6 The rural crisis of 1982-1994: context, development and impact

The South Australian rural crisis of 1982-94 took place in an era where important secular changes were already occurring in the space economy – changes affecting the ground rules for the economic and social organisation of space, and thus the fortunes of rural communities. In this chapter the rural crisis will be considered in the context of these underlying changes, and shown to have intensified, reinforced and accelerated them, to the extent that by the middle 1990s rural society was at its lowest post-war ebb. It deals first with two key trends which developed in the years leading up to the rural crisis, and rendered small communities particularly vulnerable: rising personal mobility, and increasing scale economies in the service industries. It goes on to trace the unfolding of the crisis itself, initially triggered by drought and rapidly exacerbated by the onset of economic rationalism in political decision-making, the early impact of globalisation, and deep recession involving the collapse of agricultural prices. It concludes by examining some of the major immediate impacts evident by the early 1990s: the development of rural poverty, the adverse demographic impacts of out-migration, and the decline of retailing and service industry.

The crisis in context: the effects of mobility, scale economies and competition on country towns, 1945-1982

Despite community resistance to change, in the end social survival depends heavily on the survival of a viable economic and population base. Among the many forces that influence the social organisation of space in rural areas, two highly significant factors are the friction of distance and the scale, or minimum support base, needed for the viability of social and economic functions. Both of these factors are ultimately dependent on the state of technology, and where they are relatively stable over a long period of time settlement and interaction patterns are likely to adjust to them. In the case of south Australia the work of Hirst (1973) demonstrates how rural South Australia adjusted to Adelaide's dominance of the 19th century space economy; likewise the early established transport nodes like Port Lincoln or Mount Gambier quickly developed second-order dominance as regional capitals. The smaller to medium sized country towns adapted to these conditions, their local service functions protected by low mobility, high transport costs and limited scale economies.

Although there are no maps (known to me) of either social interaction patterns or urban trade areas in the 19th or early 20th centuries, both of these then necessarily related to the time required for a return journey by horse transport. Thus there is every reason to believe that the coincidence of social and shopping catchments, which still existed in 1982 for middle sized country towns (Figures 5.13-5.15), was typical of considerably smaller rural communities in the pre-automobile and early motoring days of the inter-war years. Such strongly localised spatial patterns were further preserved by petrol shortages and scarcity of cars for sale during World War II. Table 6.1, however, illustrates the massive extent to which the friction of distance between Adelaide and South Australian country towns was reduced, for various forms of communication, between 1933 and 1968.

Table 6.1 Reductions in the real cost of travel and communication between Adelaide and 33 South Australian country towns, 1933-1968

	Mean costs of communication between Adelaide and 33 country centres*, in % of weekly wage†			Availability of private cars and telephones		Estimated mean travel time by private car, (minutes), 18 of the 33 towns.
	Tel. Call (3 mins.), 0900-1800 hrs.	Rail fare (2nd. Return)	Petrol cost, return road trip	Persons per registered car	Persons per telephone service	
1933	2.78	44.44	32.80	12.56	15.61	239
1968/69	1.54	14.95	11.95	3.36	6.41	122
Index no. for 1968/89 (1933 = 1.00)	0.55	0.34	0.36	0.27	0.41	0.51

* The 33 towns are Angaston, Balaklava, Barmera, Berri, Bordertown, Burra, Crystal Brook, Eudunda, Gladstone, Kadina, Kapunda, Karoonda, Keith, Lameroo, Loxton, Millicent, Mt. Barker, Mt. Gambier, Murray Bridge, Naracoorte, Orroroo, Penola, Peterborough, Pinnaroo, Port Pirie, Quorn, Renmark, Riverton, Snowtown, Tailem Bend, Victor Harbor, Waikerie, Wallaroo.
†For 1933, State Living Wage, $6.30; for October 1968, the equivalent Commonwealth Minimum Total Wage, $38.40

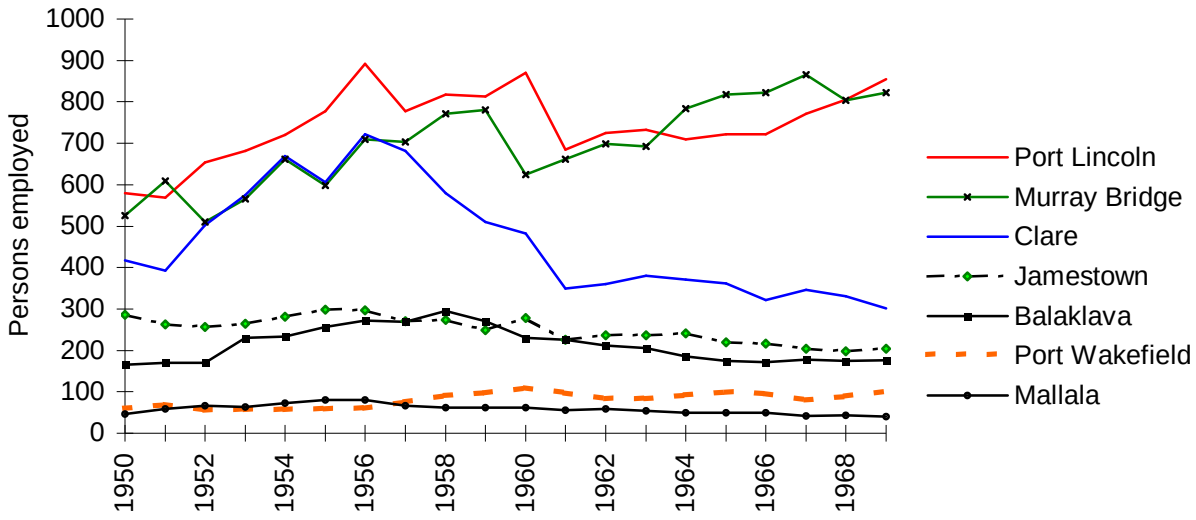
In the immediate post-war recovery years, the relative prosperity of farming coupled with the rise of the Australian motor industry, release of the pent-up demand for cars, and a rapid programme of road sealing, allowed for a sharp increase in personal mobility among rural households and in the accessibility of services in larger, competing towns. By 1968 there had been a four-fold increase in private car registrations and a two-thirds reduction in the real cost of petrol for a return trip to Adelaide, as compared with 1933 (Table 6.1). At the same time, as the post-war boom of the 1950s described in Chapter 2 ebbed out and a cost-price squeeze on farmers developed in the 1960s, rural South Australia entered a period of gradual attrition in farm numbers, and the smaller rural communities came under gradually increasing pressure. Williams (1992) has chronicled the sharp increases in farm mechanisation post-1945, the by-passing of small towns, closure of small rural primary schools, and rationalisation of wheat silos in the 1960s and 70s. Thus by the early 1980s the social and economic organisation of space, which was attuned to a level of technology and set of economic ground rules (or mode of social regulation) prevailing from during the 1950s and 60s, was already under strain.

At the same time, the onset of structural change in the retailing industry toward larger, high-volume stores with lower unit profit raised the importance of scale economies and loaded the dice in favour of the major regional centres, and against the standard country towns. Businesses in smaller centres were caught between two opposing

trends. On the one hand, their customer numbers and turnovers were beginning to be *reduced* by farm amalgamations and increased business leakage, and on the other the rising importance of scale economies required *increased* turnovers in order to reduce costs per unit sold, and thereby remain competitive. The resultant squeeze on profit margins gradually drove small local stores out of business.

The way the regional centres parted company from standard country towns in this period, in terms of the scale of retailing, is illustrated in Figure 6.1 for selected country centres which under earlier legislation constituted rural Shopping Districts. Annual data are available for such districts up to 1974. The two examples of larger regional centres - Murray Bridge for the Murray Mallee, and Port Lincoln for most of Eyre Peninsula - continued to experience growth in retail employment throughout the 1960s, while from the mid 1950s most of the smaller towns serving only a localised trade area, such as Balaklava, Jamestown and Mallala, experienced slow decline in retail employment. Clare, known as the 'capital of the North' in the first period of settlement, now began to lose its higher order role. Port Wakefield, a major highway junction town, was able to draw on heavy through traffic to maintain its position.

Fig. 6.1 Number of persons engaged in shops, selected shopping districts, 1950-1969

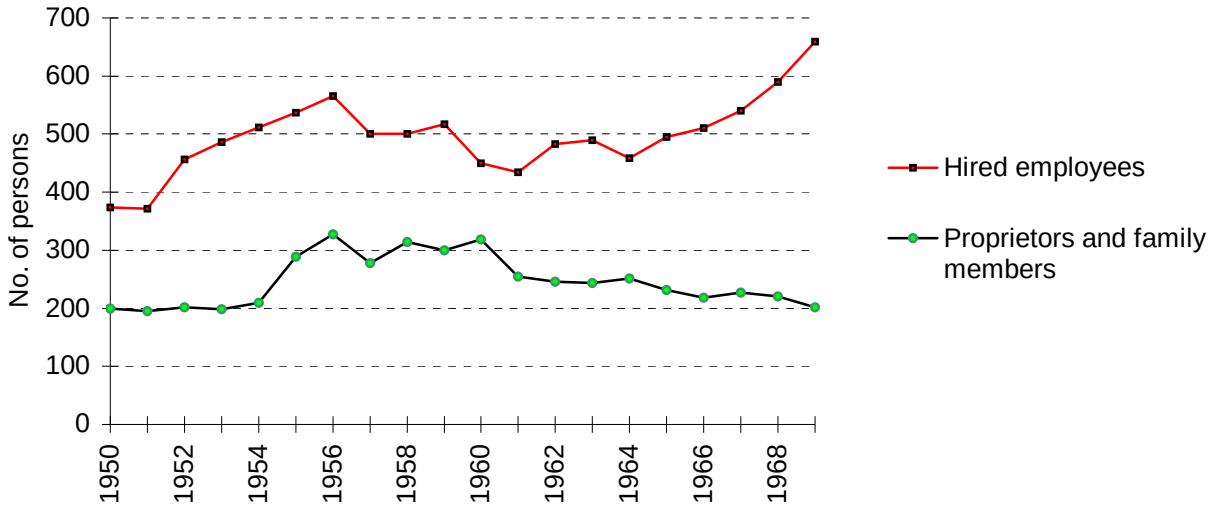


Source: South Australia, Department of Trade and Industry. Annual Reports, 1950/51 to 1968/69

The case of Port Lincoln illustrates the effects of increasing scale economies in the regional centres. The numbers of proprietors and family members in the town's retail workforce actually fell substantially after 1960, reflecting a smaller number of owner-operated shops; but the number of hired workers rose sharply, indicating the arrival of supermarkets and larger scale establishments as the restructuring of retailing spread to the main country towns. Colonisation of the major country towns by the main supermarket chains (particularly Woolworths and Coles) took place from about the

mid 1960s and was virtually complete by the mid 1970s, since only the small number of regional capitals could attract them.

