

THE WHEAT-GROWING INDUSTRY.

Parlous Position of Farmers.

[By E. J. CRAIGIE, M.P.]

The parlous position of wheat growers is at present causing much concern. Recently there was a procession of farmers through the main street of the city, followed by an interview with the Premier. The main request of the deputation was that the Government might give its support to the Wilson-Uphill Equalisation Scheme. In view of the publicity given to the unfortunate position of so many of our farmers, it is desirable that consideration be given to the cause of their trouble, and, what is more important, the remedy necessary to place the wheat growing industry on a sound economic basis. It is a well-known fact that hundreds of farmers have been compelled to leave their holdings after giving from 20 to 30 years of the best part of their lives in an effort to win a living from the soil. It is also well known that many more will be forced to leave in the near future, whilst many, even in better class rainfall areas, are in a parlous financial position.

The Cause of the Trouble

What are the reasons for the present position of the wheat-growing industry? They may be summed up under seven headings, viz:—

- (1) Artificially high prices paid for land.
- (2) High cost of production because of our tariff policy.
- (3) High transport costs.
- (4) Excessive interest charges.
- (5) Abnormally high taxation.
- (6) Low price for wheat.
- (7) Loss of overseas markets.

Dealing with these causes in the order mentioned, the question of high prices of land comes first. During the period of peak prices for wheat land values soared to a very high level; in one case on Yorke's Peninsula to nearly £30 per acre, a ridiculous price for wheat land. In connection with many of the sales effected at the high prices a deposit only was paid, the balance of the purchase money remaining on mortgage. So long as the price of wheat was high and crops good the farmers were able to meet their obligations, but with bad seasonal conditions and low prices for primary produce they were unable to do so. The result was that many farmers lost their land to the mortgagee, and in some cases they also had to surrender other farming lands which were in their possession prior to buying the additional farm at the aforementioned high prices. We are not unmindful of the fact that this position did not apply in all the farming districts, but even on the West Coast land speculators were able to levy tribute on the legitimate farmer.

High Cost of Production

An important factor in causing disaster to the wheat industry is the increased cost of production, due to the high tariff policy of Australia. We have repeatedly stressed this fact, but so long as the farmers were enjoying good seasons and high prices they did not realise the insidious burden that was being placed upon them, consequently did not enter any protest against the protectionist policy. It was only when bad seasons and low prices came upon them that they realised the injustice of the tariff policy. Unfortunately,

instead of working to remove the CAUSE of their trouble, the farmers sought to come within the vicious circle, and action along that line is sure to prove abortive.

Let us examine the position of the wheat grower today as compared with 1913. In 1913 the price of wheat at main shipping ports was 3/9 per bushel. At the time of writing this article it is 2/1. The best way to indicate the evil of the tariff is to show what share of their produce farmers have to give today to secure their requirements as compared with what they gave in 1913. We will take some of the main items necessary in connection with the developmental work on a farm. In 1913 it was necessary for a farmer to give 208 bushels of wheat to get a six-foot binder. Today he has to give 806 bushels to secure a similar machine. In 1913, 100 bushels of wheat would buy a ton of galvanized iron, today no less than 326 bushels are necessary to secure it. One ton of black fencing wire, No. 10, could be obtained in 1913 for 58 bushels of wheat, whereas today 163 bushels are required to buy it. One ton of wire netting could be obtained for 104 bushels in 1913, but 398 bushels must be given today. In connection with barbed wire, 74 bushels bought one ton in 1913, but 244 bushels are necessary to get it today. We could go on multiplying examples in regard to other farm implements and parts, but those given will be sufficient to show the unfair position the wheat growers are placed in when disposing of their wheat in exchange for other commodities which they require. It must be borne in mind that this applies not only to their implements and fencing material, but they are fleeced in a similar manner when buying clothes, foodstuffs and other needs. We have frequently directed attention to the fact that wheat growers sell the produce of their labor in the world's market, but are compelled to buy their requirements in a protected and restricted market and pay artificially high prices for them. Is it to be wondered at that many are insolvent while such an unjust policy is allowed to operate?

