KILL, CURE OR STRANGLE

The history of government intervention in three key agricultural industries on the Atherton Tablelands, 1895 – 2005

Thesis submitted by

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It is with awe that I acknowledge the role of the hundreds, if not thousands, of people who developed and established the Atherton Tablelands over the last hundred years. Their work and sacrifice was not in vain. The visions of their youth may have turned to the ashen dreams of their old age, but their legacy is the beautiful and productive place that exists today. Although the future is uncertain, it is certain that there will always be pioneers willing to try yet another industry from which to make a living.

Abstract

The Atherton Tablelands, west of Cairns in Far North Queensland, comprise some of the richest agricultural lands in Australia. The area was settled from the 1880s, following the discovery of gold and other minerals on the Palmer River, the Hodgkinson and the Herberton fields. Situated as it is on the economic and geographic periphery of Australia, government sponsored agriculture on the Tablelands was seen not so much as a food producing venture, as a means of closer settlement and strategic defence in accord with the White Australia Policy.

Maize, dairy, and tobacco industries were set up by opening Crown Land for selection under conditions which inevitably caused destruction of thousands of acres of valuable rainforest, with consequent land degradation, erosion, and invasions of weeds. Subsequently, production became less than optimal, and without assured markets, transport systems and access to communications, the farmers struggled with subsistence conditions.

In order to keep unviable industries alive, successive Queensland and Commonwealth governments intervened with a plethora of schemes which had the effect of subjecting farm families to years of poverty and despair. In the process, the industries became subject to ever-increasing regulation which stifled enterprise, and led to over-production of commodities for the available market. All of the industries were supported to some degree by mechanisms ranging from statutory marketing to subsidies, bounties, direct grants and tariff protection.

When Australian governments moved to realign the economy of the nation according to neo-liberal principles, all of the support mechanisms which had allowed the industries to stay alive were withdrawn over a period of thirty years. The result has been predictable. Tobacco growing in the area has ceased, the dairy industry has declined to the point where it is unlikely to exist for much beyond 2010, and the maize industry is surviving as a provider of stock feed to the local market.

This study traces the establishment, development, and rationalization of each industry, and records the effects of these processes on the people, the environment, the wider community, and the politics of the area. In terms of regional decline, it is a microcosm case study of the effects of government intervention, both in the process of regulation and deregulation. The lessons to be drawn from the study point to profound implications for the production of food within a sustainable environment in Australia.

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Abbreviations

Atherton Tableland Co-operative Butter Association Ltd	ATCBA
Atherton News and Barron Valley Advocate	*AN&BVA*
Atherton Tableland Cooperative Butter and Bacon Company	ATCBBC
Atherton Tableland Co-operative Dairy Association	ATCDA
Atherton Tableland Maize Marketing Board	ATMMB
Australian Bureau of Agricultural And Resource Economics	ABARE
Australian Bureau of Statistics	ABS
Australian Cooperative Foods	ACF
Australian Council of Trade Unions	ACTU
Australian Government Printing Service	AGPS
Australian Labor Party	ALP
Australian Pacific Economic Cooperation	APEC
Bovine Spongiform Encephalitis	BSE
Cairns Post	*CP*
Australia and New Zealand Closer Economic Relations	CER
Common Agricultural Policy	CAP

Commonwealth Government Printing Service	CGPS
Commonwealth Parliamentary Debates	*CPD*
Council of Australian Governments	COAG
Country Party	CP
Dairy Exit Program	DEP
Dairy Regional Adjustment Program	Dairy RAP
Dairy Structural Adjustment Program	DSAP
Eacham Historical Society	EHS
European Economic Community	EEC
European Union	EU
Federation of Australian Tobacco Growing Organisations	FATGO
Free Trade Agreement	FTA
General Agreement on Tariffs and Trade	GATT
Gross Domestic Product	GDP
Grower's Basic Quota	GBQ
Herberton Advertiser	*HA*
House of Representatives	H of R

Hundredweight	cwt
Industries Assistance Commission	IAC
International Monetary Fund	IMF
John Oxley Library	JOL
Liberal Party of Australia	LPA
Malanda Milk Ltd	MM
Member of the House of Representatives	MHR
Member of the Legislative Assembly	MLA
Member of the Legislative Council	MLC
Millaa Millaa Cooperative Dairy Association	MMCDA
National Farmers' Federation	NFF
National Party of Australia	NPA
North America Free Trade Agreement	NAFTA
North Queensland Cooperative Dairy Marketing Federation	NQCDMF
North Queensland Tobacco Growers Cooperative Association Pty Ltd	NQTGCA
Organisation for Economic Cooperation and Development	OECD
Parliament of the Commonwealth of Australia	PCA

Pence	d
Pound (weight)	lb
Producer Subsidy Equivalent	PSE
Queensland Agricultural Journal	*QAJ*
Queensland Dairyfarmers' Organisation	QDO
Queensland Parliamentary Debates	*QPD*
Queensland Parliamentary Papers	*QPP*
Queensland State Archives	QSA
Queensland Tobacco Adjustment Package 1997	QTAP 97
Queensland Tobacco Leaf Marketing Board	QTLMB
Queensland Tobacco Marketing	QTM
Queensland Votes and Procedings	*QVP*
Returned Soldiers', Sailors', and Airmen's Imperial League of Australia	RSSAILA
Royal Commission	RC
Shilling	s
Statutory Marketing Authorities	SMAs
Tableland Examiner	*TE*
Tableland Examiner and Barron Valley Advocate	*TEBVA*

Tablelands Research and Consultancy Services	TRACS
Technical and Further Education, College of	TAFE
Tobacco Growers Trading	TGT
Tobacco Growers’ Council of Australia	TGCA
Tobacco Industry Leaf Finance Authority	TILFA
Tobacco Industry Stabilisation Plan	TISP
Ultra Heat Treated	UHT
United Kingdom	UK
United States of America	USA
World Trade Organisation	WTO

Measurements

Length

1 inch	=	2.54 centimetres
1 foot	=	30.5 centimetres
1 yard	=	91.5 centimetres
1 mile	=	1.61 kilometres

Volume

1 pint	=	568 millilitres
2 pints	=	1 quart
4 quarts	=	1 gallon
1 gallon	=	4.55 litres
8 gallons	=	1 bushel

Area

40 perches	=	1 rood
4 roods	=	1 acre
1 acre	=	.405 hectares

Currency

12 pence	=	1 shilling
20 shillings	=	1 pound (£1)
£1	=	$2 (1966)
$1	=	100 cents

Weight

1 ounce	=	28.3 grams
16 ounces	=	1 pound
1 pound	=	454 grams
112 pounds	=	1 hundredweight
20 hundredweight	=	1 ton
1 ton	=	1.02 tonne

SECTION ONE

Introduction

Literature Review

Introduction

In the history of Australia, the intersection of economics, government policy, and the agricultural sector has always been a place of many tensions. This study examines the effect of those tensions on the people, land and resources in a small and peripheral area of Australia by using three specific industries as case studies. The case studies show first that government intervention in the form of regulation and support encouraged the growth of agricultural industries which, in a free market situation, could not have survived; and second, that the process of deregulation was, in some cases, poorly planned and inconsistent, leading to degrees of hardship for farmers, environmental damage, economic difficulties for regions, and unexpected political shifts. The industries examined were the maize, dairy and tobacco industries on the Atherton Tablelands over a period of more than one hundred years. Within the current context of regional and rural decline, the Tablelands provide an extreme example of the effects of government intervention. The area is ideal for a study such as this because its economy has been based almost entirely on agriculture, and the chosen industries are concentrated within a relatively small area. It provides examples of industries which served different functions within the local, state and national economies, and which have been subject to government intervention for most of their histories. It is economically and geographically peripheral and therefore more vulnerable to the effects of shifts in political and economic policy. Industry records and local history are reasonably well documented.

From first settlement, farmers were recognised as being necessary for the successful establishment of the colony, and later, the nation. However, the land itself, and the uses to which it was put, became contested ground in the waves of ideology which influenced government policy making. Although such production was necessary for the survival of Australia, agricultural policy seems to have been an add-on to overall economic planning. For instance, early Labor[1] governments concerned themselves with agriculture in so far as it, and the farmers, could be slotted into an ideological framework. Thus, the grazier class was considered capitalistic, and subjected to changes to land laws. The small, yeoman farmer was regarded as of the working class, and therefore protectionist policies against

[1] The Australian Labor Party adopted the spelling "Labor" after 1918. For the sake of simplicity, the later spelling will be used throughout the thesis.

the depredations of “the middle man” and the vagaries of the market, were applied. The conservative parties gave more attention to agriculture, mainly at the behest of the Country/National Party, which espoused the vested interests of farmers as their constituency. Their policies were not reformist, as were those of the Labor Party, but were patched together in reaction to circumstances as they arose. Although various governments paid lip service to the notion of farming as a ‘business’ and a ‘science’, the fact remained that agriculture, particularly in the north of Australia, was treated as the means to achieving the ends of closer settlement and border defence.

Governments from the 1920s to the 1960s were overwhelmingly protectionist, and most sectors of agriculture were subject to intervention to a greater or lesser degree, usually in the form of Statutory Marketing Authorities and tariff protection from imports. As well, from 1900 until the 1980s, farming was universally regarded as ‘a way of life’, and farmers expected to demonstrate a willingness to expend labour and resources, not for a profit and to accumulate assets, but for the privilege of achieving the romantic ideal of self-sufficiency from the land. However, the universal acceptance of the ‘way of life’ theory to explain why sane people would go farming in the first place, allowed successive governments and their agencies to deny the place of farmers’ and their families’ wages in calculations of the cost of production. Therefore, commodity prices based on a cost of production which left out the family wage factor, in reality provided a subsidy to the consumer made up from those foregone wages, a fact not readily recognised by governments of any persuasion.

Today, the farming sector still defies categorisation, and no single policy can possibly fit the circumstances of every sector of production. Crops grown for export markets require different policies from those grown for the domestic market. Within each sector there are differences in outputs and financial results among individual farmers. Governments have put in place programmes which, in the short term, have ameliorated the worst effects of climate or markets, but which in the long term, have served to remove small, inefficient and unviable enterprises. In many instances, circumstances, such as the necessity for relief during drought and flood, have dictated the development of agricultural industry policies.

Because farmers and farming could not easily be defined and categorised, governments found policy making difficult. It was not until the major economic shifts of the 1980s and 1990s that governments openly expected farms to be primarily “businesses”, and therefore to be subject to the same market checks and balances as the dress shop, the milk bar, and the butcher. However, farming has never been the same as running a retail business because production is variable according to the physical and environmental factors of location; distribution has inherent difficulties according to distance from markets and the perishable nature of the produce; and exchange depends on markets in which demand may or may not meet supply and which may or may not be corrupted.

Isolation bedevils any farming community north of the Tropic of Capricorn. Nevertheless the development of northern Australia was regarded by successive governments, both State and Commonwealth, as necessary to legitimate the White Australia Policy. The Atherton Tablelands, in particular, were considered ideal for white settlement because of the temperate highland climate which was thought less trying for white settlers than the coastal climate. It was generally expected that here, the white race would prove that it was possible to establish and develop successful agricultural enterprises without the necessity for “coloured” labour. However the establishment of agriculture in that region was always problematic in that it is located on the economic periphery of the nation, is far from major centres of population, and is at the end of the supply and transport chains.

Within the context of current rural[2] decline, the Tablelands provide an extreme example of the effects of government intervention over one hundred years. The first major findings are that government intervention in agricultural industries was based on the ideology of closer settlement, a self-sufficient yeomanry, and in North Queensland, the White Australia Policy. In order to achieve these non-economic policy imperatives, agricultural industries were established in economically marginal areas such as the Atherton Tablelands. The result caused certain patterns of land usage which led to monocultural production and land degradation. Statutory marketing arrangements led to a culture of dependence on quasi-government structures, and encouraged the expectation of rescue from market fluctuations. These will be discussed in detail in the following chapters.