Fig. 6.2 Port Lincoln Shopping District: persons engaged in shops, 1950-1969

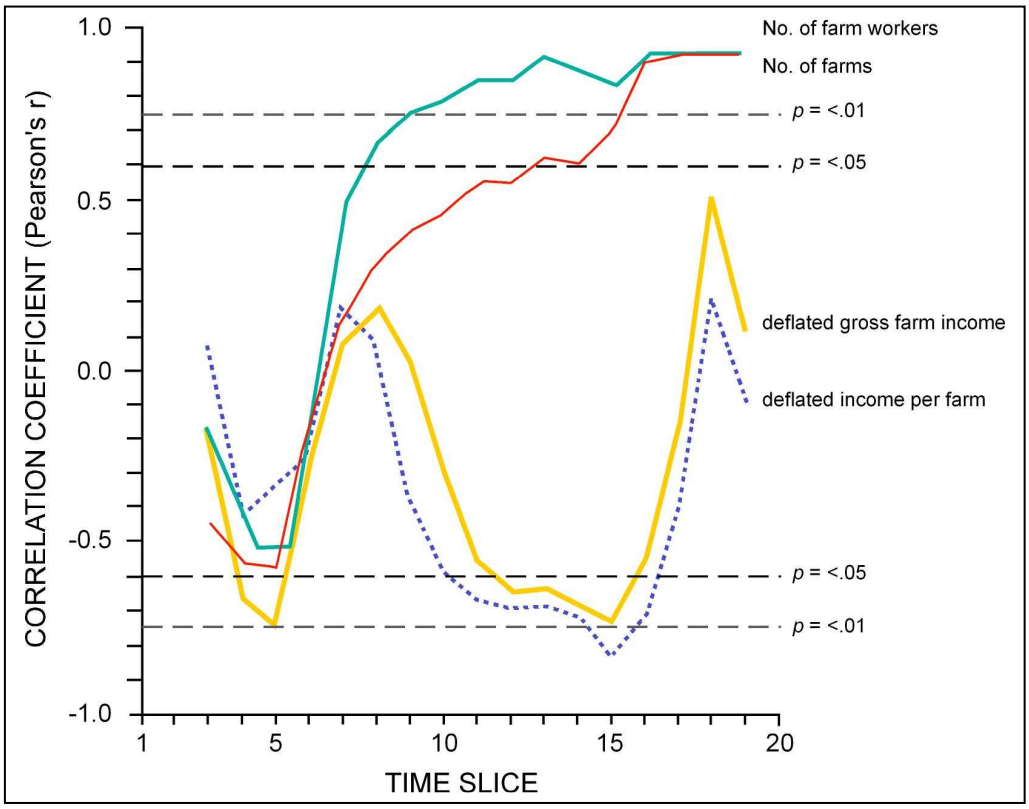


Source: South Australia, Department of Trade and Industry. Annual Reports, 1950/51 to 1968/69

A further important factor affecting retailing and services in 'standard' country towns is the fact that most items supplied are mostly non-specialised regularly purchased items with a relatively low price elasticity of demand. In an earlier study I have shown that the longer-term viability of businesses supplying such items is much more impacted by their numbers of customers than by variations in customer incomes (Smailes 1979). Figure 6.3 illustrates the point using aggregate data for a selection of twelve country towns ('shopping districts') scattered throughout rural South Australia. For these districts, the total number of shops and service establishments is taken as the dependent variable, while two independent variables (aggregate number of farms and of persons employed in farming) represent customer numbers. Two other independent variables (aggregate gross farm income for the districts, and average income per farm) represent customer spending power. The question at issue is, for these medium-sized country towns, is the number of businesses mostly a function of farm *number*s in their trade areas, or of the farm *income* being generated there? To allow for a time-lag between cause (e.g. change in farm income) and effect (change in shop numbers) the independent variables are lagged by one year.

The graph shows how the correlation coefficient between number of shops and each independent variable has changed over time for a series of eleven-year time slices. To take an example, for time-slice 3 (1947/48 to 1957/58) the Pearson correlation between shop numbers and deflated income per farm was close to zero (r = .08), showing no relationship at all between the variables. By time-slice 10 (1954/55 to 1964/65) the same relationship had moved to – 0.6, statistically significant at the .05 level of probability.

Fig. 6.3 Change over time in the correlation coefficients between number of shops and four independent variables for a group of twelve South Australian rural shopping districts, by successive eleven-year time periods



Source: Smailes (1979, 138)

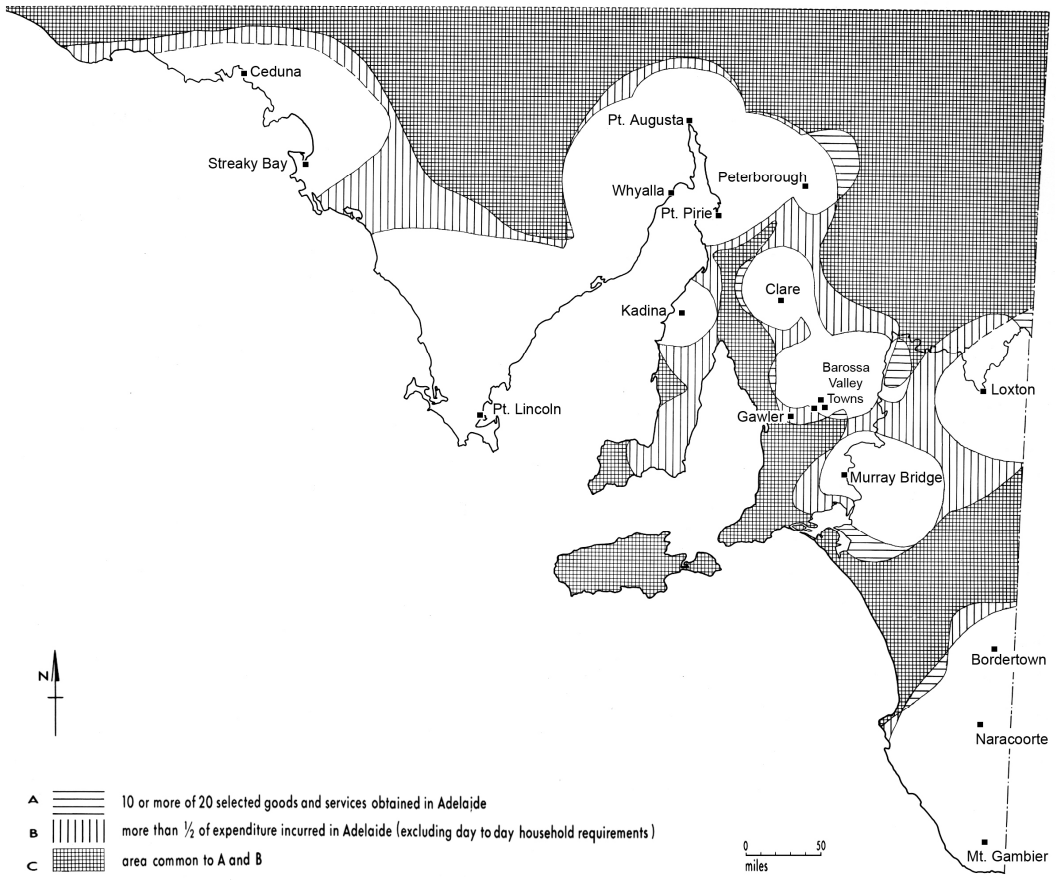
The graph clearly demonstrates that from time-slice 5 onward, centred on 1954 (after the end of the Korean War wool boom), the positive correlation between number of farms and number of shops steadily strengthened, as did that between shop numbers and the size of the farm workforce, which reached the .05 significance level in time-slice 8. By time-slice 16 (centred on 1965) both of these variables were very highly correlated with shop numbers ($r > 0.9$). On the other hand, the relationship between shop numbers and the income variables on the other hand was volatile and unreliable. It varied between mildly positive and strongly negative, dependent on the time-slice chosen. Very similar results were obtained using number employed in shops as the dependent variable (Smailes 1969, 138). Thus while a drop in farm income most certainly affects the fortunes of the small to medium sized country towns, as will shortly be shown, in the long run their level of service provision is more sensitive to a drop in their service population.

Alongside the number and purchasing power of households, a further and rather more insidious and long-term variable affecting both social and economic viability is the question of changing personal mobility, and the associated concept of changing accessibility to desired destinations. Following Moseley (1979) it should be noted that *mobility* is a quality of individuals or families, and refers to their ability or otherwise to overcome distance friction, whereas *accessibility* is a quality of a desired

destination - eg. service centres, places of residence of friends, sporting venues etc. - and expresses the ease or otherwise with which such destinations are reachable. High mobility is a necessary but not sufficient condition for high accessibility to distant destinations. To the extent that people have increased their personal mobility, *and* use it to expand their social and economic interaction patterns to distant locations, the smaller local communities are likely to be weakened through competition from larger centres even in the absence of demographic change. The process is here termed *business leakage*, leading to by-passing of smaller places.

In the post-war period the central city of Adelaide (CBD) still held its historical metropolitan primacy, accounting for 26.5% of all S.A. retail turnover at the 1968/69 Retail Census, and casting a heavy trade shadow over the state. A 1967 state-wide postal survey of 630 rural households (53% response rate) provided a base-line to map this phenomenon (Smailes, 1969). Using broad categories, respondents were asked to estimate the proportion of their annual shopping expenditure on goods other than day-to-day household necessities which was incurred in Adelaide. They were also asked how many items they normally purchased in Adelaide, out of a list of 20 goods and service types that were available both in most country towns and in Adelaide; and for their normal driving time in hours/minutes to each of the towns they nominated, including Adelaide. From the results maps of driving time isochrones to Adelaide, and of the extent of Adelaide's trade shadow were constructed (Figure 6.4).

Fig. 6.4 Adelaide's metropolitan trade shadow over rural South Australia in 1967.



