed at increasing the market exposure of agricultural industries have been an exercise in 'juggling politics, welfare and markets' (Cockfield and Botterill 2006). Third, the policy direction has had broad bipartisan support as has the special treatment of farmers in areas such as drought relief, reflecting the strength of agrarian sentiment in the Australian community.

In terms of future policy direction, the Abbott government's focus with respect to agriculture was, according to the overview of the 2015 White Paper, 'to build a more profitable, more resilient and more sustainable agriculture sector to help drive a stronger Australian economy' (Commonwealth of Australia 2015a: 1). The paper expands on this vision with five key priorities: 'A fairer go for farm businesses'; 'Building 21st century water, transport and communications infrastructure'; 'Strengthening our approach to drought and risk management'; 'A smarter approach to farming' and 'Access to premium markets' (Commonwealth of Australia 2015a: 1–2). The first point is elaborated to include the goal of keeping 'families on the farm as the cornerstone of agriculture' (Commonwealth of Australia 2015a: 1).

The content of these objectives is not vastly different from those set out in the 1940s by Prime Minister Ben Chifley (1946). They share as their first goal concern with the financial viability of farms. The 2014 Green Paper argued that the government seeks to take a 'whole-of-government approach' on the basis that 'only a comprehensive approach to all of the policies that impact Australian agriculture can help the sector be prepared for the opportunities and challenges that lie ahead' (Commonwealth of Australia 2014: ix)

and in so doing includes infrastructure and telecommunications development and reduction in government regulation.

Looking back over the 40-year period (1974–2014), we see the importance of the 1974 Green Paper as an agenda-setting document. In spite of the 2014 document's claims to a whole of government approach, the 1974 Green Paper was broader in scope, reporting 'on all aspects of rural policy' in recognition that 'although the prosperity of many depend on the health of the primary industries, large and important sections of the rural community are not themselves engaged in farming' (Harris et al. 1974: 3). Insofar as policy advice can be apolitical, the 1974 Green Paper is phrased in much more neutral language than its 2014 counterpart.

As a reforming document, the 1974 paper contained more depth of analysis by the authors and presented specific policy recommendations. The 2014 paper was 'a discussion of possible options proposed by stakeholders for improving the competitiveness of the sector'. In that sense, it was very much more vague and open-ended than government policy statements that have gone before. Apart from an overall tone implying a 'hands-off' approach and continued deregulation and market-based solutions to the challenges facing the sector, it did not provide a clear direction in terms of policy. The subsequent 2015 White Paper provided a stronger sense of policy direction, signalling a continuation of the broad policy direction of the past few decades; that is general deregulation and market-driven policies with exceptions for events such as drought. Future policy development can be expected to follow this broad trajectory.

Liberalisation in agriculture has taken place over nearly half a century and the sector has undergone a concurrent process of restructuring. In its submission to the 2014 Green Paper, the Productivity Commission (2014: 3–4) noted that:

Farm businesses have adjusted to the removal of production restrictions, inefficient marketing arrangements, and other forms of government assistance, the deregulation of marketing arrangements, cyclical fluctuations in input and output prices, and perennial risks such as drought, flood and bushfire.

The impact of liberalisation has been mixed across agricultural sectors. For the traditionally free market oriented industries, such as beef, liberalisation has been advantageous. Others, such as the dairy industry have borne significant adjustment costs as support structures have been dismantled, resulting in farmers leaving the industry. While governments have provided some support to industries facing structural adjustment, the majority of adjustment has occurred autonomously in response to market signals. Overall, the agricultural sector has seen a decrease in the number of farm businesses, concentration of production and a change in enterprise mix. The Productivity Commission (2014: 6) reports that these shifts have resulted in a stronger sector that has had productivity gains on average outperforming the market sector significantly since 1989–90.

Consideration of Australian industry policy is only partial if it ignores government intervention in the agricultural sector and the linkages, particularly in the first 60 years of the Federation, between agricultural policy and broader economic and manufacturing industry policy settings. The fortunes of agriculture have been greatly influenced by government policy objectives with respect to other sectors and the farm sector has not been immune from the deregulatory trends of the past 40 years. Agricultural industry policy in Australia has undergone a transition from a complex web of regulatory programs and

subventions to a situation where the agricultural sector is one the most lightly assisted in the world. Assistance for the farm sector began for some industries at Federation or earlier. This support has taken various forms and has been based in two key rationales: compensation for the impact of support to the manufacturing industries (and, latterly, for the distortions in international agricultural trade); and in response to the perceived special nature of agriculture, both in terms of particular challenges facing farm businesses, and the cultural attachment to farming that has manifested in concern and support for farm incomes. While the first of these rationales is no longer as persuasive, given the reduction in support for manufacturing, the special place of agriculture in the national psyche suggests that this sector will continue to be focus of government attention, particularly in the areas of farmer welfare and land ownership.