High Transport Costs

Another injustice is the high transport costs which have to be borne by the wheat growers in common with other sections of the community. Take railway freight first. The construction of a railway adds value to land, not only in the rural areas, but also to land in the metropolitan area, because most of our railways converge there. Instead of this added value being taken to defray the cost of railway construction, it is allowed to flow into private pockets. The result is that users of our railways not only have to pay the cost of the service rendered by the department in carrying their goods, but they are also compelled to pay the interest on the capital cost. Manifestly this is wrong and an injustice, particularly to those on the long railway runs. If the interest payments were made a charge on land values, which arise because of railway construction, freights and fares could be reduced by one-third, giving great benefit to country producers. Under the existing railway policy the country people pay the freight on the produce they send to the city or seaboard; they also pay on the goods sent from the city

to them. They pay freight both ways, hence carry an unfair share of the railway interest bill. Under a land-values policy the metropolitan landholders, who receive great benefit in land values from railway construction, would pay their fair share to the interest bill, whereas now they escape payment. With freights reduced by one-third the man furthest outback would receive a great benefit under such a policy. His land value being low he would pay little to the interest account, whereas a reduction of 33 per cent. in freights would give him great relief. In many places such a reduction would mean an additional 1½d. per bushel on the price of wheat, and additional savings would be made in the freight on super., cornsacks, machinery and general requirements.

Another factor in connection with high transport costs is the tariff taxes on railway requirements. Some time ago we made an investigation, and we found that in four years the department had paid £601,000 customs duties on new machinery and rolling stock during that period. This was additional to the amount of tax levied on every day railway requirements. The payment of this £601,000 customs duty had the effect of adding over £30,000 a year to the railway interest bill. Is it any wonder rail freights are high when such a penalty is placed upon railway necessities?

Excessive Interest Charges

The chief complaint made by wheat growers relates to the interest burden. How does this arise? In the first place, as we have previously shown, a large sum is payable on mortgage. Strictly speaking this payment is not interest, but RENT. Then there is interest to be paid on hire purchase machinery, and the tariff is an important factor here. A plant that cost the Australian farmer £1,000 can be purchased by the Canadian wheat grower for less than £500. It will thus be seen that interest on this additional £500 has to be paid merely because of our protectionist policy. How many farmers realise this aspect of the interest question?

Abnormally High Taxation

The unjust taxation policies of the Federal and State Governments are responsible for the exploitation of all wealth producers. Revenue is collected by taxation imposed by means of customs and excise duties, sales tax, motor taxes, stamp duties, succession duties and income tax. Last year in South Australia total taxation took 48 per cent. of production. The present position is that if farmers have good crops and high prices for their produce, so much is taken in taxation that they are unable to set aside a reserve to carry them through the lean years. The result is that with unfavorable conditions the wheat growers are compelled to seek assistance to carry on, and ultimately become financially embarrassed through inability to meet their commitments. If producers were allowed to retain the result of their labor in the good years, they would not need to seek assistance when seasons were unfavorable and wheat prices low.

Low Price for Wheat

At present the world price for wheat is very low, and many schemes are being suggested to overcome the trouble. It must not be forgotten that Australian wheat plays a very small part in the world's total production. Our average production over a 10 years' period was 164,000,000 bushels, which represents only 3.68 per cent. of total production.

When this fact is realised by wheat growers they will see that our contribution is relatively small.

The price of wheat is determined by the operation of the law of supply and demand. Well-meaning people may attempt to override this law, but sooner or later all such attempts must fail and prove costly to the community. The reason for the present low price is the fact that the supply available is in excess of the effective demand. Really there is no "over-production" of wheat in the world. The trouble is "under-consumption" through lack of buying power. Millions of people would consume more wheat and wheat products than they do today, but the taxing systems of all countries have taken so much of their earnings that they are unable to satisfy their desires in this regard. Millions of other people are denied the right of employing their labor, hence have nothing to exchange for the wheat and wheat products they need. It is not surprising that under such a policy the price of wheat is low.