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[2] In this study, the meaning of “rural” and “regional” are used congruently because the Atherton Tablelands is a discrete region, and relies principally on agriculture for its economic survival.

From 1973 to 2000 the Australian economy was subjected to major restructure. Agricultural industries were deregulated, and decades of production based on certainty of markets through legislation came to an end. Competition Policy ensured that individual farmers no longer had the certainty of statutory marketing arrangements which had produced the great primary production marketing monopolies. Neighbours not only found themselves in competition with each other for increasingly tight markets, but also subjected to the threat of imported products from countries which subsidise their farmers, or which have extremely low wage costs.

The second part of the study found that the implementation of policies, in response to economic imperatives from the mid-1970s, resulted in varying degrees of financial hardship for farmers, with consequent land degradation and economic distress for the region, because the policies were formulated with little or no realistic planning for adjustment to the new economic regimes. This change, accompanied as it was by a significant lack of farmer understanding of the issues of global market forces, technological change, and capital intensification, led to political ralignments on the Atherton Tablelands.[3]

The Atherton Tablelands are dependent on rurality for economic survival and identity within the Australian polity. Until very recently, its economy was based on the production of agricultural commodities, and as such, it has been a nett importer of other goods and services. All of the agricultural industries on the Tablelands have been subjected to lesser or greater degrees of government control at some stage of development, establishment and later, decline through rationalisation. The area has attracted waves of settlers who, while racially and ethnically diverse, have melded into a population which is conservative, resentful of change and slow to adapt to it, and with a culture of dependence on government. Like most rural areas in the world, there is an outflow of the best and brightest of the young people, very few of whom return. Consequently, the average age of

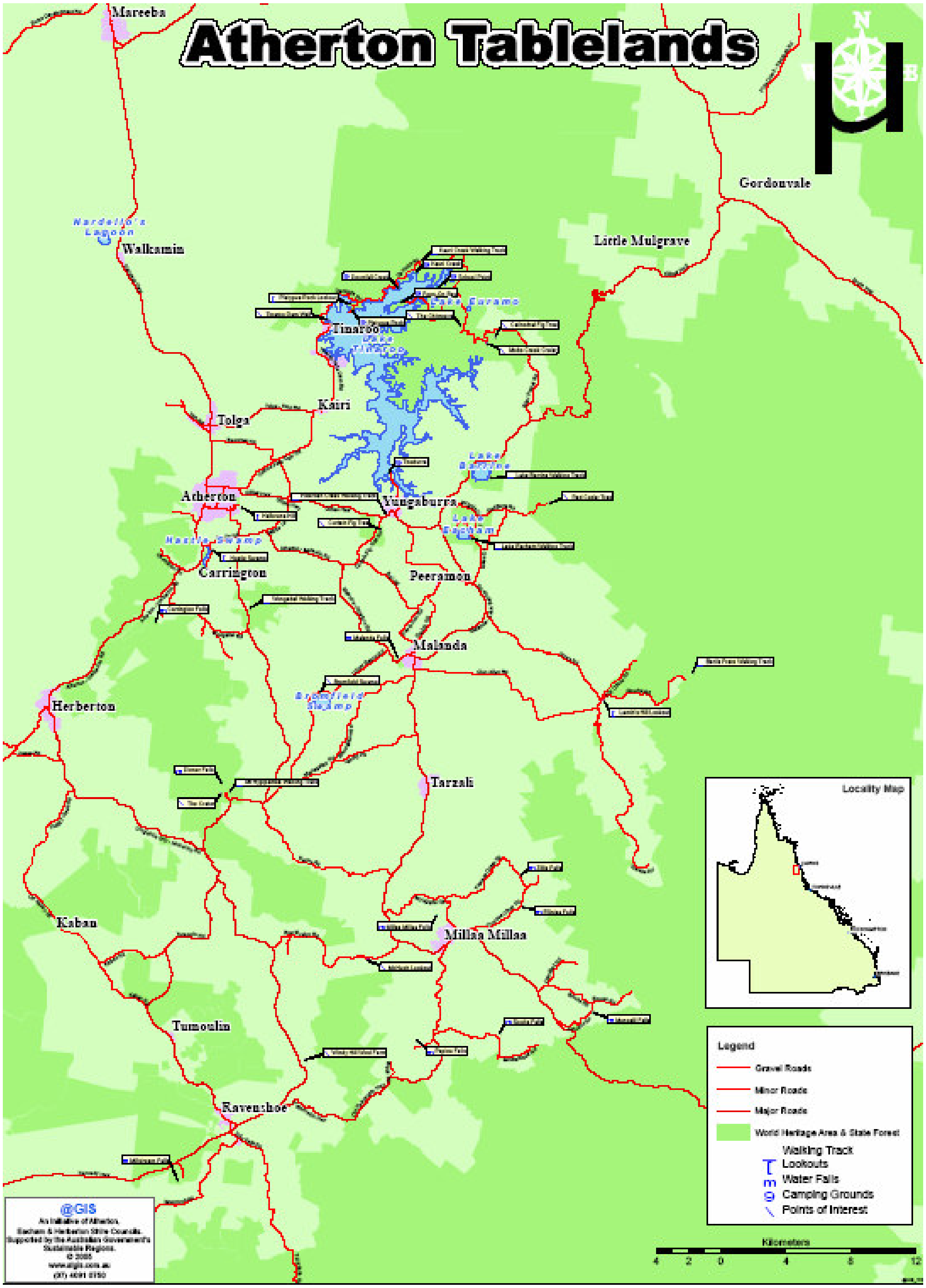
[3] From the 1970s the Australian economy was subject to the increasing pressures of globalisation and technological change. Both Liberal and Labor governments adjusted their policies to free up the economy from what were regarded as impediments to competition. Included in those impediments were the many price support and marketing schemes upon which farmers had relied for years. However, as documented by Freidman and George, among many others, the adjustments created both winners and losers.

the farming population places it on the edge of necessary generational change, but with few young people willing to return to the land of their parents. Therefore, the hypotheses of this study have been examined through the histories of people in various stages of crises, and their adaptation to government induced circumstances which were not static, but changed with the ideologies which prevailed throughout those histories.

A survey of the available literature on Australian agriculture shows that a longitudinal study using three agricultural industries as case studies, through the processes of regulation and deregulation, has not been carried out. There is some literature which studies the effects of globalisation on agricultural aspects of specific regions and countries, and many general studies of the economic effects of the free market and competition policy. This study is unusual as it uses industries which fulfil different functions, that is, production for the domestic market, the domestic and export markets, and for import substitution. It highlights the importance of formulating government policy which plans for the effective management of changes flowing from the application of that policy, particularly policies which reflect the adoption of ideology diametrically opposed to those which hitherto prevailed.

Geographic Context

The Atherton Tablelands are situated in the far north of Queensland, west of Cairns, separated from the coast by high ranges. The Tableland, as it is known locally, actually consists of three tablelands. The first is the Evelyn Tableland which is the highest point of the Great Dividing Range. Ravenshoe and Herberton are the principal towns. The Atherton Tableland comprises the area around the towns of Atherton and Malanda, and is 1000 metres above sea level. The third is the area now known as the Mareeba/Dimbulah Irrigation Area, bordering the Hann Tableland to the north. All three are encompassed within the four Shires of Atherton, Eacham, Herberton and Mareeba, which comprise the State electorate of Tablelands. The entire region covers 63 904 square kilometres, and had a population of 40 077 at the 2001 census. The climate is classed as tropical temperate, and rainfall varies between 750mms in the northwest, to in excess of 1200mms annually in the south east. Land forms also vary from volcanic and basaltic in the south to granitic in the north. Ancient limestone karsts are a feature of the north western boundary at Chillagoe, and lava tubes at the Mt Surprise south western boundary. The Atherton and Evelyn Tablelands were once covered by dense tropical rainforest, whilst the drier areas consisted of dry sclerophyll forest. The farming area extends from Mt Molloy in the north, to Dimbulah in the west, south to Mt Garnet, and east to Millaa Millaa. (See Map 1). The variety of land forms and rain fall has enabled farmers to grow an enormous range of crops, both tropical and sub-tropical.



Map 1: The farming areas of the southern Atherton Tablelands.

Source: Atherton Tablelands Geographic Information Systems.

Historical Context

The Atherton Tablelands were first settled by Europeans during, and immediately after, the mining boom generated from the Palmer River and Hodgkinson gold discoveries and the Herberton Tin Field. Aboriginal tribes were dispossessed from their traditional lands and by 1920 most of the survivors had been relocated to either Mona Mona Mission, near Kuranda, or Palm Island, off Townsville. In the 1880s Chinese market gardeners, and a very few other farmers, were able to demonstrate that almost anything could be grown successfully on both the Evelyn and Atherton Tablelands.

The three industries chosen as case studies were established on the Atherton Tablelands between 1882 and 1930. All were regarded by governments as ideal crops to forward closer settlement, and to establish white yeoman farmers. Maize production began as a purely domestic industry supplying grain for animals used for transport. Dairying, providing milk and butter for the local population, soon attracted the attention of government which saw the Tablelands as having the potential to produce cheap butter for “Mother England”. Tobacco, the last of the industries to be established, was conceived as an import substitution crop to save Australia’s precious United States dollar reserves and provide employment during the Great Depression. Each of these industries went through the processes of struggling to survive against the difficulties of establishment in an area far from markets and services, and with particular agronomic needs for successful production. They all took advantage of legislation which protected them from the worst of market fluctuations. Townships were established to service the demands of the developing industries.

Mareeba, situated at the northern end of the Tablelands, was established as a coach and packer stop for the convenience of miners on their way to the Hodgkinson and Herberton mining fields. By 1900 it was well established but did not to become an important agricultural centre until the inception of the tobacco industry in 1931.

Land in the southern end of the Tablelands was taken up by timber men from 1882, who cut the rich stands of red cedar (*Toona australis*) which grew prolifically in the dense rain forest; and by speculators from the mining fields in the expectation that the land would be valuable for agriculture in the not-too-distant future. By 1900, Atherton was a small but thriving township surrounded by farms, with its own Chinese settlement, hotels, shops, and services run by both Europeans and Chinese merchants, including a rice mill.

Similarly, the land to the south east was first exploited for timber, before being settled by dairy farmers. This land, with its rich looking volcanic soil and high rainfall, was considered ideal for dairying. The towns of Malanda and Millaa Millaa became the service centres for the area.

From the beginning, the farmers were at a disadvantage compared with farmers in the more closely settled areas of the State. Transport systems were poor, markets were a long way away, and efforts to transform produce into a form easily transportable and acceptable to consumers proved difficult. However, policies of successive governments to settle the "empty" North to give some protection from the anticipated influx of "yellow hordes" also put a degree of obligation on government to ensure that conditions for settlement were sustainable. In time, the railway arrived from Cairns, through Mareeba (1893), to Atherton (1903), and later, to Malanda and Millaa Millaa (1918) and Ravenshoe (1916). Schools, hospitals (mostly funded by local communities), police stations, and local government were established.

Up to World War One, little agricultural produce was exported from the Atherton Tablelands. Sufficient food was produced for the sustenance of humans and animals, but as more land was cleared and farmers became more efficient, there was soon a surplus, and it became necessary to identify markets to take excess production. The Queensland Government legislated for farm cooperatives, farmer control of marketing, and a pooling system whereby all of a specific crop would be sent to a central point from where it would be sold, and the income distributed to the farmers according to individual production. This essentially socialist system introduced the concept of government intervention in the production, marketing and distribution of farm products, and had a profound effect on agriculture for the next fifty years. Such extensive regulation forced the passage of complementary State and Commonwealth legislation which, in effect, overcame Section 92 of the Commonwealth Constitution guaranteeing free trade between States.

By 1973, there were commodity boards in existence for almost every agricultural product in Australia, including the three major crops grown on the Atherton Tablelands. Few industries were left to the unfettered forces of the market. However, change was gathering momentum, and neo-liberal economists detected signs that the economy was struggling under tariffs and other forms of protection given to all sectors of industry. Governments accepted that reform was necessary in order to maintain competitiveness in a rapidly globalizing economy. The next thirty years encompassed the most radical micro-economic reforms ever undertaken in Australia. All industries, including agriculture, were subjected to market forces. On the Tablelands, restructuring of the maize, dairy and tobacco industries resulted in changes in land and resource use, political upheaval, and a period of economic instability.