Source: Smailes (1969, 335)

Figure 6.4 depicts an important part of the economic environment in which rural communities had to function, and complements Figures 5.14 and 5.15 in the previous chapter. It illustrates the remarkable hold of Adelaide over pre-internet shopping patterns particularly in remote and/or sparsely populated areas, where much purchasing was done either by mail or telephone orders, or by infrequent overnight stays combined with social visits. Once on the road, people were clearly by-passing smaller places en route to Adelaide – as in the cases of southwest Yorke Peninsula, and the thinly-peopled Murray Mallee. On the other hand, wherever strong local towns provided serious competition in terms of availability, price and variety of choice, Adelaide's trade shadow fell below 50%. Noticeably, such areas coincide well with the trade areas of regional capitals such as Port Lincoln and Port Pirie (Figure 5.15), but other strong local centres (e.g. Ceduna or the Upper Murray towns) also made 'holes' in Adelaide's shadow. Similar (though lesser) trade shadows could be plotted for the State's regional capitals. Figure 6.4 is a reminder that the fortunes of rural communities depend not only on the number of households and income earned in their catchment areas, but also on a further major variable; the 'business leakage' factor.

It was in this context of forced adjustment to ongoing change in mobility, accessibility, scale economies and trade shadows that South Australia's small to medium sized rural communities entered the decade of rural crisis, to whose onset I now turn. Later, we will return to assess the impact of the accessibility changes outlined above.

The rural crisis in South Australia:1982-1994

Chronology and overview

To provide an overview of the crisis in time perspective, a detailed chronology of significant events affecting farming in South Australia over the period since 1984 has been prepared. To avoid a break in the narrative, this is presented as Appendix 4; but the reader is asked to consult it at this point, to obtain an understanding of the immensity of the crisis and the bitterness it engendered in the rural population. The chronology is based on an analysis of press coverage, dominantly from the State's only daily paper "The Advertiser" but supplemented too by data from Hansard covering South Australian parliamentary debates, from Eyre Peninsula rural newspapers covering the localised impact there, and from miscellaneous Government reports and other sources. The sequence of seasonal rainfalls is dealt with separately, so the chronology includes only skeleton data on the direct incidence of drought, and concentrates on its impacts. Table 6.2 gives a shorthand view of some of the dominant themes emerging from the chronology.

The rural crisis developed in two stages. Although the root economic and political causes of the crisis were very similar across the whole state, the impact appeared first and most strongly as a regional crisis in the *Eyre Peninsula* and adjacent areas, and up to 1989 it was seen primarily as such in public consciousness (Table 6.2). From 1990 onward, however, with the near-simultaneous collapse of wool, wheat, barley and citrus prices, and the onset of the recession, the rural crisis became a State- and indeed nation-wide problem.

Table 6.2 Some components of the rural crisis, 1984-1994: a schematic view

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Excessive interest rates			**	** *	****	*	*			
Militant farmer actions	*	*		**	***	*	****	*	***	
Entrenched rural debt and rural poverty					*		****	****	****	****
Wool price collapse						***	****	*	***	
Wheat/barley price crisis						**	****		***	
Citrus fruit price collapse						***	***	**		
U.S./E.E.C. subsidy war						*	****	****		
Wet weather/rain damage								**	***	
Forcible evictions of farm families								*	***	
Mouse plague									***	*
Localised crisis in Eyre Peninsula/ western S.A.		****	****	****	**					

Source: Detailed chronology presented in Appendix 4.
Note: each cell on the table represents one year, and each asterisk represents a particular quarter (first, second, third or fourth) of the year in which the relevant theme was strongly reported in the press.

In the early years of the crisis the focus in public commentary on high interest rates and their impact on farm incomes as a root cause was prominent, carrying the implication that the reduction of interest rates to reasonable levels would do much to remove the problem. From about 1990 onward, however, after interest rates peaked and began to come down, the damage had already been done, and the focus switched to the problem of entrenched indebtedness built up in the crisis years, and the accompanying rural poverty and inability either to escape from indebtedness or to sell up without leaving the farm penniless. The extreme situation faced in late 1992 and early 1993, when blow fell upon blow with rain and storm damage, mouse plague and forcible evictions of farm families by the police Star Force appears clearly from the analysis.

The role of drought

It is important to state at the outset that the rural recession cannot be blamed entirely, or even mainly, on drought or on natural disasters in general. However, the crisis was to a substantial degree sparked by a general national drought in 1982, followed by intense but much more localised drought years affecting parts of the State, particularly in 1988, and ending with a further national-scale drought affecting most of eastern Australia in 1994. The relevant rainfall and climatic history of South Australia, and south-east Australia generally, has been dealt with by several writers (Hill, 1988; Australia: Bureau of Meteorology, 1989; Burrows, 1989; Heathcote, 1988, 1992) and is not dealt with in detail here. However, to sketch the climatic background to the crisis years, rainfall records for the April to October growing season for the winter-rain based cereal crops of South Australia have been analysed for twelve selected stations scattered through the settled areas of the State (Table 6.3). These stations have been selected to give a range of different rainfall regimes ranging from the very low mean totals of Loxton (irrigated fruit-growing area on the dry margin of wheat cultivation), to the high-rainfall Mount Gambier in the far south-east of the State

where droughts are almost unknown and the rural economy is based dominantly on pastoralism and exotic conifers. In between these extremes lie the bulk of the settled areas. As a general rule of thumb, about 240 millimetres of rain is required in the growing season for the successful cultivation of wheat. The whole area belongs to the climatic zone dominantly dependent on winter rainfall, though incursions of tropical air from the north may bring some summer rain, sometimes heavy but always unpredictable.

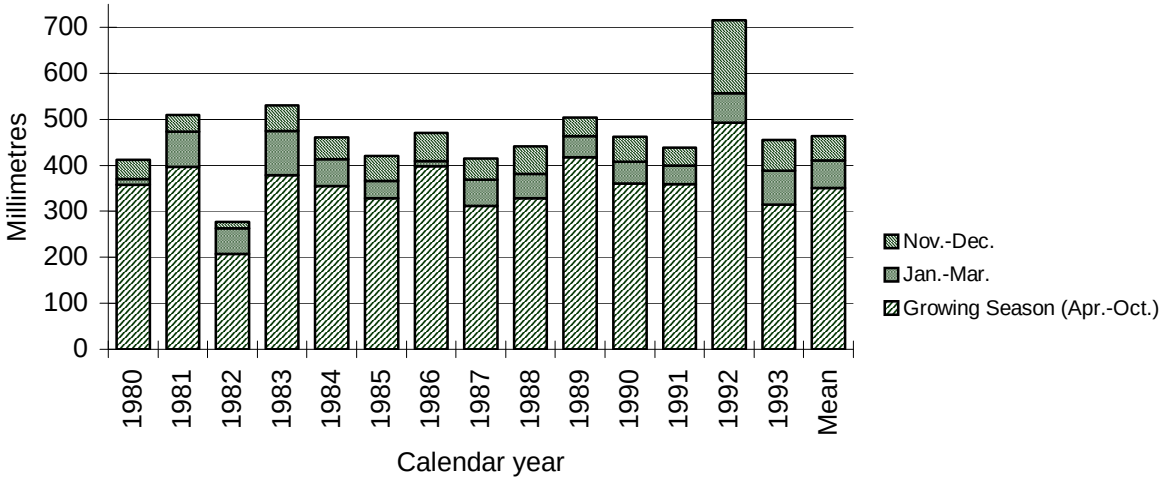
Table 6.3 Average rainfall for the growing season (April-October) and the balance of the year for twelve selected South Australian stations.

Station	Apr-Oct	Jan-Mar	Nov-Dec	Total
Loxton	181.2	53.6	39.2	237.3
Minnipa	242.3	46.4	40.2	331.6
Yongala	260.0	58.2	52.0	370.3
Cleve	292.5	58.8	53.4	402.8
Eudunda	328.4	63.4	53.8	445.8
Keith	351.5	60.8	58.7	470.6
Kingscote	393.9	49.5	42.4	485.8
Pt. Lincoln	402.4	47.8	41.3	491.7
Strathalbyn	376.2	65.6	54.2	497.7
Maitland	395.0	58.6	52.0	504.9
Naracoorte	444.5	70.0	67.6	582.7
MtGambier	538.8	86.7	84.3	707.8

Source: Australian Bureau of Meteorology, Report of Monthly and Yearly Rainfall, 1993.
Averages based on full period of rainfall record.

Figure 6.5 shows the annual rainfall over the study period, averaged for the same twelve stations. Due to their scattered distribution and varied rainfall regimes, the generalisations one can make about drought incidence across the whole settled area of the State are limited. Three major factors should be noted. First, the drought of 1982 was extremely severe and widespread, affecting nearly all the study area; but it was both preceded and followed by average to good years, and by itself would not have precipitated a protracted crisis. Second, the year 1989 was everywhere a very good year, and gave many farmers one of their best seasons in the study period. After that, two climatically average to good years were offset by severe economic depression, discussed below. Initially, 1992 bore the promise of being a record crop year, but exceptionally heavy and continued rain lasting throughout the harvest period from November through to the following February produced sprouting and blackened grain with excessive moisture content, and caused the greater part of the crop to be down-graded to stock feed status only. The damage caused by excessive rain in this year was almost equivalent to the effects of a drought. Although 1993 was close to average in terms of rainfall, it was marked by a very late break in the season and a severe mouse plague, as well as killing frost during the flowering season in a large area of Eyre Peninsula. Finally 1994 was marked by a widespread drought very similar to that of 1982, affecting most of southern and eastern Australia.

