

# “BLOODY DISHONEST”

That's how the Australians feel about international farm subsidies. As one of the few nations that do without, they ought to know.

BY ERIC HOFFMAN

**W**e are reliant on America. In some ways we are the 51st state, but the government of the United States is stabbing us in the back," says Neil Garnett, the 36-year-old owner of prestigious Collinsville where the lion's share of Australia's top merino stud rams are housed. Garnett, whose spread is two hours from Adelaide in South Australia, is perhaps the most influential sheepman in Australia and is recognized as an articulate agricultural leader. At 36, the self-

made advocate of free enterprise purchased Collinsville for a reported \$A16 million and now can boast that over 40 percent of all the merino sheep in Australia are beholden to his bloodlines.

Garnett, who talks candidly about practically everything, is visibly agitated with both his government's and the U.S. government's economic policies. He claims both governments impede his ability to do business. "The politicians have forgotten what the word profit means, how to encourage profitmaking, and how to encourage people to work for a profit," he says, with the farm sector

foremost in his mind. "It's discouraging. Revolutions have started over less." Garnett's views were in reference to the controversial Australian fringe-benefits tax, which effectively eliminates tax write-offs for housing laborers and closes many loopholes traditionally available to farmers. In the same breath Garnett is also angry about how the United States has flooded Australian grain markets in the Middle East with subsidized grains. "The U.S. action defeats the very notion of free enterprise."

If Garnett's words seem a bit troublesome, consider those of his chief competitor, George Hawker, who owns

Bungaree, an equally immense and prestigious sheep and grain enterprise only a few miles away. Throughout the state of South Australia, Hawker's family is synonymous with Australian history and agriculture. In fact, the cut-stone buildings, which are still in use after 140 years, double as tourist stops. The Hawkers settled the land in 1841 and run one of the most economically sound agricultural enterprises in the state.

At 38, the 6-foot-5-inch Hawker cuts the stereotypical figure of a rural Australian. He is as personable as he is outspoken and sums up Australia's

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current farm export plight in the rough-and-tumble international market with a combination of cynicism and humor. He finds it ironic that Australians, who actually practice free enterprise and don't receive government support, must compete in a market where, he says, farmers in the European Economic Community operate with 160 percent subsidies and where the U.S. farmer is 100 percent subsidized. "Free enterprise is something the United States and Europe are known for, but when it comes to the agricultural marketplace, we're just about the only ones practicing it."

With respect to this secondary line in grain crops, Hawker says, "Mr. Gorbachev has done more for me than Mr. Reagan. I don't enjoy saying it, but it's true." Hawker's sentiment was later reiterated by Garnett in a separate interview. After selling some of his prized sheep to the Soviets, Garnett was invited to the Soviet Union where he was the guest of the Soviet minister of agriculture. "I went expecting to see a messy farm situation," Garnett says. "I came back impressed with the sincerity of the Soviet effort and people. Gorbachev is offering incentives, and there's quite an impressive effort under way. I can see him gaining the initiative over the West."

Hawker, like Garnett, has little faith in the Australian government's ability to change the farmer's plight. "Even though the nation relies on the agricultural sector, which accounts for 40 percent of our exports, we're a minority voting block," Hawker points out. "City blokes have the voting power in this country. That's partly why the secondary industries, which includes farm equipment, are protected from international competition with tariffs and we aren't. We're bled both bloody ways. We have to pay more for equipment to prop up secondary industries, and then we're expected to survive internationally on our own." Hawker then grins, "If our sheep were as good at making money as our government is at making public servants, we'd all have no bloody worries. Something has got to give."

Nearly giving away their sheep is the reality facing many of Australia's sheep farmers. In a sheep auction in Port Lincoln in South Australia, healthy animals sold for as low as 20 cents per animal (that's 14 cents in U.S. currency) and the day's high was \$A2.50 per animal. One farmer lamented, somewhat philosophically, "It cost me more to drive my animals to market than what I got for 'em. On the other hand, if I end up losing my place, I can't starve to death. I can always afford mutton at these prices."

Ironically, though, sheep are one of the bright spots in the Australian farm picture, primarily because Australia has outdistanced all other nations in wool production. And the problems sheepmen face are largely self-correcting. For Clyde Haddane, owner of a 20,000-acre sheep operation in Port Lincoln, the problem is too many sheep, 160 million to

be exact. "If there were 40 million less sheep," Haddane argues, "the market would be stronger for those who survived."