Notes

1. Stuart Harris, Sir John Crawford, Professor Fred Gruen and Noel Honan (Director of the Bureau of Agricultural Economics).
2. The author was a policy officer in both the Department of Industry, Technology and Commerce, and the Department of Primary Industries and Energy in the 1980s and was party to discussions in both Departments on this issue.

Disclosure statement

No potential conflict of interest was reported by the author.

Notes on contributor

Linda Botterill is a professor in Australian politics and head of the School of Government and Policy at the University of Canberra.

ORCID

Linda Botterill  <http://orcid.org/0000-0002-6060-5090>

References

- Aitkin, D. 1985. 'Countrymindedness' – the spread of an idea. *Australian Cultural History* 34–41.
- Anderson, K., Lloyd, P. and MacLaren, D. 2007. Distortions to agricultural incentives in Australia since World War II. *Economic Record* 83(263): 461–82.
- Australian Taxation Office. 2015. Taxation statistics 2012–13 fuel schemes: Fuel tax credits scheme – claims paid, by industry, 2006–07 to 2013–14 financial years. Australian Government. URL: <<https://data.gov.au/dataset/taxation-statistics-2012-13/resource/55aae12d-5c19-43d0-a445-4077a20865ba>>. Consulted 11 September 2015.
- Banks, G. 1998. Committing to trade liberalisation in Australia. *Agenda* 5: 147–62.
- Benoit, L. 2014. Abbott to Rocky: Time to get over your 'dam phobia'. *The Morning Bulletin*. URL: <<http://www.themorningbulletin.com.au/news/dam-it-farms-need-water/2417060/>>. Consulted April 2016.
- Berry, H.L., Botterill, L.C., Cockfield, G. and Ding, N. 2016. Identifying and measuring agrarian sentiment in regional Australia. *Agriculture and Human Values*. Early view online. doi:10.1007/s10460-016-9684-5.