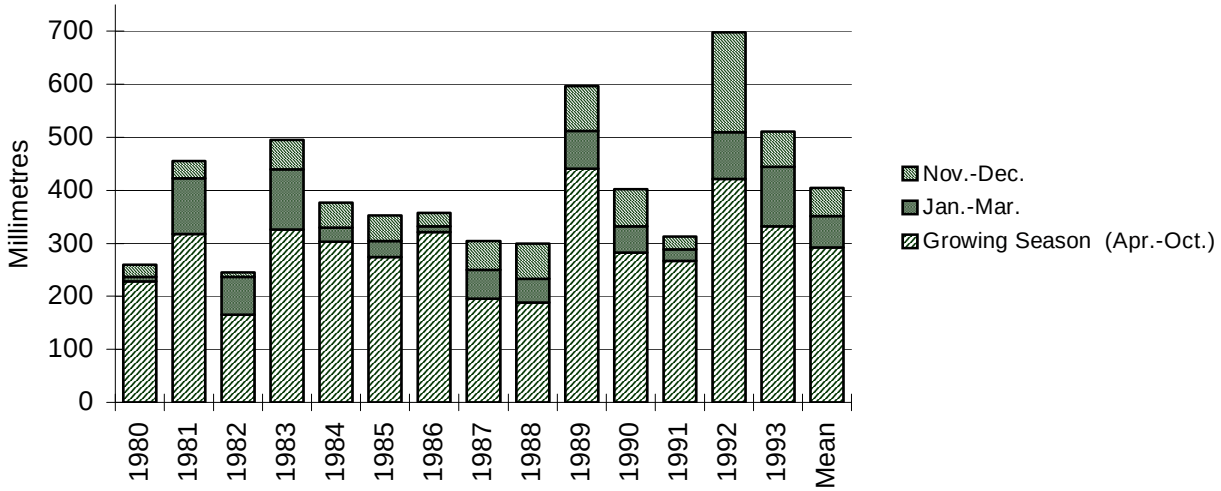
Fig. 6.5 Mean rainfall, 1980-1993, for 12 selected South Australian stations



Source: Australian Bureau of Meteorology, Report of Monthly and Yearly Rainfall, averages for Cleve, Eudunda, Keith, Kingscote, Loxton, Maitland, Minnipa, Mt. Gambier, Naracoorte, Pt. Lincoln, Strathalbyn and Yongala.

While Figure 6.5 shows the average situation across the settled areas of the State, and gives the impression that nothing untoward was afoot, the situation in the Eyre Peninsula and Upper North was very much worse, due to regionally localised drought which decimated a once prosperous area. The situation in this region is typified by the example of Cleve, in the north-eastern Eyre Peninsula (Figure 6.6).

Fig. 6.6 Mean rainfall, 1980-1993, for Cleve, Eyre Peninsula.



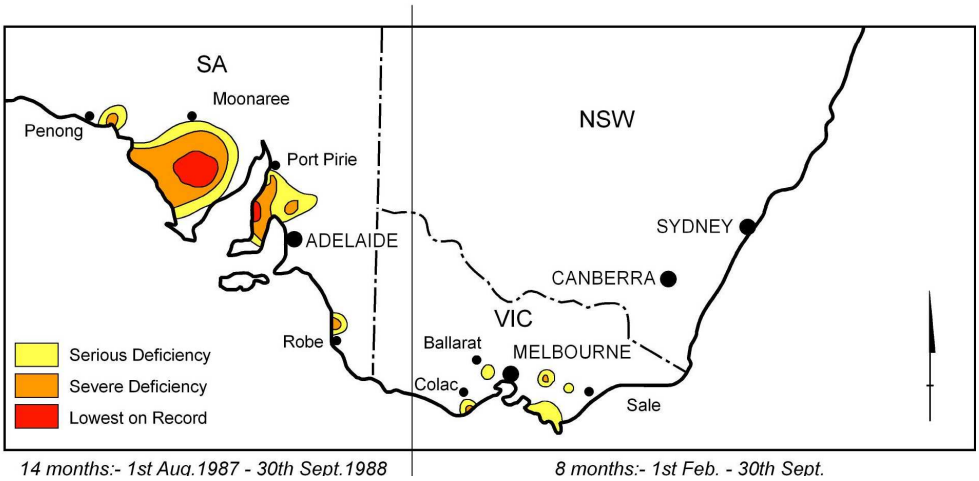
Source: Australian Bureau of Meteorology, Report of Monthly and Yearly Rainfall.

After the 1983 recovery year which followed the severe 1982 drought, with just one exception the rainfall in the growing season declined every year for five years in eastern Eyre Peninsula, to culminate in the locally devastating drought of 1988. The Cleve graph also illustrates the importance of the respite year of 1989, (when most

farmers who could raise the finance to plant a crop gambled on wall-to-wall wheat), and the cruel disappointment of the wet harvest of 1992.

The spatial extent of the strongly localised drought of 1987/1988 is indicated in Figure 6.7. Other parts of the state – for example, Kangaroo Island, whose economy is dominantly pastorally based - showed practically no signs of the local drought of 1987 and 1988. Indeed, 1988 was a boom year for the island farmers, due to the high wool prices at that time. Although by 1990 Kangaroo Island too was badly affected by the rural crisis, this was a result purely of economic and political factors.

Fig. 6.7 The spatial distribution of rainfall deficiencies, August 1987-September 1988



Source: Australian Bureau of Meteorology, *Drought Review*, 1988

Climatic marginality

During 1989, as South Australia was counting the costs of the regional drought of 1988, a revision of the Australian national policy on drought relief was under way. This has transformed droughts (when proclaimed as such by a State government) from the category of a natural disaster warranting near-automatic emergency assistance from the Federal government, to a normal risk requiring self-reliance and risk management strategies on the part of farmers. (Commonwealth of Australia: Drought Policy Review Task Force, 1990; Simmons, 1993 Smith, Hutchinson and Macarthur, 1992). Most South Australian farmers would concede that in the long term this is a sensible policy. In Eyre Peninsula, for example, it has long been known that the chances of seasonal failure of grain crops range from 30% in the wetter south to over 60% on the dry margin in the north and northwest (Trumble, 1948). However, the timing of the change of policy was particularly bitter for hard-pressed Eyre Peninsula farmers, for during the 1988 drought the South Australian government failed to access Federal funds, from which other States had drawn heavily, while there was still the chance to do so.

A further environmental factor affecting the future shape of farming in this case study region is the perceived possibility of long-term climatic change due to the Greenhouse effect. Despite the well-recognised uncertainty surrounding global warming, it is a

background threat hanging particularly over the northern tier of South Australian local government areas, whose territories abut directly on the arid fringe of settlement. The actions of decision-makers are often based on what they *think* may happen, rather than actual events. The failure of the South Australian government to declare a natural disaster during the height of the 1988 drought, its decision not to extend the Eyre Peninsula water pipeline system westward beyond Ceduna (Mc.Coll, Carey Associates Pty. Ltd. 1990) and reluctance to upgrade Ceduna's port of Thevenard (Mules 1990), may be due at least in part to a perception that climatic deterioration may render long-term investment fruitless.

Such concern was recognised in the State Government's Greenhouse Strategy of the time (South Australia: Climate Change Committee, 1991, p. 66), which was based partly on the outcome of a 1988 government-sponsored conference (Dendy, 1989). In particular, contributions by Greenwood and Boardman (1989), French (1989) and Reimers (1989) stress the likelihood that, under the most accepted Greenhouse scenario with rainfall about 20% lower in winter and 10% higher in summer, the boundary between the arable and pastoral zones would have to move southward quite substantially. The increase in summer rain would be of little benefit due to increased evaporation and higher temperatures. To quote Reimers (1989, p.141)

> Small changes in total rainfall, induced by the 'greenhouse effect', could seriously affect the viability of the current farming systems used along the northern fringe of the cereal belt. It is predicted that in districts currently averaging 250-300mm. annual rainfall, a 20% reduction in winter rainfall could reduce potential wheat yields by 0.5 tonnes/ha.

As well as the changes in rainfall amount and distribution through the year, the greenhouse scenario envisages an increase in rainfall intensity, and in the frequency of extreme storm events. One of the dangers of the farming system under the present economic pressure is that of overworking or over-exposing the land due to the imperative need to produce income (Durham and Kidman, 1994); the normal danger of damage in drought is greatly increased when farmers are unable to afford to take preventative measures.

Farm prices, costs and terms of trade

In discussing the unfolding of the rural recession, and the development of public policy as it affects the State, examples relating to the early years of the crisis are frequently drawn from Eyre Peninsula. Because of its almost unique local situation in the middle 1980s, the region attracted national attention and was proposed as a pilot study area for co-operative remedial action involving the National Farmers' Federation, the Australian Conservation Foundation, and the Local Government Association of South Australia (Smailes and Heathcote, 1992). Apart from the extra trauma of the local drought situation, however, the region serves as a suitable exemplar for the rest of the State's rural areas.

The scene for the present round of restructuring in rural South Australia was set during the mid to late 1980s, and the turn of events may be summarised drawing on the detailed chronology (Appendix 4). Table 6.4 gives an overview of costs, prices and terms of trade applying to South Australia generally over the crisis period, while

Table 6.5 gives a concrete example of how these general trends translated into the fortunes of businesses in the drought area. In interpreting these tables, which are based on financial years ending 30th. June, it should be borne in mind that in South Australia's "Mediterranean" climate, the cropping year normally begins in the Southern Hemisphere autumn months of April or May following the onset of opening rains; harvesting occurs from about November to January; and the bulk of income from grain is received by about February. Thus the 1982/83 crop for example depends on the 1982 growing season (April-November) rainfall. By about February or March, farmers know the approximate financial results for the previous season, and have to make arrangements to finance the planting of the new year's crop, in time to catch the opening rains.

Table 6.4 Prices, costs and terms of trade affecting South Australian farmers, 1982/83 to 1992/93

Year	Average S.A. prices			A.B.A.R.E. indices (1980/81 = 100)		
	Wheat ($ per tonne)	Barley ($ per tonne)	Wool ($ per Kg.)	Prices received by farmers (a)	Prices paid by farmers (b)	Farmers' terms of trade (a / b)
1982/83	178	155	2.652	104	123	84
1983/84	165	154	2.811	109	134	82
1984/85	185	136	2.818	112	141	79
1985/86	176	123	3.049	112	153	73
1986/87	150	116	3.434	122	165	74
1987/88	169	123	4.909	142	172	83
1988/89	216	169	5.406	157	186	84
1989/90	199	168	4.696	153	199	77
1990/91	136	129	3.474	134	207	65
1991/92	201	141	3.086	134	214	63
1992/93	182	137	2.906	134	214	63
1993/94				135	216	63

Source: Prices: Australian Bureau of Statistics: South Australian Yearbooks
Indices: Australian Bureau of Agricultural and Resource Economics, unpublished data

Table 6.5 Key financial data for a group of small firms (both farm and non-farm) in N.E. Eyre Peninsula 1982/83-1991/92 (Averages per firm)

Year	Sales $	Net Profit $	Total Liabilities $	Interest paid $	Interest as % of sales
1982/83	54,653	556	54,526	5,619	10.3
1983/84	100,962	22,290	51,558	6,736	6.7
1984/85	92,575	7,433	60,682	7,010	7.6
1985/86	88,485	3,261	73,790	10,365	11.7
1986/87	80,448	3,045	74,413	10,952	13.6
1987/88	103,141	9,078	77,143	10,338	10.0
1988/89	103,833	8,704	76,132	11,252	10.8
1989/90	140,879	32,378	66,175	10,410	7.4
1990/91	121,056	12,488	84,455	9,361	7.7
1991/92	154,079	24,142	86,484	8,577	5.6

Source: Summary data from an Eyre Peninsula rural accountant's practice (personal communication).

