

Free trade pushes Australian economy into a free fall

by Marcia Merry

Australia has long been lauded as the showpiece example of the non-subsidized, low-cost agriculture that elite Anglo-American financial interests are demanding for all 100 member nations of the General Agreement on Tariffs and Trade. In fact, Australia hosted the meeting of GATT food-exporting nations to form the Cairns Group, to lobby for ending farm subsidies through the GATT. The Anglo-American power bloc has relied on the Canberra government to help enforce their imperial bidding.

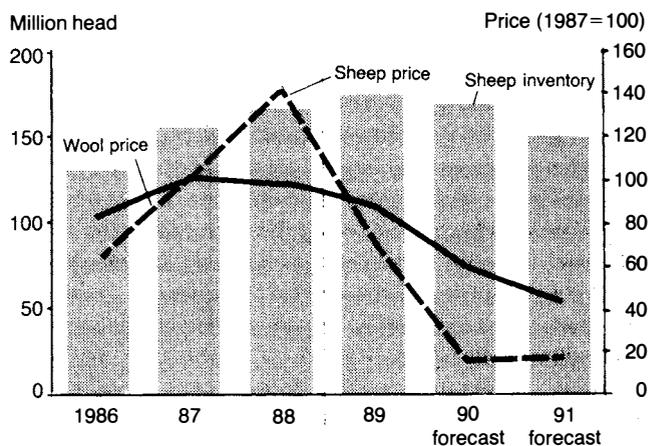
However, the catastrophe now unfolding in the Australian economy shows the inevitable consequences of years of free trade policies. Australia stands as an example of why *not* to have free trade.

The Australian farm crisis is "the worst for a century," according to John Allwright, outgoing president of the National Farmers Federation. Speaking at the May NFF conference, he said the situation was worse than the 1982 drought, the Great Depression, and comparable only to crisis times in the 1890s. "You drive through country towns and all you see are service stations and small businesses closed." He scored government policies for causing record levels of business bankruptcies. "How many bankrupt farmers do we need to prove the present situation is like the 1890s? Many people will be hurt and some will be forced from their farm. It is simply heartbreaking to watch years of work, sometimes generations of enterprise, crumble around you."

The immediate cause for crisis is the plunge in prices for wool, sheep, and wheat—the leading Australian export commodities. Wool prices are down 50% from last year; wheat prices have dropped 50% from earlier in the 1980s; sheep prices are so low that it doesn't pay to haul the animals to market.

Over the past 25 years, the Australian economy was warped into fitting the role of a raw food and fiber commodities-producing region, and away from a path of industrial, agricultural, and infrastructure-based economic growth. International flows of trade in staples have been dominated by the small cartel of world food and commodities companies, which have intervened to prevent the development of output potential. Now, farmers in the few regions of the world with an immediate capability to produce surplus food for consumption wherever needed, are being ruined, while millions go hungry in Africa, Ibero-America, and other regions where

FIGURE 1
Sheep and wool prices plunge



Source: U.S. Department of Agriculture

output potential has been systematically suppressed.

If the "fighting mad" mood of Australian farmers extends throughout the general citizenry of the country, and fouls up the works for GATT and other free trade swindles, then there is hope that the "new world order" of free trade and misery will crumble and be replaced by genuine economic growth and development.

Government program: Kill the sheep

Figure 1 shows the dire situation with sheep and wool. Since last year, wool prices have plunged by 50%. Since Australia accounts for 60% of the world market in fine wool, this drop has also had ripple effects throughout the other main producing regions—South Africa, New Zealand, Argentina, and Uruguay.

The government's response has been to charge that there is too much wool, and to invoke the mythology of "supply and demand" to declare that farm prices will increase if there is a sheep kill-off. On Feb. 11 this year, the Australian wool Reserve Price Scheme was suspended, after being in effect for 17 years, and serving as the wool floor price. A flock

reduction program was ordered by the Australian Wool Corporation, the agency that has administered the RPS. The plan calls for the sheep flock to be reduced by 20 million head, or about 12%, in 12 months.

Under the kill-off plan, graziers are to receive Aus\$1.80 per head, as the inducement to kill off the sheep. Since mutton prices dropped from Aus\$0.28 per kilogram in 1989-90 to Aus\$0.06 in 1990-91, producers cannot even afford to ship the animals to slaughterhouses. So far, 80% of the animals killed have been dumped into carcass pits on the ranch or elsewhere in the community. Financing for the kill-off is coming from the farmer-funded Wool Board's Market Support Fund, which collects compulsory levies from producers.