This study traces the history of those ideological shifts, from capitalist production, through the forms of socialist production, marketing and distribution imposed on farmers, and back to a market driven economy. It will examine processes and effects on individuals and on the three industries chosen as case studies, as well as the region as a whole. It will examine the question of how each industry was treated by governments throughout the process and attempt to establish the reasons for an industry to be marked out to be killed, cured, or strangled. The maize industry, producing for local industries, was cured. Dairying, producing for both local and export markets, is still in the process of strangulation. Tobacco growing, established as an export replacement crop, was killed.

Organisational Overview

The thesis is divided into sections. Section One contains the Introduction and the Literature Review as Chapter One. Section Two deals with regulation and its consequences. The Section commences with Chapter Two, an overview of government intervention in agriculture in Queensland, with particular reference to the maize, dairy and tobacco industries. This chapter is followed by three chapters which detail the histories of development and establishment of each of the three industries on the Atherton Tablelands, and the effects of regulation on the farmers, the land and resources. Section Three details the process and consequences of deregulation. Chapter Six contains an overview of the process of micro-economic reform with reference to agriculture in general in Australia. The following three chapters deal specifically with each of the three industry case studies and show the effects on the farmers, the wider community, the land and resources. The section ends with a chapter which outlines the implications for policy, future research, and concluding remarks.

For the purpose of this study, applying as it does to agriculture, the development phase has been taken as the initial period of clearing the land, building infrastructure and growing the first crops. The establishment phase is taken as the period during which economic viability through political processes was achieved. The period of rationalisation is that which culminates in the complete deregulation of the industries, exposing them to market forces.

Methodology

In order to fulfil the research aims I examined the history of the process of regulation and subsequent deregulation, particularly in relation to the three selected agricultural industries specified. This overview was followed by a study of the history of each industry over the relevant period, to determine the economic and social effects on the people and the district.

Both primary and secondary sources were examined to establish the reasons for the initial settlement, development and establishment of the Atherton Tablelands. Government publications, and relevant Parliamentary Papers, including the Commission of Inquiry into Land Settlement[4] demonstrated shifting ideologies related to land settlement. This incorporated a study of the application of the land laws, and agricultural policy from 1895 to 1960. The available literature relating to the establishment of a market economy in Australia was searched for the theoretical foundations of free market orientation of the economy, as well as opposing arguments.

This was followed by a search of the documentary sources for each industry on the Tablelands. Primary documents were researched from the industry organisations, State and National Archives, newspapers, government and privately sponsored reports, and

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[4] Queensland Land Commission, Minutes of Evidence taken before the Land Commission Inquiry into Land Settlement, 18 April, 1897, in *Queensland Votes and Proceedings (QVP),* Volume II, 1897.

Parliamentary Papers. Access was granted to the archives of Queensland Tobacco Marketing (QTM) and the former North Queensland Tobacco Growers' Cooperative Association Pty. Ltd. (NQTGCA) held by Tobacco Growers' Trading (TGT). Newspaper reports, industry specific journals, material from the John Oxley Library, and the Libraries of the Commonwealth and Queensland Parliaments were also used. Locally produced secondary sources such as autobiographies and local histories were consulted. The debates and proceedings of both Commonwealth and State Parliaments were also used to determine the ideology embedded in decisions related to both regulation and deregulation of industries.

Structured interviews with former and present industry leaders, former and present farmers, and the appropriate government ministers from the relevant time were carried out. Within the interviews, participants were allowed to follow up or enlarge on specific points according to established oral history methodology. Information obtained from the former members of government and industry leaders was then compared with the documentary record for confirmation. The farmer participants were randomly selected from lists supplied by the industry organisations in the case of the tobacco and dairy industries; and by selection from lists supplied by contacts in the case of the maize industry.

Disclosure

The author is the daughter of T.V. Gilmore who was active in the tobacco industry from 1931 to 1994, and who was Federal Member for Leichhardt (1949-1951), and Queensland Member for Tablelands (1957-1964). The author is the sister of T.J.G. Gilmore who was the Queensland Member for Tablelands (1986-1998). The author has attempted to ensure objectivity by the use of accepted practice in historical research by comparing sources against each other.

The author was a tobacco farmer from 1963 to 1975, and is well known in the tobacco industry. The author has no current material interest in any farming activity whatsoever.

The author is the owner of Tablelands Research and Consultancy Services (TRACS).

Constraints

There were several constraints which inhibited the study. One is the application of the "Thirty Year" rule for access to Cabinet and other sensitive documents. Academic access to archived material was denied by the Queensland Department of Primary Industries on the grounds that material relating to the deregulation of Statutory Marketing Authorities was too sensitive to be examined. A second was the degree of willingness or otherwise of industry leaders to allow access to recent relevant documentation. This was particularly the case in the maize industry, where possible legal actions are pending. A third was the willingness or otherwise of farmers to reveal their financial, physical and psychological responses to the processes of deregulation. Again, this was a problem only in the maize industry. Lastly, the economic impact on an entire region was difficult to establish definitively because of the number of variables such as the prevalence of the cash economy, the impact of replacement industries as yet in an infant stage, and the growth of service industries which had not previously existed on the Atherton Tablelands. In hindsight, the uncertainty and emotional and economic distress caused by deregulation are too new and raw to allow for a reliable analysis of cause and effect, and probably should not have been attempted at this stage. However, the narrative does provide eye-witness accounts and indicates the results of profound change and how different communities coped with it.

Conclusion

In an era when the world is struggling with a transition from the protectionist policies extant in most developed countries for most of the last century, to free markets and globalisation, it is timely to take a detailed look at how the process of change has been managed in one small, well defined area. An examination of a microcosm, albeit an extreme case, will throw light on the larger situation and possibly provide guidance as to future planning for profound change, whether it is economic, social, resource based, or all three. This study shows that intervention in the name of protectionism certainly caused the establishment of certain industries, not always to the benefit of the producers, and that planning in the process of removal of those protections is important. If planning and management systems are not put in place, the consequences are likely to be profound at an individual, regional, and even national level. This study deals with the very essence of polity and the systems which were used to ensure certain outcomes, and how those outcomes impacted negatively on farmers, the land, the region in which they operated, and governments. After all, a decision on whether to kill quickly, cure or strangle slowly an industry must, one would have thought, be taken with some regard to the consequences, and at the very least, in a country which prides itself on being a liberal democracy, to ensure that the process was as comfortable as possible for those affected. This study shows that those decisions were taken, by government in general and the Commonwealth government in particular, with varying degrees of planning and management strategies for, both short-term and long-term implications. In the main these plans and strategies have proved problematic for the survival of sustainable agriculture and for the environment on the Tablelands.

Chapter One: Literature Review

Review of Sources and Literature

A search of the Australian and international literature could discover no other longitudinal case study of the effects of government intervention on the three nominated agricultural industries. The specific histories of the industries on the Atherton Tablelands have not been explored in the context of economic and social change. However there is a wealth of material available on the related topics of land legislation, economic theories, particularly as they apply to agriculture, and their philosophical foundations, and political policy formulation and underlying theories of social governance. Specific references to regulation and deregulation of agricultural industries in the Australian context appear to be the province of a limited, but growing, number of academics such as Lawrence, Quiggin and Vanclay. The histories of specific agricultural industries have not been extensively addressed in Queensland, although there are a number of academics who have contributed theses and journal articles which have explored aspects of those histories. There is also a growing body of academic literature on the effects of globalisation on agriculture and regions in the geographic and economic periphery of nations.

An historical context was established to determine the reasons and circumstances for the establishment and regulation of agricultural industries in the early history of Queensland.
Conflicting theories of economics were studied to determine the reasons for the imposition and ending of protection. Both domestic and international examples were used.
Regulation and deregulation were studied within a political framework, which included international relations. The literature was also searched for work relating to the political consequences of deregulation.

The history of each of the chosen industries was examined to place it within these economic and political frameworks.

Historical Context

A review of the literature of the history of agriculture in Queensland revealed that there is no great compendium of work solely devoted to the subject, apart from Skerman's history of the Department of Primary Industries in Queensland.[1] However, several historians have the subject embedded in general histories. Bolton[2] provided a very good overview of the establishment of agriculture in North Queensland, and the struggles of the early farmers including the Chinese. However, his history ends in 1920, and so did not address the process of regulation of agriculture which began in 1923 with the inception of the *Primary Producers' Organisation Act of 1922, The Primary Producers' Pools Bill of 1923*, and *The Primary Producers' Organisation and Marketing Act of 1932.* Cathie May's work was also useful in providing a wealth of information about the Chinese influence on the development of agriculture on the Tablelands.[3]

Murphy's *Labor in Politics*[4] provided an overview of the reasons for the initial development of protectionist policies for agriculture which were designed to overcome the powers of the monopolies and the 'middle-men'. It is evident that the establishment of intensive agriculture in north Queensland was the direct result of the Closer Settlement policies of the Labour Party, which held that, as a matter of principle, land was the property of the Crown. Therefore the duty of government was to apportion it for the greater good of the people.[5] Fitzgerald[6] documented the history of regulation of agriculture as starting with *The Sugar Cane Prices Act* of 1915, introduced by the Labour Ryan Government. He also

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[1] P.J.Skerman, *Department of Primary Industries Queensland 1887-1987. The First One Hundred Years,* Department of Primary Industries Information Series Q 198055. (Limited Edition), DPI, Brisbane, 1998. Skerman was uncritical of the work of the Department, which was often too little, too late. However, he does provide an overview of the development of agriculture in Queensland.

[2] G.C.Bolton, *A Thousand Miles Away*, The Jacaranda Press, Brisbane, 1963.

[3] Cathie May, *Topsawyers: the Chinese in Cairns, 1870-1920*, Department of History and Politics, James Cook University, Townsville, 1984.

[4] D.J. Murphy (Ed), *Labor in Politics,* University of Queensland Press, St Lucia, 1975.

[5] W. McCormack, *QPD,* 150 (1927): p. 1514-15, as cited in W. Ross Johnston, *A Documentary History of Queensland,* University of Queensland Press, St Lucia, 1988, pp. 198-201.

[6] Ross Fitzgerald, *A History of Queensland From 1915 to the 1980s*, University of Queensland Press, St Lucia, 1984.

explored the effects of the policy of closer settlement on the development of agriculture in Queensland from 1912. This policy was specifically designed to settle Queensland with a self-sufficient white yeomanry who would discourage potential invasion from the "yellow hordes". Fitzgerald's analysis of the inherent flaws in the policy of unlimited development of agriculture without attention to the availability of markets pointed to the inevitable failure of such a system, as occurred on the Tableland.

The land tenure legislation of successive governments revealed the shifting, and, at times chaotic, policies relating to closer settlement. Bernays[7] and Lack[8] and *Our First Half-Century*[9] provided a thorough overview of Government legislation, particularly in relation to land tenure and agricultural policies. Bernays' history was complemented by that of Waterson[10] whose work illustrated the social and land use effects of changes to land legislation. A Marxist interpretation of the tensions caused by land tenure was provided by Buckley and Wheelwright.[11] Although Cohen and Wiltshire[12] documented the difficulties of administration of land laws to 1920, they did not address specific industries, and so provided a general overview only. However, none of the above specifically related to the Atherton Tablelands.

References to policy applied to closer settlement and agriculture from 1887 to 1965 were obtained from a number of sources including Davidson,[13] Skerman,[14] and MacDonald

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[7] Charles Arrowsmith Bernays, *Queensland Government During Sixty Years, 1859-1919*, Queensland Government, Brisbane, undated.

[8] Clem Lack, Queensland, *Our Seventh Political Decade 1920-1930,* Angus and Robertson, Sydney, 1931; and Clem Lack, *Three Decades of Queensland Political History, 1929-1960,* Queensland Government, Brisbane, undated.