In Adelaide, a large metropolitan city and the hub of the state of South Australia, Denys Slys sits behind a large desk piled high with stacks of mail from farmers throughout South Australia. Slys is the assistant general secretary of the United Farmers and Stockowners of South Australia. He directs lobbying activities for farmers from South Australia (a state roughly two and one-half times the size of California) in Canberra, the nation's capital. Slys doesn't project

Australia's Australian Wheat Board, was next on my rounds. The Australian Wheat Board, which Lyons represents, wields tremendous power in the international market as the sole negotiator in overseas contracts for all Australian wheat. Streamlined for efficiency, the board buys wheat from farmers at an agreed-upon price and markets all the nation's exportable wheat each year after domestic needs have been met. The Australian government underwrites the board's purchase of grain and guarantees a minimum to the farmer should the world price plummet. (This is the closest Australians come to subsidi-

the third-largest wheat exporter in the world for most of this decade. Just how severe the crunch will be on the Australian farmer will depend on the rate and price at which U.S. and EEC wheat is dispersed. For the Aussies there are no subsidies to cushion the blow.

A quick look at demographics explains why Australians must operate without subsidies, regardless of philosophical leanings. In comparison to the United States with its population of 230 million, Australia is sparsely populated, with a mere 15 million people in a land space the size of the United States (excluding Alaska). Australia's domestic market is small, and even if Australians were favorably disposed to farm subsidies, a tax base of 15 million citizens cannot compete with the tax dollars generated by taxpayers in the United States and Europe, where tax dollars essentially subsidize farm communities.

As a result, Australian farmers must operate in a free-enterprise zone. And though their system is reeling under a rapidly destabilizing international agricultural marketplace, Australia's history, methods, and attitudes merit scrutiny by anyone seriously considering solutions to worldwide agricultural woes.

Put in a historical perspective, the Australian agricultural effort is nothing short of miraculous. Australia is the driest continent in the world. Its biggest river system, the Murray-Darling, is estimated to have an annual flow of 22,000 million cubic meters compared to the Mississippi's 593,000 million. The Murray takes a year to discharge what the Mississippi empties into the ocean in nine days. The difference is clearly evident on land. One-third of Australia is classified as desert. Despite the unfavorable climate and rather poor soils, in addition to problems of isolation and distance from markets, Australia has evolved from a place with no agriculture to a leading agricultural-exporting nation in only 190 years.

Necessity is often the mother of innovation. As a response to the harsh setting they found themselves in, Australians led the rest of the world in many areas of rural technique. According to a brochure from the Australian government, such innovations as Ridley's machine for stripping wheat, dryland wheat varieties that are extremely drought resistant, combine harvesters, and economical methods to better marginal grazing and growing lands came from Australia.

Today, Australia is the world's largest exporter of wool, the largest exporter by quantity (and the second largest by value) of meat, and the third-largest exporter of wheat. In fact, the country has established top status in the world marketplace with far less to work from than many of the nations it competes against.

Though agricultural leaders are understandably reserved or pessimistic about Australia's ability to deal with the likes of the United States and EEC in the immediate future, they seem steadfastly optimistic about the efficiency and high standards of Aus-

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Neil Garnett and some of his prize-winning merino rams.

the friendliness of Garnett or Hawker and remains solemnly blunt when asked about how Australian farmers survive without farm subsidies and what would best help their plight. "Tell your government to stay out of our markets" is his no-smiles reply.

Slys explains his frustration by reading from a telex he'd just received. It seems that Australian Prime Minister Hawke's visit to the United States to garner assurances that the United States would not cut deals with Australia's traditional trading partners had failed. The assurances that Hawke claimed suddenly evaporated just two weeks after his U.S. visit when the United States used its bonus-incentive commodity-export program to allocate 500,000 tons of barley for Saudi Arabia. The EEC then followed suit with 432,000 tons of government-subsidized barley to the Saudis for \$58 per ton. Before the U.S. and EEC actions, Australia had supplied about 2.2 million tons of barley a year to Saudi Arabia at a price of \$85 a ton.

With the profit margin in Australia already paper-thin, the latest news from overseas would spell disaster for the marginal farmers who are farthest away from port facilities, or those close to their debt limit. The rest would hang on, but those forced to borrow would be confronted with 18-22 percent interest rates.

Ken Lyons, the manager of South

dies.) In 1985 the Australian Wheat Board negotiated 14.5 million metric tons in foreign sales on behalf of Australian farmers.

Lyons, who manages one of the six Australian states participating in the board (the seventh member, the Northern Territory, is not a state), proved to be more analytical but not appreciably more optimistic about what lies ahead in the short run for Australia's nonsubsidized wheat farmer. Says Lyons, "The new U.S. farm bill appears to offer us little in the way of relief, but it can be viewed as the first move on the part of the U.S. government towards restoring the balance. It aims at gradually exposing U.S. farmers to real-world prices and reducing what are now 50-million-ton stocks through increased exports and controlled production."

Lyons then sighs and talks of what it means for those he represents: "For Australian farmers struggling against mounting debts and rising costs, further lowering of returns will mean that wheat growing is no longer a viable enterprise for some of them. The irony that U.S. farmers will perhaps suffer the most under the bill as production subsidies are gradually lowered is cold comfort.