As of May, more than 840,000 of the 2.8 million sheep registered under the scheme have been certified killed. Continuation of the program will kill off farmers. Growers estimate that half of the wool producers in Australia will be bankrupted if the wool levy and low wool prices continue.

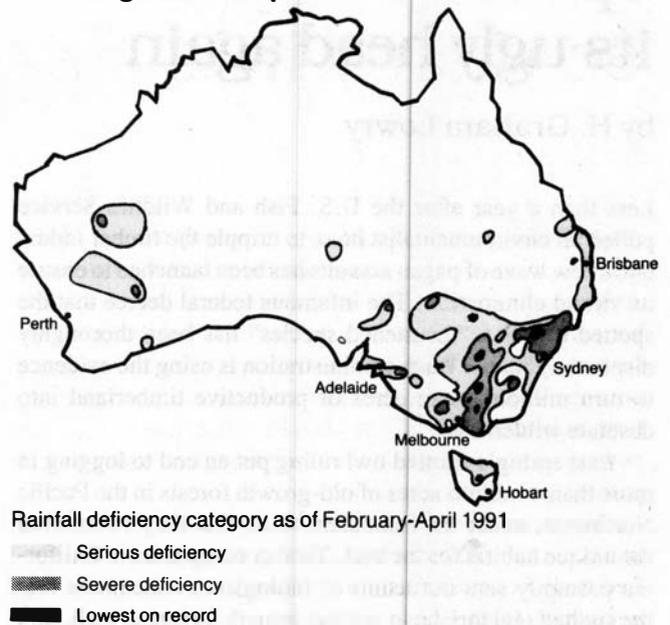
In addition to dismantling the RPS and Wool Corporation operations nominally intended to protect farmers, the government has established two new statutory agencies—the Wool Realization Commission and the Wool Research and Development Corporation—to cash in on liquidating unsold wool assets of the ruined Australian Wool Corporation. John Kerin, Minister for Primary Industries, has announced a seven-year plan for the new entities to liquidate the AWC wool stockpile, amounting to 4.7 millions bales, and to use the proceeds to reduce AWC debt, which is about \$2.88 billion.

Kerin has imperiously ignored the obvious point that the government wool "rescue" plan is really a commodities grab. Ian Murphy, who operates one of the largest sheep stations in Australia, said, "The so-called wool rescue package is really a blueprint for monopolist control and eventual total acquisition of the Australian wool clip." Kerin counters that an "independent body" is needed to deal with debt and the wool stockpile through "commercial" channels.

The wheat situation is in similar crisis. Wheatgrowers worldwide have been systematically underpaid for their output by the grain cartel companies—Cargill, Continental, Louis Dreyfus, Bunge, André/Garnac, ADM/Toepfer, and a few others. Farmers have been getting less than \$2.40 a bushel, when their cost to produce is double that, and a fair return means they should receive over \$7. Over the last year, the rationalization for rigging this low price was that there is a wheat "glut"—the coordinated line put out by the cartel interests, through the U.S. Department of Agriculture, the Brussels bureaucracy of the European Community, the GATT, and the U.N. Food and Agriculture Organization (FAO).

Figures released on May 10 by the National Farmers Federation show that most farmers' incomes are expected to fall by 67% this year to Aus\$20,614. Wheat farmers are expected to earn only Aus\$3,875 in 1991. Those without an off-farm income have been plunged into disaster.

FIGURE 2
Rainfall deficiencies hit farm regions already suffering from low prices



Source: *Australian*, May 11, 1991

For a third of wheatgrowers, financing for this year's planting has been all but impossible. June is the seeding time, and protest actions are occurring almost daily. In New South Wales, farmers took the state agriculture minister on a tour, ushered him into a shed, locked him in, and buried the shed in wheat for a couple hours to show him the meaning of the government's lies about surpluses. In one locality, seven farmers committed suicide this year.

The government's response to date has been to encourage farmers to apply for welfare. On April 17, when funding to the Rural Adjustment Scheme was increased by Aus\$100 million to Aus\$164 million, Minister Kerin urged farmers to apply as hardship cases under the Social Security Act.

Overall, the May rise in unemployment was the highest monthly rise on record—9.9%, with a total of 844,000 listed officially as out of work. These figures are known to be an understatement, and analysts predict that the official unemployment rate will soon top 12%.

And then, the drought

In this context, the drought is creating a catastrophe. The map (Figure 2) shows the extent of the rainfall deficiency. Almost no rain fell in the autumn—March, April, May—in the main grain growing regions. The subsoil moisture for seeding the winter wheat is thus not there. Pre-winter pasture growth was stunted, and graziers are forced to slaughter livestock because they cannot afford to hand-feed the animals.