

Interest rates, drought devastate Australia's rural areas

by William Bensted

The state of South Australia has recently released the results of an unprecedented survey it commissioned in January on rural debt. The survey showed that 657 family farmers, out of the 10,377 farmers holding debt in the state (and 14,300 total), have been classed as unviable by major lending institutions and will be forced out of business by those institutions in the next 12 months. But that's just the tip of the iceberg.

The survey also showed that in addition to these 657 "Category C" farmers, who hold 30% or less equity in their farms, there are another 2,500 in "Category B," that is, those who are having debt servicing problems and whose position is deteriorating. These latter, though the report did not specify it, will, under current conditions, likely be forced out as well, some in two or three years, some in a bit longer, depending on interest rates, commodity prices, and so forth. Thus, approximately *one-third* of all farmers who hold any debt will disappear in the near future.

The report was released by state Primary Industries Minister Dale Baker at a meeting in early May of industry representatives, bankers, and bureaucrats. The study is reputedly the first of its kind in Australia, in which private banks and other lending institutions have disclosed the total debt of their combined rural borrowers. But the report has been met with almost deafening silence, both in the country's major rural weeklies, most of which are controlled by the Fairfax newspaper chain, in turn controlled by British intelligence operative Conrad Black's Hollinger Corp., and in state and federal parliaments, in terms of any meaningful action to forestall this disaster.

Real problem understated

And useful though it is, the report substantially understates the real problem. Take, for instance, the indebtedness figures. The combined debt of the 657 "unviable" Category C farmers is over \$166 million, with an average farm family debt of \$252,000, representing 13% of the state's total rural indebtedness for 1991-92 of \$1.528 billion. Category B farmers have a total debt of \$325 million, with an average farm family debt of \$130,000.

Yet these debts are greatly understated because they

were arrived at by offsetting farmers' assets against their total debt, to give a figure of *net* debt. And as the farmers' aging asset base becomes devalued by non-replacement and high maintenance costs, as is rapidly happening, the *true* situation is worse still.

The debt has risen dramatically, in face of cartel-controlled commodity prices and years of 20% or higher interest rates. According to federal government figures, farm debt in 1977 was \$9.311 billion, zoomed to \$15.545 billion in 1993, and has just hit \$18 billion. In other words, the banks are in a major crisis as well.

Given the immense debt levels, farmers are unable to either replace their machinery or to maintain the land. Thus a recent study on Australian grain drew attention to the discrepancy between the value of crop nutrients removed in grain sold annually from South Australian farms, and the value of the nutrients replaced as purchased fertilizers. The study calculated that the cost of replacing nutrients removed in a ton of wheat was about \$28, money which farmers don't have. Buyers are beginning to complain about the low nutrient content of Australian grain.

Problem is nationwide

But the situation in South Australia is not atypical for the country as a whole. Nearly four years of continuous drought have devastated much of rural Australia. In Queensland, for instance, the Queensland Graingrowers Association has said that since 1991 the drought has cost the state \$2.65 billion in lost revenue. Some 34% of the state is drought-declared, with another 30% well on the way; of Queensland's 36,000 farmers, 9,200 are drought-declared. It is predicted that approximately 20% of the state's grain growers will be forced from the land in the next three years. Destitution is such that the Drought Funds Coordinating Committee has made an urgent appeal for even such basic items as toothpaste, shaving cream, band-aids, pain relievers, and soap.

Under these conditions, suicides have reached epidemic proportions. According to the Lifeline organization, a counseling service, over 2,600 Australians committed suicide last year. Though figures of rural suicides have been kept top secret by state and federal governments, anecdotal and other evidence shows that the rural sector has been the hardest hit.

Australia is one of the world's largest food exporters. If a tragedy for the Australian farmer, as well as the desperately hungry in Africa and elsewhere, is to be avoided, drastic measures are required. Such measures have been proposed by Lyndon LaRouche's co-thinkers in the Citizens Electoral Councils, who have just released a package of draft legislation necessary to revive the nation's physical economy, which includes a four-year moratorium on the debt of all family farms, and the extension of new, low-interest credits to the rural sector through a new national bank.