[9] The Government of Queensland, *Our First Half-Century, A Review of Queensland Progress,* Queensland Government, Brisbane, 1909.

[10] Duncan Waterson, *Squatters, Settlers and Shopkeepers*, Sydney University Press, Sydney, 1968.

[11] Ken Buckley and Ted Wheelwright, *No Paradise for Workers*, Oxford University Press, Melbourne, 1988.

[12] K. Cohen and K. Wiltshire*, People, Places and Policies, Aspects of Queensland Government Administration 1859-1920,* University of Queensland Press, St Lucia, 1995.

[13] B.R. Davidson, *The Northern Myth,* Melbourne University Press, London, 1965.

Holmes.[15] Although both Holmes and Skerman approved the closer settlement policies of succeeding governments, this view was challenged from very early on. W.E. Abbott, in 1911, warned against the 'socialist idea of tropical farms to produce things for which there is no market'.[16] Later, Davidson[17] challenged the reasons for the settlement of the north of Australia. His thesis was that although agriculture had been established in northern Australia for reasons other than the production of food, these reasons were no longer, and possibly never had been, valid. He pointed out the need for a re-evaluation of policies which had resulted in over production of commodities which were costing governments and consumers dearly, and that sufficient food and fibre could be produced more cheaply and sustainably in the southern regions of the country. Had policy been informed by the hard-headed realism of a Davidson or Abbott the north of Australia would have remained sparsely settled and the development of areas such as the Tablelands would have been delayed until sustainable industries could be developed by private capital.

As late as 1954, Skerman[18] and Grenfell Price were advocating the settlement of Northern Australia by white farmers as a counter to the perceived threat of the 'over-populated and hungry' Asian nations to the north of Australia. However, both emphasised that such development was a task for the whole nation, as a matter of the national 'good' and as such would require national assistance to become viable. Holmes[19], in his history of the settlement of northern Australia challenged the notion that large States and a Federal government was the best model for the sustainable development of Australia and the northern areas in particular. He proposed a system of smaller States with local autonomy so that people would have the opportunity to solve their own unique problems of location.

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[14] P.J.Skerman, 'The Agricultural Potentialities', in Australian Institute of Political Science, *Northern Australia, Task for a Nation,* Angus and Robertson, Sydney, 1954; and P.J.Skerman, *Department of Primary Industries Queensland 1887-1987,* 1998.

[15] J. MacDonald Holmes*, Australia's Open North, A Study of Northern Australia bearing on the urgency of the time*s, Angus and Robertson, Sydney, 1963.

[16] Merritt, John, *That Voluminous Squatter, W.E. Abbott of Wingen*, Turalla Press, Bungandore, NSW, 1999, p. 196.

[17] Davidson, *The Northern Myth,* 1965.

[18] P.J.Skerman, 'The Agricultural Potentialities', in *Northern Australia,* pp. 69-93, and A.Grenfell Price, 'The Social Challenge of Asia', in *Northern Australia,* pp. 179-198.

[19] J. MacDonald Holmes, *Australia's Open North*, 1963.

This proposal echoed the various New State movements which had currency in the North for many years. It also highlighted the problems faced by such peripheral areas as the Tablelands which to this day are faced by problems of distance and markets.

Three theses in particular provided valuable information about the effects of intervention on agricultural industries and were particularly relevant to the Atherton Tablelands. These were by Blackmur,[20] Milton,[21] and Birtles.[22] Birtles[23] provided an overview of the pattern of land settlement on the Tablelands to 1914, which demonstrated the effects of changes of land tenure policies. Blackmur[24] documented the policies which led to the socialisation of much of the agriculture in Queensland, but did not record the effects of such policies. Milton[25] traced the history of Soldier Settlement Schemes in Queensland and provided a useful reference to the development of such schemes, and consequent interventions by government to ameliorate the effects caused by policy based on a flawed ideology of limited land use and self-sufficiency without profit.

Shogren,[26] and Fitzgerald and Thornton[27] provided material relating to regulation of agriculture during the 1920s. Neither of these works included a comprehensive analysis of the long-term social or economic effects of such regulation. However, one such text which explored this theme was the biography of 'Red Ted' Theodore by Irwin Young[28], which

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[20] Douglas Blackmur, The Primary Industries of Queensland 1919-1929, A Study in Policy, Bachelor of Economics (Hons.) Thesis, University of Queensland, 1965.

[21] Elizabeth Milton, Soldier Settlement in Queensland after World War One, Bachelor of Arts (Hons.) Thesis, University of Queensland, 1968.

[22] Terry G. Birtles, A Survey of Land Use, Settlement and Society in the Atherton-Evelyn District North Queensland, 1880-1914, Master of Arts Thesis, Department of Geography, University of Sydney, 1957.

[23] *Ibid.*

[24] Blackmur, The Primary Industries of Queensland 1919-1929, 1965.

[25] Milton, Soldier Settlement in Queensland, 1968.

[26] Diana Shogren, 'Agriculture: 1915-29' in D.J. Murphy, R.B. Joyce, and Colin A. Hughes (Eds.), *Labor in Power, The Labor Party and Governments in Queensland 1915-57,* University of Queensland Press, St Lucia, 1980.

[27] Ross Fitzgerald and Harold Thornton, *Labor in Queensland: from the 1880s to 1988*, University of Queensland Press, St Lucia, 1989.

[28] Irwin Young, *Theodore, Hiis Life and Times*, Alpha Books, Sydney, 1971.

placed Theodore's life and work within the context of class struggle. On the other hand, Fitzgerald[29] traced the evolution of Theodore's ideology from that of a mining fire-brand of the Left to more conservative policies based on utopian ideals, but strengthened by the practical application of assistance in financing and marketing of agricultural production. Whitwell and Sydenham's[30] history of the Australian wheat industry provided a comparison between New South Wales and Queensland's application of socialistic theory to agriculture in general, and the grains industry in particular.

Although the regulation of agriculture in Queensland was essentially a Labor Party initiative, it was also advanced by the Conservative Parties in Canberra. Earle Page[31] outlined the inception of the Australian Agricultural Council in 1935. The purpose of this body was to coordinate research and marketing of produce Australia-wide. Page was also instrumental in the establishment of the Rural Rehabilitation Scheme which recognised the plight of farmers unable to pay their debts. He also described the direct government support of agriculture in Australia which it needed to survive.

One of the most useful texts for this study was Hefford's[32] overview of Australian agriculture, and the chronology of the evolution of farm policy from 1945 to the mid-1980s. Although it did not provide information specific to the industries in the thesis, it did provide a history of government actions and policies generally, and a basic understanding of the economic implications of those policies.

The review of histories of agriculture supported the thesis that land settlement and agricultural development in Queensland were subject to government policy and interventions based on ideology from a very early stage. However, no texts which studied the long-term effects of such interventions, especially the development of dependency on such interventions could be found.

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[29] Fitzgerald, *A Hiistory of Queensland from 1915 to the 1980s,* 1984.

[30] Greg Whitwell and Diane Sydenham, *A Shared Harvest, The Australian Wheat Industry, 1939-1989, Macmillan, London, 1991.*

[31] Earle Page, *Earle Page*, Black Inc., Melbourne, 1963.

[32] R.K. Hefford, *Farm Policy in Australia*, University of Queensland Press, St Lucia, 1985,

Theories of Economic Reform

This section consists of an overview of the history of general economic reform in Australia between 1970 and 2000, particularly as it relates to the nexus between agriculture and government policy. From the mid 1930s, following the social and economic disruption of the Depression, the Australian economy, like that of most Western democracies, had been based on a Keynesian model which held that the economy of a country is inherently unstable, and requires active government intervention to achieve stability. McTaggart, Findlay and Parkin[33] pointed out that Keynes himself acknowledged that increased government spending would trigger inflation and lower the long-term growth of production.[34] From post-World War Two and into the 1970s, governments in Australia, both Labour and Liberal, had followed the Keynesian economic philosophy of the duty of government to intervene in the market for the collective good of the nation. The degree of Keynesianism which was practiced has been challenged by Battin[35] who posited the decline of Keynesianism to a challenge by ideas which questioned the role of government in the development and maintenance of social democracy.

General theories of economics which informed the thesis came from a number of sources including McTaggart, Findlay and Parkin's basic text.[36] Although their work provided a valuable insight into the workings of economics as a political discipline, Chapter Six, on the fairness or otherwise of the market economy, was particularly useful. The underlying theory of neo-liberal economics was traced back to the seminal work of Hayek[37] who, in reaction to the totalitarian economic regimes of Stalin and Hitler, advocated a return to the public choice theory of economic distribution. His work was essentially a validation of the rights of the individual *vis á vis* that of the State. Hayek's ideas were ultimately to challenge the prevailing theory of Keynes.

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[33] Douglas McTaggart, Christopher Findlay, Michael Parkin, *Economics,* Fourth Edition, Addison Wellesley, French's Forest, NSW, 2003.

[34] *Ibid.*, p. 388.

[35] Tim Battin, *Abandoning Keynes, Australia's Capital Mistake,* Macmillan Press, London, 1997.

[36] McTaggart *et al*, *Economics,* Fourth Edition 2003.

[37] F.A. Hayek, *The Road to Serfdom,* Routledge Classics, London, reprinted 2002.

Hayek's work was initially published in 1944, but had little effect on government policy in Australia, until its central thesis was expanded by Milton and Rose Friedman whose seminal text *Free to Choose* challenged contemporary economic regimes[38] to privilege the rights of the individual through the application of neo-liberal economic theory to government policy. The Friedmans held that the role of government should not be that of a '... parent coercing some to give aid to others'[39], and should revert to the philosophy of Adam Smith and Thomas Jefferson. This held that the proper role of government is to serve as '...an umpire to prevent individuals coercing one another'.[40] This presaged, and was part of, a fundamental shift in the thinking of economists across the world. Government control of industry through supports such as tariffs, subsidies, production controls, and organised marketing came to be regarded as 'bad', and competition through a market unhindered by controls or supports of any kind were seen as 'good' for the economies of nations and the world.

Although Hayek had emphasised the role of government as a regulator of the market, Friedman denied that that government should have any role to play in the operation of the free market. It was this hard-line stance which informed the Hawke-Keating Governments of the 1980s. Anderson and Garnaut[41] took up the theme of the ill effects of protectionism which had long been espoused by Rattigan.[42] As Chair of the Tariff Board, he took his argument from the growing numbers of economists who were questioning the worth of protectionism, and advocating a return to market oriented management of the economy. His arguments were supported by the theories of the Friedmans.

This theme was used by a number of academics during the 1970s and 1980s to provide an ideological basis for government withdrawal from many aspects of the economy, and paved the way for the massive micro-economic reforms of the 1980s and 1990s. In the

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[38] Milton and Rose Friedman, *Free to Choose, A Personal Statement,* Secker & Warburg, London, 1980.

[39] Milton and Rose Friedman, *Free to Choose,* 1980, p. 5.

[40] *Ibid.*

[41] Kym Anderson and Ross Garnaut, *Australian Protectionism, Extent, Causes and Effects*, Allen & Unwin, Sydney, 1987.

[42] Alf Rattigan, *Industry Assistance, The Inside Story*, Melbourne University Press, Melbourne, 1986.

case of agriculture a growing body of opinion challenged the cost of such supports to both government and consumers.

However, the application of that theory was challenged by Lawrence *et al*[43] who warned that free market ideology applied without restraint to Australian farms and their production systems would not be sustainable for either the farmers or the environment. Vanclay's[44] sociological perspective of the effects of change brought about by deregulation was general rather than specific. His work outlined the difficulties caused by changes in marketing and the move towards contract farming arrangements with transnational companies which dominate the processed food industry in Australia. He identified contract farming as '...a form of dependency or subsumption'. Greider,[45] writing about the farm crisis in America, came to the same conclusion, and claimed that American farmers now saw themselves as being reduced from independent farmers to '...a subservient role as sharecroppers or franchisees,' in thrall to the large and dominant agribusinesses. He also outlined the unplanned process of withdrawal of support mechanisms, and the subsequent political panic which reintroduced subsidies, most of which go to the large agribusiness corporations.