Many countries have tried to assist their wheat growers by guaranteed prices, marketing control, and equalisation schemes; but all have proved failures. Canada and the United States provide striking examples of such attempts to override the natural law; notwithstanding that these experiments have cost the taxpayers of those countries millions of pounds, the wheat-growing industry is still in a bad way, and Government assistance is still being asked for. One would imagine that Australia would profit by the unfortunate experience of other countries and seek a more rational way out of the trouble. Such, however is not the case. We find our wheat growers, no doubt rendered desperate by their unfortunate position, giving support to schemes that are worse than useless.

Canada as an Example

Canada, perhaps more than any other country, has endeavored to find a stable basis for wheat growing and marketing, and several Royal Commissions have reported on the results of the various proposals. The latest report is by the Hon. W. F. A. Turgeon, of Regina, Saskatchewan, who on June 27, 1936, was appointed a Commissioner to report on the subject of "the production, buying, selling, holding, storing, transporting and exporting of Canadian grain and grain products." The Report of this Commission is just to hand from Canada, and contains some very illuminating facts.

Apparently the farmers of Canada have been badly hit by the depression, as the report shows that the relief granted throughout the Dominion amounted to \$291,800,186. It is stated that for the Prairie Provinces the above figures do not include food and fodder relief, 1936-37 and 1937-38, and direct relief, 1937-38, administered by the Department of Agriculture. These extra amounts total another \$243,351,104. The direct relief, 1937-38, in the Prairie, by the Department of Agriculture, amounted to \$20,727,912. It will thus be seen that a considerable amount of relief has been given in Canada.

The Financial Position of the Farmers

Notwithstanding the fact that pooling and stabilization have been adopted over a long period of years, the report shows that wheat growers are in a serious financial position. To assist the farmers in the hour of trial, a Farmers' Creditors Arrangement Act was passed, and the following

table summarises the work of this Act, in force in the Prairie Provinces since September 1, 1934.

	Manitoba	Saskatchewan	Alberta
Number of Applications for adjustment	3,596	6,454	4,714
Number of cases adjusted	2,610	4,383	2,458
Total debt of cases considered	\$18,542,819	\$37,944,486	\$21,097,400
Total amount of reduction	\$7,879,589	\$13,433,867	\$8,125,850

The above table indicates that in the three Prairie Provinces, 14,764 farmers took advantage of the Act for a reduction of debts. At the time of the publication of the report, 9,451 cases had been considered, the total indebtedness being \$77,584,705, an average debt of \$8,314 dollars for each farmer. The total debt reduction was \$29,439,306, approximating £6,000,000. Although this amount was written off the farmers' debts, it must not be overlooked that some one suffered loss to this extent.

The United States had a somewhat similar experience in its effort to assist the wheat grower by palliative means, and Mr. B. W. Burger, in an illuminating article on "Fixing the Price of Wheat," states: "It has just cost the American people some \$184,000,000 to learn two simple economic truths, first, that you cannot fix the domestic price of any commodity which is produced by the whole world; secondly, that the law of supply and demand is still working." It is to be hoped Australian taxpayers will be spared the great expense associated with efforts to artificially fix the price of wheat here.

The Wilson-Uphill Scheme

Foremost among the palliatives proposed is the Wilson-Uphill Equalisation Scheme. This proposes to equalise the price of wheat at 3/8 per bushel at main shipping ports. The Federal Government is to be asked to implement this scheme, and to make a yearly contribution of 3d. per bushel subsidy. On the average crop this means a payment from the Federal Treasury of £2,050,000 annually, which will have to be raised by taxation, and the wheat growers, with others, will carry their share of this extra tax. When the price of wheat is in excess of 3/8 per bushel, the farmers must place one half of the surplus over the 3/8 in the Equalisation Fund, and one can imagine how pleased the wheat growers will be to do that.