Table 6.5, which is a very useful barometer of rural economic activity, shows summary data for a group of small firms, both farm and non-farm, which form part of a rural accountant's practice. The clients are spread over a large area of north-eastern Eyre Peninsula. As the number of cases varied from a minimum of 100 to a maximum of 136, the data are expressed as averages per firm in each year. Well over half of these businesses are farms, and the remainder have their sales affected by farm spending in the same financial year, so the data clearly depict the annual variations in rural economic fortunes.

The story begins with the widespread and severe drought of 1982. The small firms included in Table 6.5 had a predictably disastrous year in 1982/83, with profit averaging only $556 per firm: a great many obviously made a loss. However, the following year, 1983/84, was a peak farming year, with double the amount of rainfall and commodity prices remaining reasonably high. This was a fateful year. The sharp increase in both sales and profits which resulted (Table 6.5) tempted many farmers to make purchases of capital goods such as tractors, headers (harvesting machines) etc., and also land purchases. No-one knew what was to come, and large areas are required to justify large machines. The competition for land encouraged rural land values to climb to unrealistically high levels.

Globalisation, recession and the onset of economic rationalism

Against this background, the effects of globalisation quickly filtered down from the global to the national, state and local levels. A significant event which proved fateful for rural South Australia was the decision by the Hawke government in 1983 to abandon traditional attempts to maintain a fixed exchange rate for the Australian dollar. As one of the last O.E.C.D. countries to do so, Australia in that year "floated" its currency, thus creating a further element of uncertainty in the farm export trade. This move was rapidly followed by near-complete deregulation of the Australian

financial institutions and the granting of licences in 1985 for sixteen foreign banks to operate in Australia. The story of these decisions and their impact has been told by many writers and is not repeated here (see for example Abbot, 1990; Daly, 1993; Daly and Logan, 1989; Kelly, 1992; Stretton, 1992). Removal of restrictions on the flow of international capital has been accompanied by a blow-out of Australia's foreign debt, particularly from 1985 onward (Hefford, 1991; Heywood and Tamaschke, 1991). Interest rates had fluctuated about a generally upward trend in the first half of the 1980s, but were quite low in the two good farming years that followed the 1982 drought. These two (1983 and 1984) were fateful years, for many farmers were tempted by the relatively high wheat and barley prices and low interest rates to borrow money. The interest rates then quickly rose to near 20%, but fell sharply again in 1987, a year which was marked by a severe crash in the Australian stock market. From early 1988, hoping to control inflation and stem the flow of imports, the Australian government embarked on a credit squeeze, deliberately raising interest rates (Hefford, 1991). These decisions bore heavily upon both families and small businesses, while not achieving their intended objective (Hefford, 1991, p.25).

The 1984 deregulation of the Australian banking industry saw a sharp change in the approach of rural banks to the granting of loans to farmers. Before deregulation, interest rates paid by primary producers were controlled at a level slightly below market rates. Banks could get higher returns elsewhere, and consequently adopted a conservative approach to farm applications for loans. After deregulation, however, market rates could be charged and banks became willing lenders, but began to differentiate their margins between customers according to risk. (Parliament of South Australia: Social Development Committee, 1994, pp. 13-14). To quote this Committee,

> "Eager to shore up market share in a deregulated financial market, banks relaxed lending criteria, often with insufficient regard to commercial reality." (p. 13).

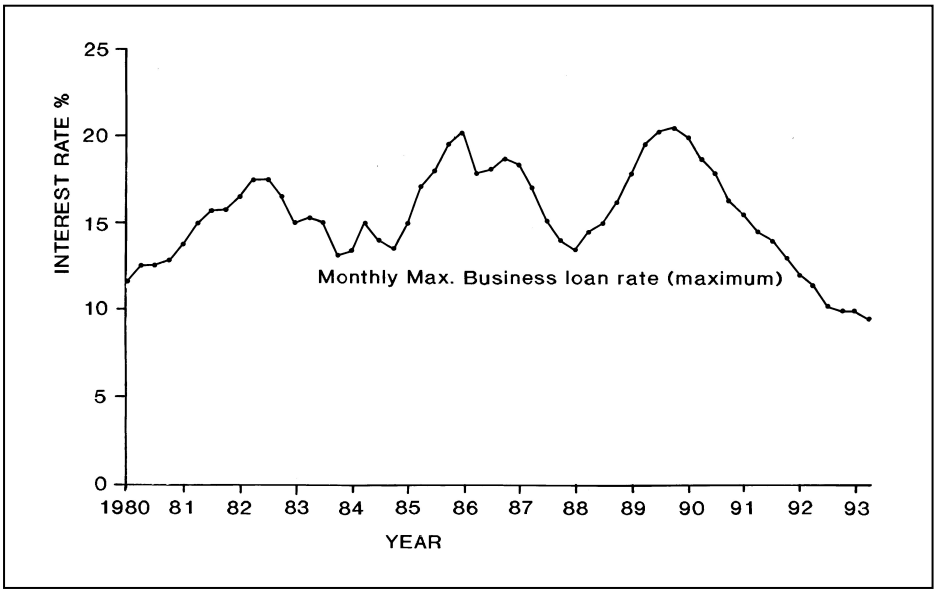
Thus, used to a regime of intense scrutiny of their ability to repay, farmers were suddenly faced with a plentiful supply of credit, and although farmer claims of irresponsible bank behaviour may be exaggerated they have entered into folk memory as bitter recriminations against the banks. Cronin (1991, p.7) provides an example:

> "At the time of deregulation in 1984 Australian banks went on a lending spree to keep foreign banks out of rural retailing. They also went into direct competition with each other to lock up this area of business. In some cases it was not friendly persuasion, but blatant coercion to borrow money. Banks were allowing their managers great freedom in throwing out half million dollar loans by clients simply telling the bank how much they wanted or saying to a farmer, "Buy the property, then come in and tell us how much you need." .... Even if one bank refused a loan to a farmer an opposition bank in some cases heard about it, chased him down and accommodated him. With example after example over those couple of years, banks threw money at all and sundry, pushing up land values to speculative levels in doing so. In one extreme example, a very large loan was approved when two banks were merging, and no cash flow analysis was done on the farmer's capacity to

> service the loan or repay it. Now, in case after case, the banks want to place all blame for the present situation on the borrowers."

Argent (1997) has conducted an extensive analysis of the impact of bank policy in Kangaroo Island, providing many individual case studies. Disregarding extreme cases, it is certainly true that many of the hardships facing South Australian farming households and rural communities today have their roots in the period between 1983 and 1985. In these years many young farmers trying to enter the industry, and many established farmers trying to follow the constantly repeated maxim of "get big or get out", incurred debt from which they had been unable to extricate themselves almost ten years later. Farmers who embarked on land purchases, new plant and other investments made their calculations on the basis of the then prevailing commodity prices, interest rates of the order of the order of 12-13%, and high equity in terms of the paper value of their land. These included experienced and skilful farmers, and in many cases their problems can be traced back to a single, in hindsight injudicious, major purchase. The movement of interest rates is shown in Figure 6.8.

Fig. 6.8 Interest rates on loans: quarterly averages, 1981-1993



Note: margins were added to these rates on many individual loans.
Source: Westpac Banking Corporation, August 1993.

The events which then transpired saw the annual rainfall total decline for five successive years (using the Cleve recording station as an example – Figure 6.6), with additional problems of unfavourable distribution of the rainfall over the year; interest rates rising to upwards of 20% on loans first negotiated at much lower rates; a steady deterioration in the farmers' terms of trade caused by rising costs and declining commodity prices; and a collapse in rural land values which peaked in 1984, but by 1987/88 had dropped by over 50%, to their lowest post-war level in real terms. The rapid expansion of the interest payment burden on the small firms of Eyre Peninsula appears clearly in Table 6.3. Net profits reached their lowest ebb in 1986/87. By the end of 1987, the writer's random sample of farms in the Cleve district revealed an average net farm income of only $3100 per farm, while a sample of better farms averaged only $12,700 net from an average gross return of almost $147,000 per farm.

A great deal of social stress had become apparent, including family friction, divorce, and even some suicides of farmers.

From Table 6.4 it may be seen that commodity prices picked up in 1987/88 and 1988/89, and this is reflected in Table 6.3 in improved sales. However farmers in the western and northern parts of the settled areas were unable to take full advantage of the situation due to continued regional drought conditions. During 1987 and early 1988, hampered by the State Minister of Agriculture's consistent refusal to declare the Eyre Peninsula drought a natural disaster, the farmers made repeated efforts through their State organisation to organise rescue packages in order to allow them to carry on. Many mustered their last reserves to plant the 1988 crop, but others were unable to obtain carry-on finance; and finally on 16th April, 1988, as the break of the season was imminent, the State government announced a $5 million fund would be made available to farmers at a subsidised interest rate of 10%.

In the event, although 1988 was a good rainfall season in much of Australia, in Eyre Peninsula the problems redoubled. After a late and slow opening to the season, the crops were eventually planted, but a series of natural disasters struck the growing crops in the shape of three unseasonable spells of very hot, dry weather culminating in a devastating northerly wind storm which on 7th November 1988 caused an estimated $15 million worth of damage to remaining barley crops. This storm swept millions of tonnes of soil from the parched wheat paddocks into the Southern Ocean. The publicity surrounding the crisis conditions produced a polarisation of views between conservationists and farming interests which was well captured in contemporary letters to the press (eg. Adelaide *Advertiser*, 29.8, 23.9 and 19.11 1988). For many farmers the harvest was minimal, and barely worth reaping; negative net incomes were recorded yet again. For those areas slightly more fortunate with the rainfall the commodity prices, particularly wool prices, were good, and averaged over all farms the returns from that year were better than might have been expected.

By early 1989, the struggle for carry-on finance and a rescue package for up to an estimated 400 Eyre Peninsula farmers was even more bitter and intense than in the previous year, and by now the first Farmers' Action Groups had arisen to add a more radical dimension to the picture. Banks were picketed, and potential purchasers were intimidated at mortgage foreclosure auctions. An organised campaign ("Bankwatch") was mounted to encourage farmers to unite in standing up to the banks. (Cronin, 1991) The State government continued to refuse to declare the drought a natural disaster, but following the breakdown of negotiations between the banks, farmer organisations, pastoral companies, and the State government, the Government produced its own proposed rescue package (Eyre Peninsula Tribune, 12.1.89). The concept of 'viability' became all-important: 'viable' farmers were to be helped with loans at interest rates of 8%, to buy out their neighbours, while those most in need, but deemed "non-viable", faced high-risk loadings bringing interest rates up to the order of 22% for any further advances. Farmers negotiated on an individual basis with banks and lending institutions. Many were uncertain, right up to the break of the season, whether they would be granted carry-on finance.