Veeman[46], in his study of the deregulatory process applied to Canadian Marketing Boards, demonstrated a much lighter hand exercised by government. Although forced to comply with the World Trade Organisation's requirements to remove barriers to international trade, there was a differentiation between domestic and export production. He saw the continuation of Marketing Boards in Canada as part of the national supply management

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[43] Geoffrey Lawrence, *Capitalism and the Countryside, The Rural Crisis in Australia*, Pluto press, Sydney, 1987; Geoffrey Lawrence, Kristen Lyons, Salim Montaz, *Social Change in Rural Australia*, Central Queensland University, Rockhampton, 1996; Ian Gray, Geoffrey Lawrence, Tony Dunn, *Coping with Change, Australian Farmers in the 1990s*, Centre for Rural Social Research, Charles Sturt University, Wagga Wagga, 1993; Geoffrey Lawrence, Frank Vanclay and Brian Furze, *Agriculture, Environment and Society,* Macmillan, London, 1992.

[44] Frank Vanclay, 'The impacts of deregulation and agricultural restructuring for rural Australia', *Australian Journal of Social Issues*, Vol. 38, No. 1, February 2003, pp. 81-95.

[45] William Greider, 'The Last Farm Crisis"', *The Nation,* November 2000, Vol. 27, No. 6, p. 11.

[46] Michele M. Veeman, 'Marketing Boards: the Canadian Experience Revisited*', American Journal of Agricultural Economics,* , Vol. 79, No. 5, December 1997, p. 1554 (9).

programmes, and as such, an integral part of the economy. This is in contrast to the Australian actions which aligned all production and marketing with National Competition Policy, without policy differentiation between domestic and export markets.

Corden[47] detailed the theoretical bases for protectionism. He divided these into Public Interest Theories, and Private Interest Theories. According to one Public Interest Theory, the imposition of optimal tariffs on imports into Australia with its limited share of world trade actually reduces the national income.[48] The Infant Industry Protection Theory is persuasive in Australia which historically had a more developed primary industry base than a secondary industry base. This theory held that protection of industry in the establishment phase gave some compensation to entrepreneurs whilst their enterprises were not at the stage of profitability. Other theories outlined by Corden are the Balance of Payments Theory which held that it was necessary to protect industry to maintain an equilibrium in the balance of payments; and the balanced and self-sufficient economy theory.[49] He comprehensively demonstrated that protection for industry, whether primary or secondary, would result in a loss of national income from the losses in national efficiency. He pointed out that pressure for protection usually came from sectoral interests exerting political pressure. He also demonstrated that the Australian economy must be moved beyond both the public and private interest theories of protectionism.

This view, in Australia, was supported by Porter and Burns[50] who attributed the failure of successive governments to control inflation and interest rates to adherence to a fixed exchange rate. They advocated the floating of the Australian currency, and a pull-back from government attempts to manipulate the economy through wage, price, and interest rate fixation. Hilmer *et al*[51] established the necessity for a national competition policy which

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[47] W. Max Corden, 'Protection and Liberalisation: A Review of the Analytical Issues', *Occasional Paper 54,* International Monetary Fund, Washington, D.C., August 1987.

[48] *Ibid.,* p. 28.

[49] *Ibid.,* p. 35.

[50] Michael G. Porter and Michael E Burns, (Eds.), *The Australian Monetary System in the 1970s*, Faculty of Economics and Politics, Monash University, Melbourne, 1978, p. 106.

[51] Frederick G. Hilmer, Mark R. Rayner, Geoffrey Q. Taperall, *National Competition Policy*, Report by the Independent Committee of Inquiry, Australian Government Printing Service (AGPS), Canberra, August 1993.

would '...promote nationally consistent approaches and reduce the costs of developing a plethora of industry specific requirements'.[52] In terms of agriculture, the report pointed out that the statutory marketing provisions under which most agricultural industries operated '...are notoriously inefficient and effectively tax users and consumers...'.[53] This was the conclusion that Rattigan, the Tariff Board, the Industries Assistance Commission[54] and others had come to over the previous two decades, and was enough to persuade the government that major reform of agricultural marketing arrangements had to be undertaken. The report added that no anticipated special transitional issues would arise from the recommended reforms.[55] Garnaut[56] also argued that Australia's trade relations with Asia would be enhanced by '...the maintenance of non-discriminatory access to trading opportunities...'. Porter,[57] in a series of case studies of nations which had gained competitive advantages through trade liberalisation, argued the case for a withdrawal of government interventions in the market place. Anderson and Garnaut[58] also wrote in favour of trade liberalisation contingent upon the removal of barriers such as tariffs, subsidies, and protected marketing arrangements, and came to the conclusion that free trade is optimal for Australia.

The case for withdrawal of government support for agriculture in Europe was supported by Ulrich Koester and Michael J. Petit.[59] Koester brought the argument that Producer Subsidy Equivalents (PSE) in the European Common Market had cost at least .3% of GDP growth in 1983, and that for the common good hidden subsidies should become open so that they may be evaluated within the context of the entire economy.[60] However, Petit warned that although agricultural economics and economists had a part to play in shaping public policy in Europe, ultimately the decision to continue support for agriculture was political, and

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[52] Hilmer *et al, National Competition Policy*, 1993, p. 1.

[53] *Ibid.*, p. 141.

[54] The Tariff Board was replaced by the Industries Assistance Commission.

[55] Hilmer *et al, National Competition Policy,* 1993, p. 143.

[56] Ross Garnaut, *Australia and the North East Asian Ascendency*, AGPS, Canberra, 1990, p. 7.

[57] Michael E. Porter, *The Competitive Advantage of Nations,* The Free Press, New York, 1990.

[58] Anderson and Garnaut, *Australian Protectionism, Extent, Causes and Effects*, 1987, p. 29.

[59] Cited in Kees Burger, Martijn de Groot, Jaap Post and Vinus Zachariasse (Eds.)*, Agricultural Economics and Policy: International Challenges for the Nineties,* Elsevier, Amsterdam, 1991.

[60] *Ibid.,* p. 8.

therefore subject to competing interests. Petit went on to argue that the result therefore might not be in the best interests of the majority, but in the interests of vested and entrenched sectors.[61] Johnson[62] identified the United States of America (USA) and the European Common Market as providing the biggest barriers to trade liberalisation. His thesis was that unless these two entities could be persuaded that protection of their agricultural sectors was counter-productive, then the cause of globalisation would be constrained, and that other agricultural nations would be at a disadvantage.

However, the cause of liberalisation of global trade, which was the *raison d'etre* for the deregulation of Australia's agricultural industries, came under increasing question from economists concerned principally with the social costs incurred by such a movement towards globalisation. Quiggin[63], in particular, made it clear that the basis of micro-economic reform in Australia was generated on a flawed understanding of the economic indicators used to establish the country's economic growth compared with other OECD nations. He offered statistical evidence that the estimate of Australia's alleged poor economic performance was based on economic modelling which did not necessarily factor in all the variables such as the labour/leisure trade-off, life expectancy, and the equality of income distribution.[64] He held that there is a case for intervention within the Public Interest model.[65] He warned that *carte blanche* deregulation was leading to an intensification of work, rather than increased productivity, and that this was unsustainable in the long run. This opinion was borne out by Watson *et al* [66] who held that deepening inequality in the labour market and the ensuing social crisis would be an issue for the future.

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[61] Petit, cited in Burger *et al, Agricultural Economics and Policy*, 1991, p. 41-42.

[62] D. Gale Johnson, *World Agriculture in Disarray* (Second Edition), St Martin's Press, New York, 1991.

[63] John Quiggin, *Great Expectations, Microeconomic Reform and Australia,* Allen & Unwin, St Leonards, NSW, 1996.

[64] *Ibid*., pp. 32-3.

[65] *Ibid.,* p. 52.

[66] Ian Watson, John Buchanan, Iain Campbell & Chris Briggs*, Fragmented Futures, New Challenges in Working Life,* The Federation Press, Annendale, NSW, 2003.

Similarly, Martin and Schumann[67] pointed to the effect on Mexico and other South American countries of the North American Free Trade Agreement (NAFTA). Their arguments rebutted the view that third-world economies will benefit by global trade liberalisation. They showed that, as well as causing the failure of many small to medium sized businesses in Mexico through the flood of imports from North America, the dynamic growth of industries in the automotive, chemical, and electronics fields created few jobs for Mexicans, and were highly import-dependent for components.[68] At the same time, the forced capitalisation of agriculture, which was considered to be necessary to provide competition for the giant agri-corporations of the USA, drove millions of farm labourers out of work and into the cities.

Ha-Joon Chang[69] argued comprehensively that trade liberalisation would effectively deny the undeveloped nations the same facility claimed by the developed nations to protect their infant industries in the developmental and establishment phase. This, he said, would give developed nations an unfair advantage whist others attempt to 'catch-up' their economies without using the economic tools of protectionism used by those already developed nations. Similarly, Bell[70] pointed out that Australia's economic structure up until the middle of the twentieth century depended on commodity exports, and as such, strongly resembled the economy of a developing nation. However, changes in the world economy in the second half of the century demonstrated that the falling commodity prices could not sustain the Australian economy at the same level. If Ha-Joon Chang's argument is followed, Australia was then at the point of needing the high 'i'nfant industry' protection afforded to American and British manufacturing in their developmental phases. However, successive governments chose to follow the advice of the anti-protection economists, and to restructure the role of the state so that it withdrew from its regulatory function, to the benefit of the entrenched privilege of business interests.[71] Bell further noted that the perceived failure of Keynesian economics during the stagflation period of the 1970s had opened a window of opportunity for the neo-classical economists who held that the market

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[67] Hans-Peter Martin, and Harald Schumann, *The Global Trap*, Pluto Press, Australia, 1996.

[68] Ibid., p. 140.

[69] Ha-Joon Chang, *Kicking Away the Ladder,* Anthem Press, London, 2002.

[70] Stephen Bell, *Ungovernning the Economy, The Political Economy of Australian Economic Policy,* Oxford University Press, Melbourne, 1997, p. 82.

[71] *Ibid.,* p. 117.

would automatically adjust to a point of equilibrium provided that it was not distorted by government interventions in the areas of interest rates, wages, prices, and money supply.[72]

Garnaut[73] argued strongly for substantial reform of the domestic economy, which he claimed would make Australian production more internationally competitive, particularly with the 'Tiger Economies' of Asia. Garnaut's position was reinforced by Hughes *et al.*[74] This view propelled the reformist policies of the Hawke-Keating Governments until the 'Asian melt-down', as documented by David Love,[75] which was one factor which shifted the focus of political policy to closer economic and defence ties with the USA.[76]

As early as the late 1970s, neo-liberal economic theories were being strongly challenged by Susan George.[77] She posited globalisation, and the associated policies of the International Monetary Fund and the World Trade Organisation as hegemonic forces working to the advantage of developed countries at the expense of less developed nations. This theory was clearly demonstrated in the thesis of Tony Weis[78] which explored the dimensions of change and adaptation by farmers on small holdings in Jamaica. He showed that microeconomic reform which led to a free market system reduced the bargaining power of the farmers, and as a consequence, increased poverty, land degradation, and inefficient resource use.

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[72] Bell, *Ungoverning the Economy,* 1997, p. 125.

[73] Ross Garnaut, *Australia and the North East Asian Ascendency*, AGPS, Canberra, 1990.

[74] Helen Hughes, Wolfgang Kaspar, John Macleod, 'Australia's Asian Challenge', *The Proceedings of the Australian Public Policy Forum in the 1994 Bert Kelly Lecture Series, Sydney*, The Centre for Independent Studies, Melbourne, 1994, p. 7.

[75] David Love, *Straw Polls, Paper Money*, Viking, Ringwood, Victoria, 2001.

[76] *Ibid.,* p. 161.

[77] Susan George, *A Fate Worse than Debt,* Penguin Books, London, 1989.
Susan George, *How the Other Half Dies,* Pelican Books, Harmondsworth, 1976.