The price of wheat today at main shipping ports is 2/1 per bushel. The outlook for the next season's price is not bright, in view of the stocks held throughout the world. Assuming that next year's price is 2/5 per bushel, that means the Equalisation Fund, will, with the 3d. subsidy from the Treasury, have to provide 1/3 per bushel, or a sum of £10,250,000. Of this amount £2,050,000 will come from the 3d. per bushel Federal contribution, but from where will the remaining £8,200,000 be obtained? The proposal is that the amount shall be borrowed, and repaid when the price of wheat exceeds 3/8 per bushel. Assuming this is done, and the money is borrowed at four per cent., the interest charge would be £328,000. It must be borne in mind that the loan of £8,200,000 is to pay the equalised price for ONE YEAR ONLY. If the price does not reach 3/8 in the following year there will have to be further borrowing by the fund, and that first year's interest will have to be carried on and additions made to it every year the equalised price is not

reached. It is difficult to understand why farmers should march in procession and urge the adoption of such an unsound scheme.

The Bounty System

The Federal Government has granted temporary assistance to the wheat industry by means of a bounty. This is paid from the proceeds of a flour tax. The bounty is paid on a bushel basis, and in addition there is a hardship payment on the acreage basis to all whose crop did not exceed three bushels to the acre. Paying on the bushel basis means giving the greatest financial assistance to the growers who had the heaviest crops, and consequently should be least in need of help. On the other hand it has been found that when the acreage was the basis of payment a number of farmers ran the drills over a large area of land with little seed or super in the machine, consequently were known as "bounty farmers." It will thus be seen there are sure to be anomalies under any scheme of bounty payment.

The Government was strongly condemned for the imposition of the flour tax. Such a tax presses with great severity upon the man with the biggest family. At best all bounty schemes merely take from one section of the community to help another, but do not deal with the cause of the trouble.

The Guaranteed Price

Another section of wheat growers are demanding 4/- per bushel at country sidings. They appear to imagine that money grows on trees, or that it is only necessary to wave a magic wand and the money is available for distribution. Apparently they are unaware of the fact that all such payments involve either increased taxation or currency inflation, and, if adopted, would have dangerous repercussions.

Loss of Markets

It is surprising that it is not realised all such schemes fail to go to the root of the trouble, therefore cannot prove of permanent benefit to the industry it is desired to help. It is pertinent to ask whether equalisation schemes, guaranteed prices, or any form of marketing control do anything to lower the cost of production, or to restore the overseas markets which have been lost to us by reason of our high protectionist policy? Those conversant with economic principles know that none of the palliatives suggested touch these vital matters; and until they are dealt with there is little hope of the wheat industry being placed upon a sound basis. We have already shown how the tariff increases production costs, and it will be interesting also to note its effect upon our overseas markets. In 1929 the Scullin Government imposed a high tariff, and the present Government has not varied it to any great extent. Heavy duties were imposed against what are known as foreign countries, and the effect was to prevent their goods entering Australia on equal terms with British goods. Politicians evidently overlooked the fact that people can only sell where they buy. If we desire to sell wheat or any other product to a Continental country, we must take in exchange some commodity produced by the people in that country. There is no other way whereby payment can be made. We cannot be paid in MONEY, as the currencies of those countries are not legal tender here. Consequently if we refuse to take their goods they cannot buy our wheat and wool, and there will be stagnation in industry. There cannot be one-way traffic in trade. What has been the position during the past ten years

period? In 1926-27 France took 7,254,063 bushels of Australian wheat, but only took 3,875,696 bushels last year. Italy bought 10,316,509 bushels in 1926-27, but for the year 1937-38 bought only 3,837,228 bushels. Belgium took 4,782,322 in 1926-27, but only 162,378 bushels in 1937-38. In 1926-27 Egypt purchased 4,625,270 bushels, but took only 477,430 bushels in 1937-38. Germany took 2,132,607 in 1926-27, but has not purchased any wheat from us since 1932-33. The Netherlands bought 3,379,723 in 1926-27, but only 274,395 in 1937-38. During the three years period, 1930-31, 1931-32, 1932-33, Japan purchased 17,000,000, 21,000,000 and 17,000,000 bushels respectively, but in 1937-38 took only 2,844,940 bushels.

Many of these nations were prepared to buy from outside their own country, but when tariff laws were imposed against their products, and an attempt was made by certain wheat-growing countries to demand an artificial price for wheat, France, Germany and Italy decided to assist their own growers, and so imposed heavy duties against wheat entering those countries. These people freely admitted that such action was uneconomic, but were of the opinion if they were to pay an artificial price it would be better to pay it to their own growers, rather than to those in some other country. Naturally, having encouraged people to grow wheat they now find it difficult to get them to refrain from doing so, and markets that once were ours are lost to us because of ridiculous and unjust tariff and isolationist policies. The palliative schemes suggested aggravate rather than relieve this unsound economic position.