Somehow, the majority of farmers achieved finance to plant the 1989 crop; some sowed with little or no superphosphate, for it was clearly a make or break situation. Fortunately for the district, a reprieve came in the shape of the excellent season

referred to above, with commodity prices dropping a little, but still high. Those who had gambled on wall-to-wall wheat were rewarded with a high-profit financial year in 1989/90 (Table 6.3), and many farmers were able to breathe again. For those struggling with debts accumulated over several years of drought, however, a single good year was far from sufficient to bring them back to solvency. It did allow most farmers enough leeway to finance the planting of the 1990/91 season's crop, in the hope that another good year would bring debts under control.

The seasonal conditions during 1990 again proved favourable, but during that year the Eyre Peninsula's regional woes were overtaken by the definite onset of what the then federal Treasurer (later Prime Minister) Paul Keating called "The Recession We Had To Have" - an expression which became a national byword. In a rising tide of *metropolitan* bankruptcies, mortgage foreclosures, and unemployment, the rural sector lost its uniqueness and newsworthiness as a distinctive problem. Worse was to follow later in 1990 with the collapse of wool and wheat prices more or less simultaneously, while the embargo on trade with Iraq due to the first Gulf War further restricted the market, so that by October of 1990 the newspapers were again full of headlines on rural crisis conditions - but this time nation-wide. The Australian Wool Corporation was by then buying up most of the wool submitted for sale at auction, the wool stockpile was seen to be growing at an unsustainable rate, and the wool levy on growers was raised to 25%. In February 1991 the Federal Government suspended the wool floor price, through which the market indicator price had been previously held at $7.00/Kg; and with the possibility of release of the Wool Corporation’s huge stockpile in the minds of buyers, the indicator price for wool stayed in the $4.30-$4.60 range, resulting in negative incomes on most farms specialising in sheep. The situation even in the high-rainfall pastoral areas like Kangaroo Island and the South-east now in their turn became desperate, and in the second half of 1990 also crisis conditions spread to the fruit growing areas of the Riverland due to a collapse in the price of citrus fruit caused by oversupply and the dumping of cheap imported juice from Brazil.

Nevertheless for cereal farmers the good seasonal conditions of 1990 to some degree made up for the drop in prices, and the 1990/91 season was a reasonable one, though nowhere near the levels of the year before. During late 1990 and 1991, however, the increasing farm subsidy war between the U.S.A. and the European Community, intruding on traditional Australian grain markets, caused increasing concern about the future level of grain prices available to Australian exporters. Carry-on finance for the many farmers carrying accumulated debt was available only under the most stringent conditions. For example, a survey carried out in the Smoky Bay (north-west Eyre Peninsula) district in May 1991 showed that 10 out of 21 farmers had been refused carry-on finance, and five of those who received it were subjected to punitive conditions such as additional mortgage on land, Bill of Sale on machinery, crop liens, or an agreement to sell their property at the conclusion of the harvest. (Smoky Bay Farm Support Group, personal communication). However, once again in 1991 the rainfall was adequate, and low prices were offset to a degree by a an average to good harvest for the 1991/92 season.

The next following season, 1992/93, was bitterly frustrating for farmers, as excellent rainfall during the growing season promised a very heavy yield. However, persistent unseasonal rain continued throughout the harvest period, which turned out to be one

of the wettest on record. Due to lodging, sprouting, discolouration and excess moisture content, the bulk of South Australian wheat was downgraded to fodder grain standard only, resulting in price reductions of some $40 per tonne. Low prices were to some degree compensated by the large volume harvested, but once again emergency assistance packages were needed, and hopes of making inroads into debt burdens were shattered.

Finally in the 1993/94 season, farmers were once again frustrated despite having adequate rainfall, by a widespread severe mouse plague (followed in Eyre Peninsula by frost damage to grain and legume crops), and disastrous product prices, particularly for barley. Respondents from the Murray Mallee pointed out to a 1994 rural poverty survey that a tonne of barley would not pay for a pair of school shoes. (Country Women's Association of South Australia, personal communication).

These continued difficulties and disappointments meant that despite a run of seasons with average to high annual rainfall, and the sharp drop in interest rates since their peak in 1990, many farmers were unable to reduce debt significantly. The burden of entrenched debt is one of the most vexed and intractable problems to be overcome if the current social fabric is to survive.

The onset, development and distribution of rural poverty

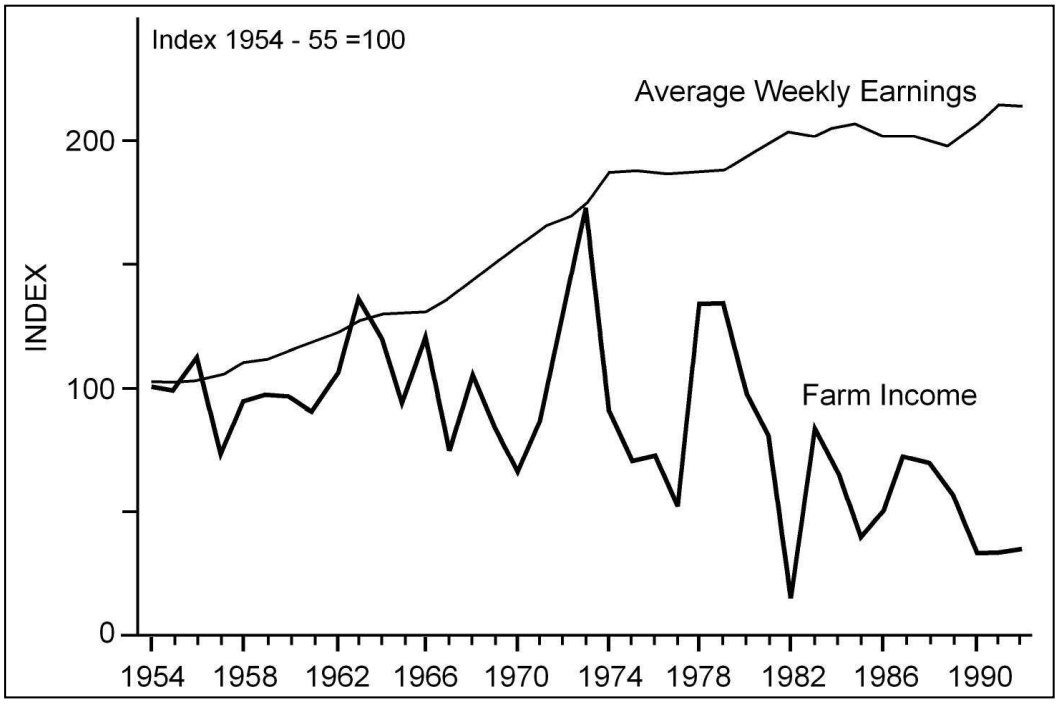
Rural Australia generally has long been known to have a substantial proportion of low income population. From the time of the Henderson report in the mid 1970s (Australian Commission of Inquiry into Poverty, 1975) it has been recognised that rural areas, and at that stage country towns in particular, had larger proportions of households below the poverty line than the State capitals. Early work on rural poverty in other States picked up the emergence of the low-income problem among farms in different enterprise types (McKay 1967), recognised the distinction between farm and non-farm rural poverty (Musgrave, 1974), distinguished between periodic and chronic or permanent farm poverty (Nalson, 1964; Department of Sociology, University of New England, 1974; Vincent, 1976), and classified non-farm population groups in country towns particularly subject to rural poverty (Salmon and Weston, 1974) However, it is fair to say that until the onset of the national rural recession, rural poverty and the associated stress and social pathology received little attention in Australia. The literature is growing and we have some valuable studies examining the inter-related problem complex of rural poverty, stress, deprivation, welfare and social service needs (eg. Bryant, 1989; Cullen, Dunn and Lawrence, 1990; Byrnes and Harris 1992; Gray and Lawrence, 1992; Davidson and Lees, 1993).

In South Australia in particular, the 1994/95 parliamentary inquiry into rural poverty received an overwhelming mass of evidence, and together with the work of Durham and Kidman (1994) its final report (1995), did much to cast light on the situation. In the present chapter, I concentrate on demonstrating the more quantitative and objective aspects of the development of a poverty situation. The vital qualitative impacts on rural social life, and the human meanings of deprivation are taken up in the next chapter.

Timing of the onset of rural poverty

For Australia as a whole, with the benefit of hindsight it can be seen that the real purchasing power of farm incomes relative to average weekly earnings of the workforce generally has been on a secular downtrend since at least the mid 1960s. (Figure 6.9; South Australian Farmers' Federation, 1994). However, in South Australia such a situation was not widely recognised until the 1980s, for all accepted the very high incomes of the 1950s as abnormal, and boom/slump cycles had occurred since the late 1960s (Smailes, 1979). Farm-based populations in Australia have much experience in coping with fluctuations of income; what made the situation different by the early 1990s is the long succession of low income years, and the concurrent arrival of a whole series of major problems, which could have been coped with individually.

Fig. 6.9 Average weekly earnings and average farm incomes, Australia 1954-1992



Source: South Australian Farmers' Federation: Submission to the Parliament of South Australia's Social Development Committee in Relation to the Inquiry into Rural Poverty, July 1994, p.11.

Taking the 1981 Census as the starting point for South Australia, the spatial pattern of high household incomes (and by implication, low income as a mirror image) is neatly mapped in the Atlas of South Australia (Griffin and McCaskill, 1986, 94). The ring of high-income peri-urban areas of the commuting belt then stood out clearly, and as would be expected, the number of high-income households was proportionately much greater in the urban area of Adelaide than in the country. However, in the rural areas outside the Adelaide Statistical Division, there was no indication whatever of a core-periphery structure with high incomes in the most accessible areas within say 1½ hours' drive of the city, and low income in the outer settled areas: indeed practically the opposite is the case, with a solid proportion of high incomes in the Murray Mallee,

Southeast, and Eyre Peninsula, and a ring of L.G.A.s in the lowest category within the two-hour driving isochrone approximately. The retirement colony areas of Victor Harbor, Port Elliott and Goolwa, Kadina, Wallaroo and Moonta, Port Broughton and southern Yorke Peninsula were marked by low proportions of the richer households. As Griffin and McCaskill note, this situation reflects the three good seasons much of the wheat belt experienced prior to the 1981 census. However, it would not be long before those on pensioner incomes were practically the lucky ones in parts of that same wheat belt.