[78] Tony Weis, On a Precipice: Globalisation and Small Farmers in Eastern Jamaica, PhD Thesis, Queen's University, Kingston, Ontario, Canada, 2003.

Colin White's[79] study of risk management in Australia, particularly as it relates to change in land forms, confirmed that government policy is one of the principal determinants of land use. His analysis of indigenous and early European land management practices as they affected the environment washelpful to the study as it confirmed the working hypothesis. Similarly, Powell's[80] sweeping review of the gographical history of Australia provided helpful insights into the development of agriculture, specifically in Chapter Nine. In this section, Powell traced the development of agriculture from initial government intervention post- World War One, to the development of the ill-fated Ord River Irrigation Scheme. In it, he presages the imminent changes which have now been brought about by economic restructuring of agriculture, and the demographic changes which would, in the near future, lead to 'sea-and-tree change' population shifts with consequent further changes to land-use.

The review of the literature relating to economic reform revealed conflicting theories about the road Australia needed to travel to overcome what Bell referred to as '...the crisis of Fordism'.[81] Although there was general consensus among economists that Australia should undertake major micro-economic reforms if it was to avoid becoming what Keating referred to as a 'banana republic', this view was subject to challenge. However, very few of the theories expounded by the various economists were related to the production of agricultural products, and far fewer actually extrapolated their theories to consequent likely effects apart from the view that market forces would make Australia more competitive in the world economy. The absence of such analysis supports the thesis that the process of deregulation was unplanned, and that very little attention was paid to the likely social, economic, environmental and political effects of such policy shifts.

Political Theories

In order to establish the political imperatives which led to the adoption of neo-liberal economic ideology by successive governments, a wide search of the literature revealed

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[79] Colin White, *Mastering Risk: Environment, Markets & Politics in Australian Economic History,* Oxford University Press, Australia, 1992.

[80] J.M. Powell, *An Historical Geography of Modern Australia*, Cambridge University Press, Cambridge, 1988.

that most authors found a history of political pragmatism when it came to responding to economic forces through the development of policy. Wanna and Weller[82] interpreted Australian economic policy as a pragmatic, rather than an ideological response to the significant problems of each era. They identified the development of Australia as five separate political traditions. They held that settler-state developmentalism grew out of the necessity to populate the vast continent and to provide necessary infrastructure and services, and to protect the livelihoods of those who pioneered settlement. Therefore they did not consider it contradictory for a colonial-liberal state to provide that infrastructure, although they noted that the American experience had demonstrated that private enterprise and capital could have been encouraged to build public buildings, railroads, transport systems, and water supply systems. However, the development phase went further than the provision of publicly funded infrastructure, and put in place social and economic systems that protected farmers and manufacturers from the vagaries of the open market place. This view was shared by all political parties which sought to shape this system, but not to dismantle it, until the soaring inflationary pressures of the 1970s frightened the body politic into seeking solutions other than the traditional Keynesian model of intervention in the market place.[83] The resultant phase, which Wanna and Weller referred to as the 'restructured state', is marked by government withdrawal from the direct provision of services, and the establishment of a market driven economy.[84] This interpretation has proved useful for this thesis.

On the other hand, Keating and Dixon[85] documented the political pressures applied by industry lobby groups which resulted in higher levels of protection for the manufacturing sector compared with that accorded to primary industries. They also outlined the declining terms of trade for primary producers exposed to international trade, and claim that the root cause is the high level of subsidies allowed to commodity production, particularly by the

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[81] Bell, *Ungoverning the Economy*, 1997, p. 80.

[82] John Wanna and Patrick Weller, 'Traditions of Australian Governance', *Public Administration,* Vol. 81, No. 1, 2003, pp. 63-94.

[83] *Ibid.,* p. 70.

[84] John Wanna and Patrick Weller, 'Traditions of Australian Governance', *Public Administration,* Vol. 81, No. 1, 2003, p. 79.

[85] Michael Keating and Geoff Dixon, *Making Economic Policy in Australia, 1983-1988*, Longman Cheshire, Melbourne, 1989.

(then) European Common Market and the USA. The role of the Australian National Farmers' Federation in adopting economic rationalist policies and the resulting impact on the political process was also explored.

The political pragmatism of protectionist policies for agriculture was certainly borne out by Sieper[86], essentially arguing from Public Interest Theory, who posited regulation of agricultural industries in terms of inequality of bargaining power of individual farmers when marketing produce to virtual monopolies. He also explained that regulation of the marketing of agricultural commodities produces efficiencies and leads to increased returns for the producer, and certainty of supply for the consumer. However, large cooperatives, by manipulating elasticity of demand, are able to command prices which are likely to be higher for consumers in the long term.[87] Sieper also held that transferable quota schemes benefited industries by allowing small producers to exit industries, and to allow aggregations of enterprises, thus adding to efficiencies of production.[88] Sieper's work is particularly relevant to this study because of the highly regulated nature of all of the case study industries.

On the other hand, Friedland *et al*[89] in the American context, identified government support for domestic agricultural production as the cause of gross over-production which in turn led to a reduction in farm incomes, and "dumping" on the world markets. Their essentially Marxist view of capital accumulation through the application of technology held that the existence of small units of production is no longer possible, and that if this trend is allowed to continue without government intervention, agribusiness will tend towards large company monopolisation of production.[90]

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[86] E. Sieper, *Rationalising Rustic Regulation*, The Centre for Independent Studies, Canberra, 1982.
[87] *Ibid.,* p. 48.
[88] *Ibid.,* p. 66.
[89] William H. Friedland, Lawrence Busch, Frederick Buttel, Alan P. Rudu (Eds*.), Towards a New Political Economy of Agriculture*, Westview Special Studies in Agricultural Science and Policy, West Press, Boulder, 1991.
[90] Jean-Pierre Berlan, 'The Historical Roots of the Present Agricultural Crisis', in Friedland *et al, Towards a New Political Economy of Agriculture*, p. 128.

Lawrence demonstrated that the social consequences of micro-economic reform have not been adequately addressed by academics. He pointed out that family farmers occupy a contradictory position within a system of advanced capitalism. He argued strongly that farmers are caught by the neo-liberal economic policies of both Labor and Conservative governments. In Australia, subsidies are no longer considered a viable option to support the farm sector, yet farmers are unable to compete with those in major food producing nations which do provide subsidies for farmers.[91]

Bell and Lowe[92] challenged the concept of 'free market' defined as a lack of government intervention. They claimed that the market itself is a social construction, and that freedom has to be understood as having two sides, 'freedom from', and 'freedom to'. From this point of view, government regulation of agricultural industries could be seen by neo-liberals as 'freedom to' manipulate the market by farmers, and deregulation of those industries as 'freedom from' the constraints of government. However, they pointed out that this view is flawed because regulation gave the farmers 'freedom from' market dominance by much larger and stronger entities. Bell and Lowe claimed that a market can only exist within society, and is subject to all the constraints imposed by that society. Therefore, they argued that a 'free market' cannot exist, and the political imperative to withdraw from the market place must be selective, and should ensure the optimal allocation of resources as well as achieving the agreed social goals of government e.g. health, social equality, and environmental protection.[93]

Gray and Lawrence[94] expanded upon this theme by outlining the capture of the body politic by the ideology of neo-liberal economists in terms of social and cultural constructs embedded in rural society. They challenged the notion that the 'free' market will lead to farmers and other rural populations increasing their agency over events, global or local. They argued strongly that control of production by farmers will not be enhanced by free

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[91] Geoffrey Lawrence, *Capitalism and the Countryside, the Rural Crisis in Australia*, Pluto Press, Sydney, 1987, pp. 256-59.

[92] Michael Mayerfield Bell and Philip Lowe, 'Regulated freedoms: the market and the state, agriculture and the environment', *Journal of Rural Studies,* Vol. 16, 2000, pp. 285-294.

[93] Bell and Lowe, 'Regulated freedoms', p. 286.

[94] Ian Gray and Geoffrey Lawrence*, A Future for Regional Australia, Escaping Global Misfortune,* Cambridge University Press, Cambridge, 2001.

market ideology. They contrasted the economic arguments of the National Farmers' Federation whose members rely on exports, and thus have a vested interest in freeing up world trade in agricultural products, with those of cultural organisations in Britain and Europe who hold that agriculture has cultural (rather than purely economic) significance to society. They pointed out that the choice is not between free or regulated markets, but between individualism or collective action.[95]

In the same vein, Herbert-Cheshire[96] analysed the ideology of devolution of responsibility for rural development from government to communities as a demonstration of the limits of liberalism in the governance of community. She pointed out that feelings of cynicism, defeat and negativity are the logical outcomes of the withdrawal of government support for rural communities, and that extensive support would be required to assist such communities to develop entrepreneurial skills which will enable them to take responsibility for their own economic development.

Political Consequences of Economic Reform

Several commentators have explored the relationship between economic rationalism and extremist political parties and movements. Goot and Watson,[97] in their analysis of electoral support for the One Nation Party in the 1998 election, denied that economic issues influenced the popularity of Pauline Hanson and the rise of the One Nation Party. Their analysis of the demographic profile of One Nation supporters led them to the conclusion that One Nation's mobilisation lay in issues of class values particularly those surrounding the issue of race. On the other hand, Tod Moore[98] clearly identified the sense of betrayal felt by many Australians towards adherence by governments to economic rationalism in the name of "free market" ideologies. According to Moore, this sense of betrayal was

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[95] Ibid., pp. 182-185.

[96] Lynda Herbert-Cheshire, 'Contemporary strategies for rural community development in Australia: a governmentality perspective', *Journal of Rural Studies* , Vol. 16, 2000, pp. 203-215.

[97] Murray Goot and Ian Watson, 'One Nation's Electoral Support: Where Does It Come From, What Makes It Different and How Does It Fit?', *Australian Journal of Politics and Hiistory,* Vol. 47, No. 2, 2001, pp. 159-191.

[98] Tod Moore, 'Economic Rationalism and Nationalism', in Bligh Grant (Ed.), *Pauline Hanson, One Nation and Australian Politics*, University of New England Press, Armidale, 1997, pp. 50-62.

linked to the issue of national pride, and manifested itself as economic nationalism. Stephen Crofts[99] identified the underground movement which gave rise to One Nation as right-wing populism. He claimed that the Party had seized on the wide-spread cynicism about mainstream politics brought about by the widening social and economic divisions within society. David Wells also found that there was fertile ground for both cynicism and discontent about the social and economic status of those who perceived themselves as the 'virtuous poor', who in spite of hard work and self-reliance now found themselves marginalised by what they understood to be unseen and unaccountable forces unleashed by a global conspiracy of elites.[100] Geoff Dow specifically identified the elimination of rural marketing arrangements and the effects of deregulation as among the factors which led to the rise of the One Nation Party.[101] However, Nancy Lanskey[102] stated that the rise of One Nation had two necessary pre-conditions. One was the perception that grievances were unattended by the major political parties; and the other that the political environment, which had resulted in economic and social change, provided an opportunity for its brief rise to prominence.

History of the local industries

Many sources were used to establish the history of both regulation and deregulation of the tobacco, dairy and maize industries on the Atherton Tableland. The few secondary sources available deal with specific industries, and will be reviewed in the chapters concerned with those industries. Most of the information required was gathered from primary sources.

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[99] Stephen Crofts, Hansonism, 'Right-wing Populism and the Media', *Queensland Review,* Vol. 5, No. 2, December 1998, pp. 7-19.

[100] David Wells, "One Nation and the Politics of Populism", in Bligh Grant (Ed.), *Pauline Hanson*, pp. 18-28.

[101] Geoff Dow, 'The Political Economy of Extremism: Liberalism and the One Nation Phenomenon', *Queensland Review,* Vol. 5, No. 2, December 1998, pp. 33-42.

[102] Nancy Lanskey, Crucibles of Change: Third Parties in Queensland, thesis submitted for the Degree of Doctor of Philosophy, School of Humanities, James Cook University, August 2000.