- Botterill, L.C. 2003. Uncertain climate: The recent history of drought policy in Australia. *Australian Journal of Politics and History* 49: 61–74.
- Botterill, L.C. 2005. Policy change and network termination: The role of farm groups in agricultural policy making in Australia. *Australian Journal of Political Science* 40: 207–19.
- Botterill, L.C. 2006. Soap operas, cenotaphs and sacred cows: Countrymindedness and rural policy debate in Australia. *Public Policy* 1: 23–36.
- Botterill, L.C. 2008. Rural policy issues. In C. Aulich and R. Wettenhall, eds. *Howard's fourth government*. Sydney: UNSW Press.
- Brennan, G. and Pincus, J. 2002. From the Australian settlement to microeconomic reform: The change in twentieth century policy regimes. *Discussion Paper No. 0213*. Adelaide: Centre for International Economic Studies, Adelaide University. URL: <<http://www.adelaide.edu.au/cies/papers/0213.pdf>>. Consulted August 2015.
- Chifley, J.B. 1946. A rural policy for post-war Australia. *A statement of current policy in relation to Australia's primary industries*. Canberra: Bureau of Agricultural Economics.
- Cockfield, G. and Botterill, L.C. 2006. Rural adjustment schemes: Juggling politics, welfare and markets. *Australian Journal of Public Administration* 65: 70–82.
- Cockfield, G. and Botterill, L.C. 2012. Signs of countrymindedness: A survey of attitudes to rural industries and people. *Australian Journal of Political Science* 47: 609–22.
- Commonwealth of Australia. 1986. *Economic and rural policy*. Canberra: AGPS.
- Commonwealth of Australia. 2014. *Agricultural competitiveness green paper*. Canberra.
- Commonwealth of Australia. 2015a. *Agriculture competitiveness white paper*. Canberra.
- Commonwealth of Australia. 2015b. *Our north, our future: White paper on developing northern Australia*. Canberra.
- Connors, T. 1996. *To speak with one voice*. Canberra: National Farmers' Federation.
- Courtenay, P.P. 1982. *Northern Australia: Patterns and problems of tropical development in an advanced country*. Melbourne: Longman Cheshire.
- Davey, P. 2010. *Ninety not out: The Nationals 1920–2010*. Sydney: UNSW Press.
- Fenna, A. 2016. Shaping comparative advantage: The evolution of trade and industry policy in Australia. *Australian Journal of Political Science*. doi:10.1080/10361146.2016.1239565.
- Grattan, M. 2016. Dairy farmers get \$555 million in concessional loans. *The Conversation* 25 May.
- Grogan, F.O. [1958] 1968. The Australian agricultural council: A successful experiment in commonwealth–state relations. In C.A. Hughes, ed. *Readings in Australian government*. St Lucia: University of Queensland Press.
- Harris, S.F., Crawford, J.G., Gruen, F.H. and Honan, N.D. 1974. *The principles of rural policy in Australia: A discussion paper*. Report to the Prime Minister by a working group. Canberra: AGPS.
- Hilmer, F.G., Rayner, M.R. and Taperell, G.Q. 1993. *National competition policy*. Report by the Independent Committee of Inquiry. Canberra: Australian Government Publishing Service.
- Kenyon, D. and Lee, D. 2006. *The struggle for trade liberalisation in agriculture: Australia and the Cairns Group in the Uruguay Round*. Canberra: Commonwealth of Australia.
- Lewis, J.N. 1972. Institutional change in Australian agriculture. In C.D. Throsby, ed. *Agricultural policy: Selected readings*. Ringwood: Penguin Books.
- Lloyd, A.G. 1970. Some current policy issues. *Australian Journal of Agricultural Economics* 14: 93–106.
- Lloyd, A.G. 1982. Agricultural price policy. In D.B. Williams, ed. *Agriculture in the Australian economy*. Second edn. Sydney: Sydney University Press.
- Lloyd, P. and MacLaren, D. 2013. *Relative assistance to agriculture and manufacturing since federation*. Research Paper Number 1173. Melbourne: University of Melbourne, Department of Economics Working Paper Series.
- Maher, S. and Owens, J. 2011. Get over the dam phobia, Abbott tells opponents. *The Australian*.
- Mauldon, R. 1990. Price policy. In D.B. Williams, ed. *Agriculture in the Australian economy*. Third edn. Sydney: Sydney University Press.
- McEwen, J. 1959. Government policy and attitude to the future of Australian agriculture. *Journal of the Australian Institute of Agricultural Science* 25: 251–57.

- McKay, D.H. 1972. Stabilization in Australian agriculture. In C.D. Throsby, ed. *Agricultural policy: Selected readings*. Ringwood: Penguin Books.
- Miller, G. and Stoeckel, A. 1982. Agriculture in the economy. In D.B. Williams, ed. *Agriculture in the Australian economy*. Second edn. Sydney: University of Sydney Press.
- National Competition Council. 1998. *Compendium of national competition policy agreements*. Second edn. Canberra: Commonwealth of Australia. URL: <<http://ncp.ncc.gov.au/docs/PIAg-001.pdf>>. Consulted May 2015.
- National Farmers Federation. 1981. *Farm focus: The 80's*. Canberra: NFF.
- Productivity Commission. 2009. *Government drought support: Productivity Commission inquiry report*. Canberra.
- Productivity Commission. 2011. *Rural research and development corporations*. Report No. 52, Final Inquiry Report. Canberra: Commonwealth of Australia.
- Productivity Commission. 2014. *Submission to the agricultural competitiveness taskforce*. Canberra: Commonwealth of Australia.
- Productivity Commission. 2016. *Regulation of Australian agriculture: Draft report*. Canberra.
- Richardson, B. 2001. The politics and economics of wool marketing, 1950–2000. *The Australian Journal of Agricultural and Resource Economics* 45(1): 95–115.
- Shann, E. 1930. *An economic history of Australia*. London: Cambridge University Press.
- Skogstad, G. 1998. Ideas, paradigms and institutions: Agricultural exceptionalism in the European Union and the United States. *Governance* 11: 463–90.
- Throsby, C.D. 1972. *Agricultural policy: Selected readings*. Ringwood: Penguin Books.
- Warhurst, J. 1982. The Industries Assistance Commission and the making of primary industry policy. *Australian Journal of Public Administration* 41: 15–32.

Copyright of Australian Journal of Political Science is the property of Routledge and its content may not be copied or emailed to multiple sites or posted to a listserv without the copyright holder's express written permission. However, users may print, download, or email articles for individual use.