As would be expected from the discussion earlier in the present chapter, the onset of extreme rural poverty among farm households was first acknowledged in the Eyre Peninsula where the run of bad seasons between 1985 and 1988 coincided with the rise in interest rates, collapse of land values, and fall in wheat and barley prices. The writer's series of studies of the impact of the crisis on the District Council of Cleve shows that, for a group of 20 farms operating throughout the period, the lowest ebb was reached in the period between 1986/87 and 1988/89, when average net farm incomes were as low as $3,100 and $4,300 respectively, and many farms (irrespective of farm size) had negative incomes. In these years, the local drought was at its height, interest rates had risen sharply along with average farm debt, and equity had collapsed with the drop in land values (Table 6.6)

Table 6.6 Key financial data for a random sample of 20 farms in the District Council of Cleve, 1983/4 to 1991/2 (Averages per farm in $000)

Year	1983/4	1985/6	1986/7	1988/9	1990/1	1991/2
Gross farm income ($ 000)	185	110	108	123	147	153
Net farm income ($ 000)	98	14.9	3.1	4.3	18.0	25.5
Off-farm income:						
farms with off-farm income	9.8	8.1	6.4	12.5	10.4	11.3
average, all farms ($ 000)	2.0	2.3	3.1	5.1	5.3	5.5
Indebtedness at 30. June ($ 000)	73	113	116	156	147	148
Estimated land value/Ha ($)	513	348	280	318	235	272

Source: Author's field survey data reported in Smailes (1993)

A similar result was obtained by Ardill (1993, p.49) in his Eyre Peninsula survey which directly asked respondents for their perception of when the recession began. Answers varied, but more than half (60%) of the respondents placed it between 1985 and 1989, and half of these specified it more exactly at 1985 to 1986. For central and eastern South Australia, the mid to late 1980s were difficult, but the onset of serious recession occurred only in 1990. An idea of the development of farm poverty for the State as a whole may be gained from Table 6.7. It should be noted that farms included in the ABARE surveys tend to be the larger and better farmers, so that the absolute amounts of the net incomes may not be representative of the entire farm population.

However, the trends over time are instructive. While the regional drought in the western half of South Australia produced low to negative State average incomes among cereal farmers in 1988/89, by contrast in that year wool prices were so high that livestock farms had one of their best years. The impact of the dual crash of both cereal and wool prices in late 1990 shows up in State-wide depression. By 1991/92 and subsequently, the Murray Mallee had taken over from Eyre Peninsula as the worst-hit part of the cereal/sheep belt, while the irrigation areas of the Riverland and the better-watered Southeast were also deeply in trouble. This time-lag in the onset of farm poverty should be borne in mind when interpreting the results of the 1991 Census.

Table 6.7 Average net family farm earnings by type of farm enterprise, South Australia, 1983/4 to 1991/2 (Dollars)

Year	Cereals	Mixed Livestock and crop	Sheep and/or beef	Dairy	Horticulture (Riverland only)
1983/84	43,600	29,700	36,700	31,700	1,400
1984/85	16,300	17,700	-6,400	16,300	8,900
1985/86	6,400	17,700	8,400	15,300	7,300
1986/87	23,700	11,300	23,600	12,900	4,500
1987/88					
1988/89	-12,100	17,700	30,300	16,500	8,000
1989/90	49,000	7,200	-1,400	-1,500	-500
1990/91	-43,000	-41,000	-39,400	-2,300	8,000
1991/92	500	-18,200	-40,700	-5,700	-7,600

Source: ABARE farm surveys reports, various years, cited in S.A. Farmers' Federation, 1994, p.7

The genesis of entrenched farm debt

The trap into which many farmers (including many of the most ambitious and entrepreneurial operators) fell in the middle 1980s, and the role of the banks in contributing to the problem, has already been outlined above. However, the extent of the huge incubus of entrenched debt, and the difficulty many family farmers have in reducing even the principal given the low levels to which interest rates fell in 1993 and 1994, is best illustrated by an example, provided by Hudson and Lynch (1992). The two authors are respectively a farmer and an accountant from southern Eyre Peninsula. Taking the case of a farmer borrowing $200,000 in 1979, to be repaid over 15 years at the then prevailing interest rate of 11.3%, they show the impact of the actual interest rate changes on repayments. If the loan had been paid off at the initial interest rate as planned, by the end of 15 years (1994) it would have cost the farmer $417,195. Three common, realistic scenarios are presented.

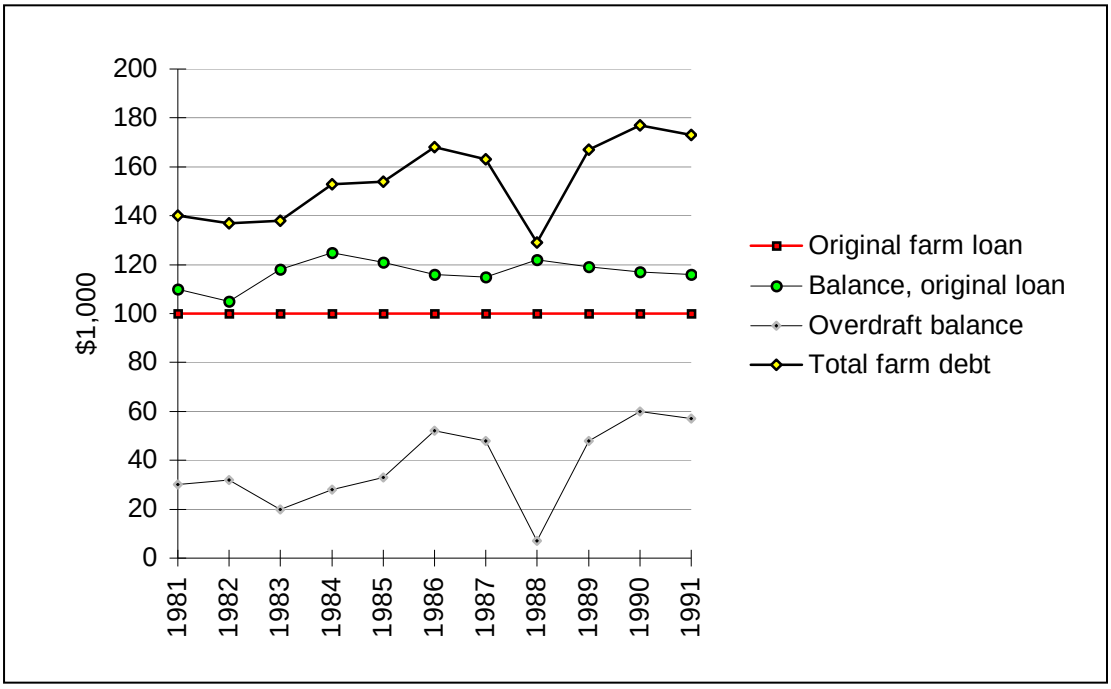
1. Should the farmer be in a position to continue full repayments over 15 years and take the extra interest burden in his stride, the sum rises to $500,226 to be debt free by 1994.
2. In scenario 2, saddled with other continuously rising costs which he cannot pass on, plus reduced yields through drought, the farmer can not find the extra cash to

meet both the principal repayments and the unexpected interest bill. Relying on the considerable equity in the property, he decides to pay the interest only, whenever the agreed annual payment does not meet the full bill. By this means, the total amount paid by 1994 would be $453,939, of which only $14,139 has gone to reduce the principal. Thus, after 15 years and payment of almost half a million dollars, over 92% of the original loan remains as entrenched debt.

3. In the third case, where the farmer for some reason cannot afford to do more than simply continue paying the originally agreed annual amount ($27,813), this is inadequate to even meet the interest bill, and as a result by 1994 the bank has received $417,195 but the farmer now owes it $248,064 instead of the original $200,000.

Many South Australian farmers were forced by the circumstances of the recession into scenarios 2 or 3, or some combination. For them, long before the end of the 15 year repayment period, the extra complication of a drop in land values, and hence in equity, caused a reduction in the bank's security for the loan, on top of the farmer's reduced ability to repay. This increased the risk involved in the loan, and the bank's response had been to give the individual farmer a risk loading between 0 and 5 percent over and above the prime interest rate and other fees which already apply. (Hudson and Lynch, 1992, p.16). In many cases farmers had not even been told of their loading, or the reasoning that led to determine it. The consequences for the financial position of Hudson's own farm, in the high-rainfall Koppio Hills, are illustrated in Figure 6.10. A loan of $100,000 was taken out in 1981.

Fig. 6.10 An example of the genesis of entrenched farm debt, S. Eyre Peninsula



Source: Ross Hudson, Koppio Hills farmer, personal communication

Working capital for the farm in the form of an overdraft, with a loading of 2% above the interest rate for the main farm loan, ensured that despite the payment of $256,000 in interest and principal over the period (including a large payment from the high

wool prices of 1988) the total farm debt grew to $171,000 by 1991. In the well-watered Koppio Hills, land values, and hence farmer equity, did not collapse until 1989, but thereafter the farm joined the very many cases on Eyre Peninsula that banks regarded as non-viable. It is hard to escape the conclusion that despite every effort to cut costs, work harder and trade their way out of difficulty, family farmers were bled dry by financial institutions which drew off almost every shred of surplus value from the rural sector. As will be shown in Chapter 8, banks were reluctant to foreclose on and sell up large numbers of farmers, since they would then either totally destroy the market for their "own" land, having to practically give it away, or would sit with large amounts of land on their hands which they could not maintain and for which there were very few buyers. Better to allow the farmers to continue as nominal owners, continue to extract the maximum possible revenue, provide minimal carry-on finance, and wait for conditions to improve and buyers to re-enter the market before enforcing a rash of mortgage sales. In fairness to the financial institutions, there is ample evidence that many of them made very substantial efforts to assist clients, and there *was* no simple solution to the problem.

The situation reported by the Eastern Eyre Rural Counselling Service in June 1991 gives some idea of the extent of the problem among the Eyre Peninsula region's roughly 1,800 farms generally: at that date, 139 clients of the counselling service drawn from all over the eastern half of the Peninsula between them had a debt of $A43.7 million, or an average debt of over $314,000 per farm. By 1993, some of the most indebted farms had been sold, but more clients had been taken on. The average debt of the 208 clients then on the books was still $179,350 (Eastern Eyre Rural Counselling Service, 1994: personal communication).