Conclusion

The literature study revealed that there is a gap in the literature dealing with a longitudinal study of both regulation and deregulation of agricultural industries in Australia. This study will add to the corpus of existing knowledge of the causes and effects of government policy on initial development and establishment of agricultural industries in regional areas; and the causes and effects of the policy of rationalization on the economies, communities and environment of those areas.

SECTION TWO

DEVELOPMENT, REGULATION AND ESTABLISHMENT

OF THE MAIZE, DAIRY, AND TOBACCO INDUSTRIES

OF THE ATHERTON TABLELANDS

"…and your young men will see visions"

The Holy Bible, Book of Joel, Chapter 2, Verse 28

Chapter Two: Government and Agriculture in Queensland 1900-1970

Introduction

In Australia, food is grown in abundance, is almost infinite in its variety, and by global standards, is relatively cheap to the consumers. This situation did not come about by happenstance, but was conceived of necessity to develop self-sufficiency and economic staples in a geographically and economically peripheral region of the world. It was nurtured in a political environment where tensions and contradictions were endemic, and finally, released from legislative protections and constraints to compete in the rough, tough world of competitive markets.

In two hundred years of white settlement it has been a constant struggle for farmers to learn to deal with the sometimes difficult climatic conditions, soil types which require careful management to be productive, and constant changes in technology which have had a major effect on patterns of production and resource use. Agriculture in Australia and, specifically, farming in Queensland have not captured the popular imagination as did the pioneering stories of the Australian graziers, or the American frontiersmen. Those were perceived to be noble endeavours, conquering the wilderness, and bringing forth plenty. In Australia, farming has been regarded with sardonic fatalism as exemplified by Steele Rudd,[1] as a joke by the cartoonist Joliffe[2], and farmers shrugged off as 'cockie whingers' as immortalised in John O'Brien's poem 'Said Hanrahan'.[3]

However, farming in Queensland is neither joke nor whinge. The history of agriculture provides a fascinating story of struggle against the odds of climate, markets, and conditions by people from many lands and cultures, who chose to spend their lives growing produce for both a livelihood and a life-style. Farming has struggled almost from the start, but attempts by successive governments to make it more viable have been

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[1] Steele Rudd, *On Our Selection,* Angus and Robertson, Sydney, 1953.

[2] Eric Joliffe*, Outback Cartoons*, Joliffe Studios Pty. Ltd., Dee Why, NSW, 1985.

[3] John O'Brien, 'Said Hanrahan', in *Round the Boree Log and Other Verses*, Angus and Robertson, Melbourne, 1921, p. 80.

marred by misconceived, ill-considered, and inappropriate policy decisions which were made for ideological reasons and/or political advantage rather than the welfare of the land and its workers. Yet, agriculture and farming grew through two world wars, two depressions, and the post-World War Two boom, producing ever expanding volumes and varieties of food and fibre to feed and clothe not only Queensland, but for export to other parts of Australia and the globe.

Historical Background

The patterns of land settlement in Queensland lie in its history as part of the Colony of New South Wales, and as a peripheral part of the British Empire in what Hobsbawm refers to as 'The Age of Capital'.[4] It was a time of tensions and contradictions when old ideas and social organization were being changed by the technology of the industrial revolution. The lure of new lands, new discoveries, and new ideas translated into migration from the old to the new. Movement of people and capital around the globe had never been so great, and the farmers of the Old World were beginning to feel the cold winds of competition from the farmers of the New World, leading to the spread of protectionism for agricultural products in Europe from 1879 up until the First World War.[5] Therefore, the settlement of Queensland took place in a ferment of ideas and idealism, including those of Marx and the Chartists.[6] Thousands of people fled the revolutions and restrictions of the Old Europe to seek a better life, and find a little bit of land to call their own.[7] It was also a time of

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[4] Eric Hobsbawm, *The Age of Capital 1848-1875,* Abacus, Great Britain, 2003, p. 13.

[5] Rita Aldenhoff-Huebinger*, Agrarpolitik und Protektionismus: Deutchland und Frankreich im Vergleich 1879-1914,* Vandenhoeck and Ruprecht, Goettingen, 2003, as reviewed by Florian Schui, for H-German, http://www.h-net.msu.edu/~smt/, April 2004.

[6] Dorothy Thompson, *The Chartists*, Temple Smith, London, 1984, pp. 190-220.

Many Chartists were transported to Australia, and took their radical ideas with them. The lineage of the cooperative movement can be traced directly back to this influence, particularly in the ideology of the early Labour Party and its agrarian policies.

[7] The question of land tenure was hotly debated. Many in the working classes saw the ownership of small holdings as the way to achieve dignity, independence and equality. The squatter class saw large land holdings as an economic necessity as-of-right for their class.

J.M.Powell and M. Williams (Eds.), *Australian Space Australian Time, Geographical Perspectives,* Oxford University Press, Melbourne, 1975, p. 72.

individualism which was about to be challenged by socialism; and of free trade, which was about to be overtaken by ideas of protectionism. There was conflict between the workers and the employers when working men and women demanded the right to safe working conditions and adequate rates of pay. As well, the harsh lessons of climate in an unknown environment had to be learned. There was also tragedy for the original owners of the land when they were dispossessed by the mobs of sheep and cattle, the miner's pick, and the farmer's plough.

The spread of settlers in New South Wales and the consequent demand for large areas of land for grazing cattle and sheep led to the exploration of the land inland from the penal colony of Moreton Bay, followed by the rapid take-up of enormous tracts of land by squatters, who by virtue of occupation and land use laid claim to ownership.[8] Agriculture began with small holdings established at the margins of the infant colony, for the purpose of feeding the tiny population. Immigrant people of modest ambition took up land for cultivation, and by 1863 the demand for farming land was so great that land was resumed from the pastoral holdings around Toowoomba to meet this need.[9] Obviously, there was a need for comprehensive land legislation which would not only populate the land in an orderly manner, but fulfil the needs of the population for food, employment, and to lay the foundations of a strong economy.

The first Government of the newly formed Colony of Queensland tackled the land law question very early in its tenure, understanding the necessity to '...settle that long quarrel between pastoral and agricultural interests which has raged in all new countries since the days of Abel.'[10] *Queensland Parliamentary Debates* also reveal the determined developmentalism which formed the basis of almost all the legislation introduced into the Parliament from 1860 until the turn of the century. The land legislation was also used as a mechanism for shaping agrarian society into a white yeomanry.[11] The ideology of

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[8] C.M.H. Clark, *A Hiistory of Australia IV, The Earth Abideth Forever 1851-1888,* Melbourne University Press, Carlton, 1982, p. 188.

[9] *Ibid.*, p. 205.

[10] Bernays, *Queensland Politics*, p. 20.

[11] J.D.Lang, *Queensland, Australia* (London: Stanford, 1861), 206, xvii-xviii, as cited in W.Ross Johnston, *A Documentary Hiistory of Queensland,* University of Queensland Press, St Lucia, 1988, p. 61.

developmentalism was to persist until the 1990s when concerns for its effect on the environment persuaded government that sustainability was a more desirable goal for future development.[12] The first Land Act, *Unoccupied Crown Lands Occupation Act 1860* was aimed at pastoralists and gave applicants a license to occupy land between 25 and 100 square miles in area for a period of one year, for a fee of 10/- per square mile, after which time the lessee could apply for an extension to fourteen years occupation subject to stocking requirements. The whole of the run could be resumed for the public interest at twelve months notice, with improvements to be paid for by the Government.[13]

The need for agricultural labourers to work the agricultural lands, and the influx of Chinese into the Palmer and Hogkinson Gold Fields, led to a great deal of public debate about the most desirable types of people to populate Queensland.[14] Richard Daintree, the Queensland Agent-General in London, was asked to recruit labourers from England, and failing that, France and Germany.[15] In the beginning, this was not successful due to competition from Brazil, which offered better inducements to the would-be immigrants.[16] There followed three more Acts, the last of which, designed to offer more attractive terms to British labourers to migrate to Queensland, led to the Land Order system. Land Orders, to the value of £12 per adult immigrant or two child immigrants were meant to assist settlers, but became commodities to be bought by speculators who had no intention of working the land, but selling it to would-be farmers.[17] This legislation was subsequently replaced by the *Agricultural Reserves Act 1863* which restricted the area which could be taken up by one person to 320 acres at £1 per acre plus the survey fee. Conditions of

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[12] John Wanna, 'Queensland' in Jeremy Moon and Campbell Sharman, *Australian Politics and Government, The Commonwealth States and Territories*, Cambridge University Press, Cambridge, 2003, p.78.

[13] *Bernays, Queensland Politics,* p. 20.

[14] Myra Willard, *History of the White Australia Policy*, Melbourne University Press, Carlton, 1967, p. 36.

[15] Queensland State Archives (QSA) Col/76, Numbers 329-2259, Richard Daintree to Stuart Russell Esq., 1st January 1873. Despatches written by Queensland Agent-General, London,

[16] QSA, COL/76, B.M.Vincent, to Richard Daintree, 2 January 1873.

[17] Bernays*, Queensland Politics,* p. 310.

purchase included twelve months residence, one-sixth cultivation within twelve months, and fencing, before the issue of the deed.[18]

However, the land question continued to be one of contention in the Queensland Parliament, and led to the introduction of many new Bills and amendments. Indeed, Bernays documents no fewer than forty-six such attempts to satisfy the need for coherent land legislation and administration.[19] The need for agricultural land eventually led to the most important land legislation in the history of the Colony. The *Crown Lands Act 1884* broke the monopoly of the squatter graziers over huge tracts of land by altering the tenure conditions and length of time of leases. It established two classes of land, agricultural farms and grazing farms, set apart from the grazing lands. Agricultural farms had a lease time of fifty years, with a right of freehold after ten years, afterwards altered to five years. Areas were between 160 and 1280 acres, and could be bought for 2/6d per acre for the smaller class of holding, or leased for 3d per acre annual rental. The administration of the Act passed from the Secretary of Lands to The Lands Board Tribunal with status almost equal to that of the Supreme Court.[20] *The Agricultural Lands Purchase Act 1894* allowed the Government to purchase large estates, re-survey them, and offer them for agricultural settlement. This, as well as *The Closer Settlement Act 1906,* although amended significantly over time, provided the basis for agricultural land selection in Queensland for a number of years.[21] At that stage, those who enacted the legislation were far-thinking enough to recognise that the soil and conditions of much of the farming land meant that small holdings were not sufficient to provide for more than subsistence farming likely to lead to the establishment of a peasantry.

Agriculture was obviously important to the future of the new State, and early governments facilitated it by providing infrastructure such as railways. Inevitably, settlement and farming followed this means of transport.[22] However, agriculture was not considered important

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[18] Bernays*, Queensland Politics,* p. 311.

[19] *Ibid*, p. 308-353.

[20] *Ibid.,* p. 322.

[21] Bernays, *Queensland Politics,* p. 327.

[22] Fitzgerald, *From the Dreaming,* p. 194.

enough to set aside money for its active encouragement. Groom's[23] attempt to set aside the sum of £500 for the purpose of offering premiums for the best examples of wheat, barley, oats, tobacco, sugar and cotton grown in any part of the colony was defeated in Parliament, and the sum of one shilling was set aside for that purpose.[24] Nor was it considered important enough to dedicate a Ministry to its development.[25] The first Minister for Agriculture was not appointed until 1897,[26] agricultural interests having been represented by a Secretariat within the Ministry of Public Lands.[27] Perhaps the reasons for this approach lay in the make-up of the first Parliaments. They were dominated by the interests of the graziers, many of whom had descended from the landed classes of England, and whose education and interests lay with the 'gentry'. Their large land holdings and access to convict and Aboriginal labour to do the hard and dirty work led them to regard themselves as the aristocracy of the Colony.[28] On the other hand, aspiring farmers were more often than not poor immigrant people whose capital consisted of a willingness to work to exhaustion and to endure a minimal standard of living whilst doing the back breaking task of clearing their small holdings and turning the soil for the crops with their own, and their families' hands.[29] It was this dichotomy of interests which led to the great debates about land and land usage which so dominated the Parliaments until the turn of the century. However, the balance began to change in favour of the agriculturists during the 1890s, and in July 1895 a parliamentary group was formed under the name of the Farmers' Union with the express purpose '... to watch over, [and] encourage agricultural interests generally.'[30]

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[23] The Honourable William Henry Groom was the Member for Drayton and Toowoomba between 1863 – 1901, and was an early advocate of land settlement and farming in general.