Is There a Remedy ?

The question naturally arises: "Is there no remedy, no hope for the wheat industry?" The answer is "YES," if only those in the industry and their political representatives are prepared to support right principles. The first thing to do is to eliminate the speculative element in land values by taking RENT for public purposes. The farmer must make up his mind as to whether he desires to be a wheat grower or a land speculator. It is to be regretted that many who have gone on the land have considered the price they could demand for their land when they wished to retire, rather than the policy that would give them immediate benefit. While they have been waiting 20 or 30 years for this profit on retirement, they have, by reason of the taxation policy, paid more for their requirements than they would get even though they were able to capitalise the land rent for that period. Farmers must not make this mistake in future if they expect the industry to be on a sound basis.

There must be an insistent demand for the removal of the tariff duties, which place the wheat grower in an unfair position when he desires to exchange the product of his labor. We have already given some examples of the disabilities he suffers in regard to some of his major requirements, and, dealing with other things, we ask is it fair that a farmer should have to give five bags of wheat to get one bag of flour or one bag of sugar? Is it just that he is compelled to give one bag of wheat to get ten loaves of bread? Yet that is the position that the wheat grower is in today. This can only be altered to permit of a just exchange by allowing the wheat grower to buy, as well as sell, in an open market. Free trade is the only logical and sound economic policy for all wealth producers.

In addition to the removal of the tariff duties, all other taxes now imposed upon industry must also be abolished, so that producers shall be permitted to retain the full results of their labor. This is the only way whereby they can set aside in a good year sufficient funds to carry them over the lean period.

We have already indicated how transport costs are increased by our taxation policy, and the removal of the taxes mentioned will give relief to that department. Wheat growers should demand that transport costs be lowered. If the wheat growers are prepared to adopt a policy of freedom they will be working to place their industry on a sound basis without penalising any other section of the community. It has been said that "protection is the settled policy of Australia," but a more correct statement would be that it has nearly "settled Australia." The question of protection has never been referred to the people for settlement, and it cannot too strongly be stated that nothing can be obtained unless people are prepared to work for it.

We have been frequently informed in the past: "We know your policy is right, but it cannot be secured, therefore, you must have something which will give us benefit here and now." These people want a short cut to prosperity. They have adopted this attitude for more than a quarter of a century. During that time farmers have given their time, energy, and money in supporting these alleged "short cuts" to a better time. What is the practical result of all this expenditure? As previously pointed out, hundreds of wheat growers have been forced off their holdings and more are to go. With few exceptions farmers are in a worse position today than they were thirty years ago, notwithstanding all their efforts for relief. Is it worth while continuing to support a policy that has brought such disaster to the wheat industry? Surely the time is ripe for change! One thing that is hard to understand is the stoney silence of wheat-growers' associations regarding the iniquity of the tariff. Why is no protest offered to this great iniquity by those who claim to be out specially to look after the interest of the wheat growers? It cannot be too strongly emphasised that in this crisis farmers must think for themselves, and not permit others to do the thinking for them. They must refuse to be sidetracked by ear-tickling promises of fancy prices, which cannot be realised. They must make it clear to their parliamentary representatives that they have done with patchwork measures, and insist upon fundamental changes. Persistent efforts on this line will bring results. It did so in regard to National Insurance, and will again in regard to the lifting of the taxation burden. This is a question that interests ALL wealth producers, and not the wheat growers only. They must understand however, that "Eternal Vigilance is the Price of Liberty," and that "Union is Strength." If they understand the truth of these maxims, and give effect to them by demanding that justice shall be done by abolishing all taxes from industry and the collection of land rent for public purposes, it will not be long before the wheat-growing and all other industries are placed upon a sound basis. The time is ripe for action on these lines. Have the farmers and all other wealth producers the courage to demand justice instead of charity? We await with interest the reply to this question.

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