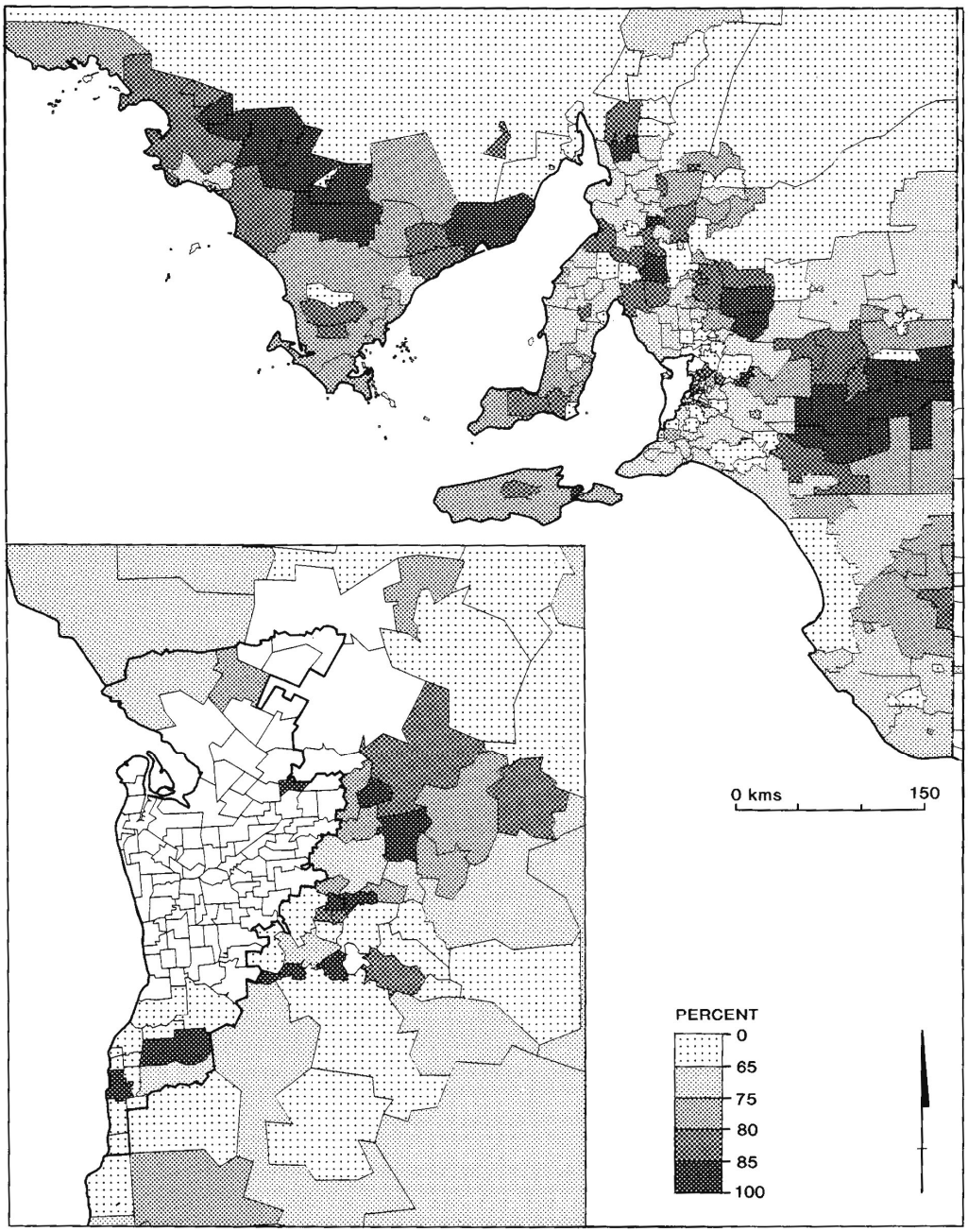
Distribution of farm poverty by 1991

In view of the particular significance of farming in the economic base of most rural communities, a custom cross-tabulation from the 1991 Census was obtained to show the broad features of the distribution of farm poverty/prosperity. Figure 6.11 depicts the distribution of low incomes among the farm workforce (i.e. all those recording their occupation as "farmer", "farm manager" or "farm labourer" in the Census). These data are based on "Postcode of usual residence" - that is, rather than counting simply those present on census night, all temporarily absent residents are enumerated at their home address, while visitors are excluded. Over the great majority of the State's "Settled Areas", at least two thirds of the farm workforce had incomes of below $20,000. By 1991 the Murray Mallee had joined Eyre Peninsula as a core area of rural poverty, where at least three quarters of the district's farm workforce have incomes below $20,000. However, smaller pockets of particularly low farm incomes were also found in the Lower and Mid-North, southern Flinders Ranges and Kangaroo Island. It will be remembered that the 1991 census was close to the nadir of the crisis. It refers to the 1990/91 cropping year which saw both the demise of the wool floor price and the collapse of cereal prices.

The distribution of higher farm incomes (not mapped) in that year is also of interest, though sparse. Relatively higher incomes (over $40,000) were in general earned by only two to eight percent of the rural workforce, with the most noticeable concentrations generally in the intensive viticulture and fruit growing areas: the Southern Vales, Barossa and Clare Valleys, and Riverland. Other areas with higher

income clusters in the farm workforce occurred in the Flinders Ranges, Port Pirie/Mount Remarkable areas, and small pockets elsewhere. It must be stressed that even in these areas, only a small proportion of the workforce was involved in the higher income group. Also (for both high and low income groups) farming may not be the sole source of the person's income.

Fig. 6.11 Percent of farm workforce with income below $20,000, 1990/1991

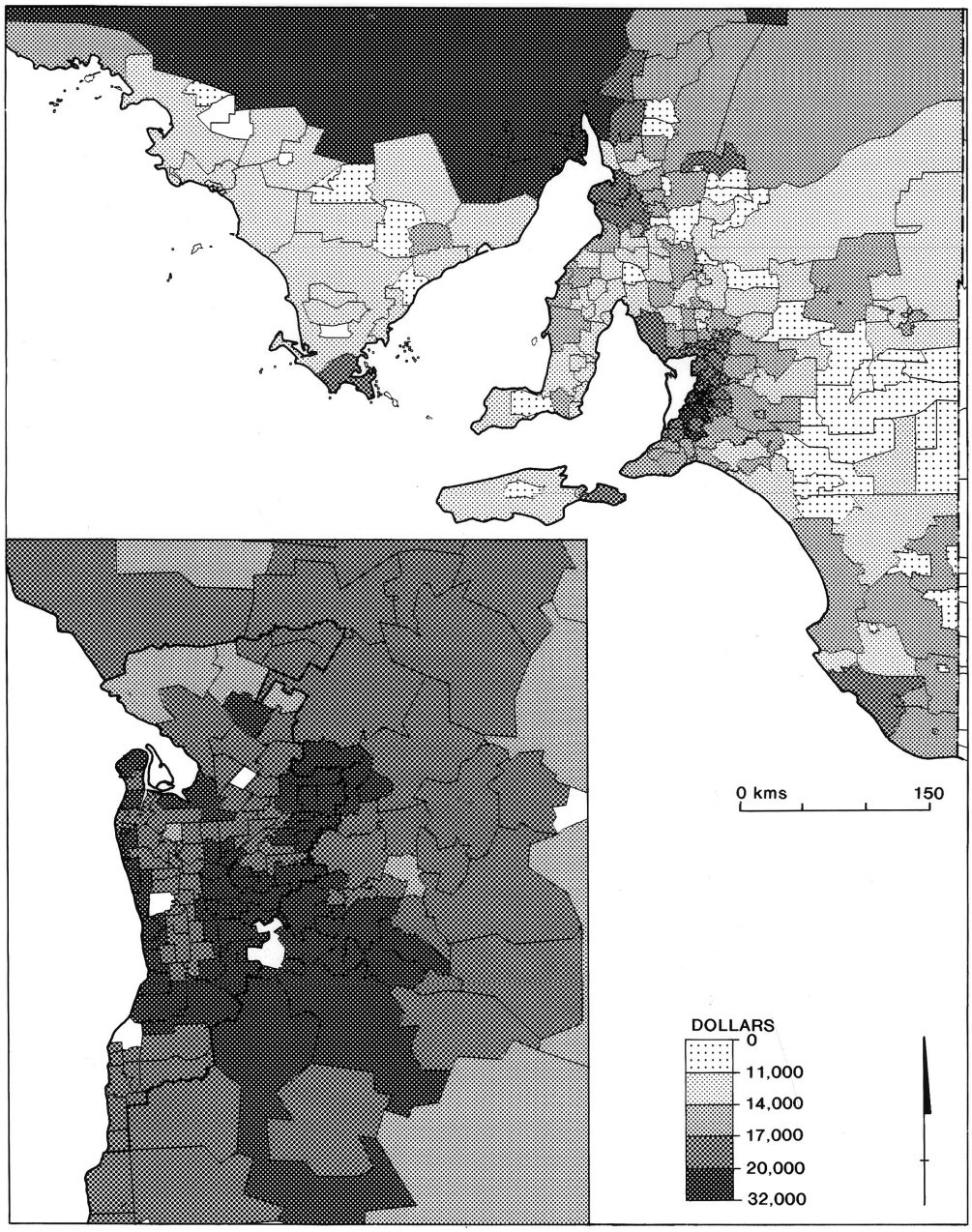


General poverty distribution by 1991

The national recession and high interest rates naturally affected the entire economy, not just agriculture. However, flow-on effects from the farm sector and the rise in

farm poverty both added to the number and worsened the lot of the non-farm rural poor in many ways - eg. retrenchments or short-time working by service industries dependent on farmer custom, cessation of the hiring of casual labour by farmers, the demise of share farming, the increased competition by farm women for scarce off-farm part time jobs, and so on. Figure 6.12 is based on the reports of the Commissioner of Taxation. Since 1991, taxation data have for the first time become available for almost all individual rural postcode areas, and at the same time rural postcode boundaries have been determined and digitally mapped. A person's postcode and normal post office may give some indication of his/her normal movement patterns, but for various reasons the defined postcode areas are only a very rough match to the pattern of community allegiance as shown in Chapter 5.

Fig. 6.12 Income per person (dollars) submitting a tax return, 1990/91, by postcode of usual residence



Source: Annual Report of Commissioner of Taxation, tax year 1991/92