"No longer a viable enterprise" will doubtlessly reverberate through the Australian agricultural community and beyond since Australia has been

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australian agriculture and feel they can compete head to head with anyone in their chosen areas, provided these competitors aren't subsidized either. George Hawker says, "We can't afford to be fat, lazy, or stupid. We either adapt to the times or die. This is a given. We all know it and accept it. We know there is nobody looking after us, so we constantly look for ways to do things better, more efficiently, more cooperatively, or by doing whatever it takes."

For Hawker this has meant a multi-

faceted approach and a commitment to improvement. He sees agriculture as a continuum that requires adjustment and adaptation in order to survive. He talks of the challenges during his grandfather's days in the 1840s as if they had occurred yesterday. He also spends a lot of time positioning for the future. "When my great-grandfather squatted on this 100,000-acre tract, he brought along 2000 Saxon-Spanish merino crosses that yielded about 4 pounds per head," Hawker recounts. "In the 1860s he introduced English Leicester into the bloodline, which led to our Bungaree line, which initially yielded about 10

pounds per head. From there it's been continual fine-tuning. We bred most of the skin folds off the animal to make for cleaner shearing. We've worked at making a tough, drought-resistant animal with just about the highest natural fertility in the world. Even in drought conditions we can get fleeces ranging from 15 to 30 pounds. We've had record yields of nearly 50 pounds from a single animal."

Such top-quality merinos are considered so critical to Australian agriculture that the Australian government has severely limited the number of animals that can be exported.

Staying on top of the wool business

is something Hawker and Garnett are committed to. Hawker's latest project involves 2000 ewes he's set aside to study wool quality with scientists from the University of Adelaide. Says Hawker, "We think we have the best wool in the world for our kind of animal, but we'd like to learn a bit more. We're identifying animals that reliably produce lambs whose wool measures between 22 and 23 microns so we can better understand fiber genetics." Garnett has just introduced an innovative marketing design for top ram semen that could drastically change the quality of sheep throughout Australia. "What we're offering is semen from the best animals at affordable prices that could upgrade the entire industry in a very short time."

Hawker seems proudest of subtle changes he's created in his 50,000 acres of nonirrigated pastures around his primary compound. After seeding a series of legumes and drought-resistant, high-protein grasses by air, he was able to raise the level of nitrogen in the soil and the quality of forage to higher stocking rates. "I can run 3-4 sheep per acre when my neighbors can only run 2-3," he observes.

Hawker acknowledges that inexpensive land combined with intelligent husbandry led to Australia's becoming the world's premier wool producer. However, a 300 percent increase in labor costs since 1970, rising fuel costs, strong shearers and wharf unions, more expensive fertilizers, a tariff-protected farm machinery industry, and high interest rates have trimmed the profit margin considerably in recent years. But, Hawker adds, "I'm confident nobody is more efficient at producing our quality and volume. I can run my whole operation with only 15 people."

In the end, efficiency and quality are what Australian Wheat Board representative Ken Lyons feels will pull through the bulk of the farmers he represents. "We're acknowledged throughout the world for the quality of our grain," the lobbyist asserts. "We feel it is second to nobody's in reliable standards. As long as our banks provide support and costs are contained, our farmers will weather the next few seasons, as they have droughts and economic troughs in the past. Even now we remain competitive with heavily subsidized producers in Europe and the United States."

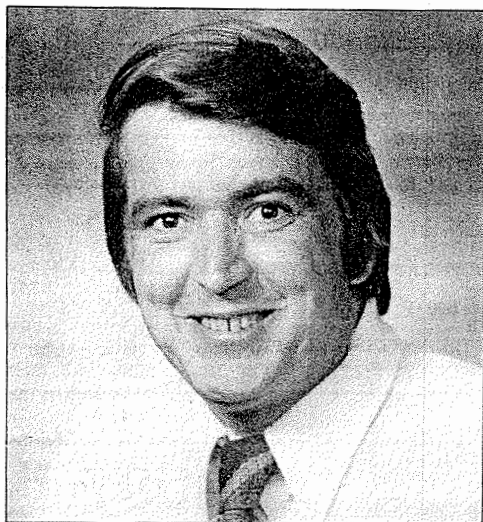
In the long term, the value of the rural producer's property is often the most important indicator of relative prosperity, and for the most part this property has appreciated, though in Western Australia's grain belt property values have dropped as much as 20 percent in the past two years.

George Hawker may have the most pragmatic philosophy. "As far as wheat's concerned, the weather may control the cards in the end. If we get a good crop and the Northern Hemisphere gets a bad crop, then we're in the driver's seat, even with all the bloody dishonest subsidies that corrupt the international commodity process. Uncertainty is a big part of farming." ■

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CALIFORNIA FARMER

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