[24] Bernays, *Queensland Politics*, p. 30.

[25] Until 1896, agriculture was represented in the Ministry of the Parliament by a Branch in the Department of the Colonial Secretary, and after 1887, as a Secretariat attached to the Department of Public Lands.

P.J. Skerman, *et al*, *Guiding Queensland Agriculture 1887-1987*, p. 18.

[26] *Ibid.,* p. 7.

[27] *Ibid.*

[28] Clark, *History of Australia IV*, p. 188.

[29] Holthouse, *History of Queensland*, p. 205.

[30] Bernays, *Queensland Politics,* p. 147.

The discovery of gold in the 1860s led to an accelerated movement of people into the more remote parts of the Colony. Farmers followed the miners, and farms were created from one end of Queensland to the other. Of necessity, farmers and their families were expected to be as self-sufficient as possible with only produce in excess of subsistence being offered for sale. However, in 1870 the government, recognising that dairy farmers required assisted access to the local market, imposed tariffs to help the tiny industry to grow, although butter was imported from the southern colonies until 1885.[31] As the railways provided better and faster transport for farm produce, and land legislation made more land available for farming, the output grew rapidly. By 1897 butter exports exceeded imports for the first time, and butter factories had been established in most of the dairying districts.[32] When the American Civil War caused the supply of cotton from America to the cotton mills of Lancashire to become unreliable and expensive, cotton farms were set up, first in the Logan area, and later in other parts of Queensland.[33] It was this industry which led Robert Towns to bring in labourers from the South Seas. The industry collapsed when the Civil War ended, and the use of South Sea Island labour was transferred to the sugar industry.[34]

The Islander labour trade, objectionable because of the conditions under which many of the people were 'recruited', and under which they had to work, was a subject which created many divisions within the community and within Parliament. There were attempts to control it, but the one attempt to outlaw the practice, enacted by the Parliament in 1885, and due to take effect in 1890, was repealed in 1892. The use of such labour was continued in Queensland until the new Federal Government demanded the end of recruitment and repatriation of the 'Polynesians' to their islands of origin between 1901 and 1906. The continued use of 'coloured' labour in the sugar fields, in spite of strong objections by the British Parliament[35] and many others, was one of the first interventions

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[31] Holthouse, History of Queensland, p. 207.

[32] *Ibid.*

[33] Johnston, *Documentary History, p. 185.*

[34] Fitzgerald, *From the Dreaming*, pp. 126-7.

[35] *The Pacific Islanders' Protection Act*, commonly cited as *The Kidnapping Act* of 1872 was passed as an Imperial Act. This Act authorised the Colonial Courts to impose the maximum penalty, other than capital punishment, by the law of any Colony in which the offence took place. This Act was

by a Queensland Government to assist its major agricultural industry in the face of competition from cheap sugar manufactured from beets grown in Europe and cane in the United States.[36] Another initiative of the Griffith Government was the development of the system of central mills to assist the farmers on small holdings who were at the mercy of the plantation owners for the milling of their cane.[37]

With the advent of a dedicated Ministry of Agriculture in 1897, Government assistance to farmers increased. The *Queensland Agricultural Journal* became the first point of reference for farmers. It set out to provide them with up to date scientific information; where the best land for growing specific crops was to be found, and advice on stock management, crop growing, and value adding. Advice to farm women about nutrition, housekeeping, cooking, and the farm garden was also offered. The earliest issues stressed the importance of cooperative effort[38], using as examples countries such as Germany[39] and Finland.[40] Subsequently, farmers were encouraged to band together to purchase their requirements such as fertilisers, seed supplies, equipment and bulls.[41] However, there was a section of agriculture, mainly sugar farmers, which opposed cooperative effort, but advocated political organisation to curb the rising power of the "working man".[42] Experts[43] in many aspects of farming were appointed to advise the farmers and the Government. Travelling Dairies demonstrating good dairy practice were

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further amended to become *The Pacific Islanders' Protection Act* in 1875, providing further provisions for deterrence.

[36] Johnston, *Documentary History*, pp. 252-54.

[37] As the great sugar plantations succumbed to the crises of 1884 caused by the advent of European beet sugar, drought, disease, and uncertainity about the availability of labour, the farmers on small holdings supplying the Government Central Mills were able to keep the industry alive. Johnston, *Documentary History,* pp. 248-250.

[38] *Queensland Agricultural Journal, (QAJ),* 1 July 1898, pp. 38-42.

[39] *QAJ,* 1 September 1898, p. 189.

[40] *Ibid.*, 1 February, 1912, p. 99.

[41] *Ibid.,* 1 August 1903, p. 196.

[42] *Ibid.*, p. 104.

[43] The Government Experts were recruited to advise farmers on all aspects of producing specific crops. Their efforts were not always appreciated by farmers, some of whom regarded them as a '...waste of money'. *QAJ*, 1 *August 1905, p. 103.*

sent throughout the State to farms near the rail line. Experimental Farms, Botanic Gardens and State Nurseries were established to discover or acclimatise varieties of plants and breeds of stock more suited to the tropical conditions of Queensland. The Queensland Agricultural College was founded at Gatton, and schools were encouraged to add the study of agriculture to the curriculum.

Throughout the 1890s intellectually challenging and exciting ideas were emerging from Europe, and translated into the Queensland context by radicals such as William Lane and Mary Gilmore. Although they failed to inspire similar enthusiasm in conservatives, ideas such as socialism, universal suffrage, racial purity, working conditions, and romantic Utopian notions, certainly appealed to the working classes and urban intellectuals.[44] However, it was also a time of severe depression and economic uncertainty, and many of the infant agricultural industries were struggling to establish themselves. Droughts and disease had taken their toll of stock numbers, wheat and dairy production was declining, and the wool industry was stagnant. Production had declined during the decade, immigration was static, and Queensland was believed to have the highest debt in the British Empire.[45] Improvements were held back until the end of the decade.

By the end of the century, the labour movement was gathering strength in Queensland, and in 1899 the first Labor Government was appointed under the leadership of Anderson Dawson. Although it lasted only seven days, it was an indication that the old coalition of grazing and plantation interests was about to be challenged by the interests of working people,[46] and Queensland politics would move further away from the land owning capitalist class to the small miners and farmers who would populate the State.

A plethora of legislation, apart from the various Lands Acts, also followed.[47] These included the *Pure Seeds Act*, which allowed government instrumentalities to either

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[44] J.M. Powell, ‘Utopia, Millennium and the Cooperative Ideal: a Behavioural Matrix in the Settlement Process’, *The Australian Geographer*, Vol. XI, No. 6, 1971, pp. 606-18.

[45] Scott and Saunders, *First Labor Government,* p. 20.

[46] Duncan Waterson, ‘Conflict, Conservation and Continuity: Queensland’s Continuous Ministries 1893-1899’, in Joanne Scott and Kay Saunders, (Eds.), *The World’s First Labor Government,* Royal Historical Society of Queensland, Brisbane, 2001, p. 20.

[47] Skerman *et al, Guiding Queensland Agriculture*, p. 20.

produce or purchase seeds of recognised varieties of plants for sale to farmers; the *Cooperative Agricultural Production Act*, allowing advances by the State to establish factories for the processing of primary production; the *Sugar Works Act* of 1911 which allowed the establishment of sugar mills at Babinda and South Johnstone; and the *Diseases in Plants Act* to protect established industries. From 1901, it is obvious that Government was taking a more active interest in agriculture. *The Agricultural Bank Act* of 1901, having been introduced into the Parliament in 1899, and having been amended to make the provisions more liberal, offered advances to settlers up to £800 to be paid back over twenty-five years at 5% interest charged only for the first five years.[48]

In the early twentieth century, the settlement of Queensland was well under way. The original inhabitants, the Aborigines, had, in all but the most remote areas, been alienated from their traditional way of life. Many lived in a state of subsistence on the fringes of white society, although they continued to play an immensely important (if unacknowledged) role in the pastoral industry,[49] and sometimes were a source of cheap labour for farmers. Although the State was seriously in debt, infrastructure building was considered paramount, with plans for schools, a University, water supplies, railways, harbours, and State sponsored enterprises such as sugar mills. Settlers' axes and hoes had cleared and put under crops 420 746 acres of land from the NSW border to Port Douglas in the north.[50] The State was populated by 500 000 people, and ran 4 000 000 cattle, and 10 339 185 sheep.[51] Technology had enabled white men to face the exigencies of working in the tropics, particularly in the sugar industry. The plantation system was passing away, to be replaced by smaller farms worked by family labour, and farmer-run central mills. The cattle

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[48]Skerman *et al, Guiding Queensland Agriculkture,* p. 173.

[49] Val Donovan, *The Reality of a Dark History, From contact and conflict to cultural recognition,* Queensland Heritage Trails Network, Arts Queensland, 2002, pp. 122-3.

[50] Production Bulletin No. 41, 1946-7, Pt II—Primary Industries, Commonwealth Bureau of Census and Statistics, Tables No. 133 and 144, as cited in C.M.H. Clark, (Ed.), *Select Documents in Australian History,* Angus and Robertson, Sydney, 1955, p.155.

[51] Scott and Saunders (Eds), *First Labor Government*, p. 19.

industry was utilising freezer technology to enhance exports to Britain,[52] and dairy farmers had access to cream separators and milking machines.[53]

Where farms existed, houses were erected, families established, and small towns and services quickly followed. All of this had been achieved by hard manual work on the part of the settlers, with the support and encouragement of government in order to keep the industries viable. However, in the enthusiasm to develop the land and settle it with white people, little thought had been given to marketing their produce. Up until Federation, marketing had been left very much to private enterprise, and more often than not, the farmers had considered themselves victims of 'middle men' and their manipulation of the markets. The members of the government which addressed the problem of marketing and distribution of farm produce on a state-wide basis were veterans in the art of union organisation, and it was entirely predictable, given the ideology upon which the Party was based, that they would apply the same organisational principles to agriculture.

The Organisation of Agriculture

The organisation of agriculture in Queensland had its genesis in the sugar industry and its struggles to survive. Indeed, the development of agriculture in Queensland is predicated on the history of the sugar industry, and government interventions to assist its growth and development. The *Sugar Experiment Stations Act* of 1900 had established sugar experiment stations to research new breeds of cane and fertiliser and tillage regimes for its successful cultivation, and to monitor the quality of sugar produced by the mills.[54] Following the repatriation of most of the South Sea Islanders to their homelands in 1906, the Commonwealth imposed a protective duty on all imported sugar, and used a bounty to encourage farmers and millers to use white labour.[55] A 1911 Commonwealth Royal Commission recommended the abolition of both excise and bounty, and in 1913, the

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[52] Frozen meat exports to England began in 1880.

[53] Patricia Hale with Paul Ashton*, A History of Commonwealth Departments of Agriculture, Fisheries and Forestry,* Department of Agriculture, Fisheries and Forestry, Commonwealth of Australia, 2002, p. 22.

[54] Skerman *et al, Guiding Queensland Agriculture*, p. 53.

[55] Geoffrey Sawer, *Australian Federal Politics and Law 1901-1929,* Melbourne University Press, Melbourne, 1956, pp. 42-3.

Commonwealth withdrew from support for the industry, only to re-enter briefly during World War One. An Industrial Court Award of 1914 established pay rates and conditions for sugar workers, but this increased the difficulties of the farmers, as they now had to pay white wage rates whilst still competing with overseas producers using cheap labour.[56] The responsibility for support for the sugar industry was assumed by the State Government, and in 1915 the Ryan Labor Government regulated sugar production through a number of Acts which specified wages and conditions, prices paid to growers, labour preferences, sugar prices and the power to acquire all sugar produced.[57]

Therefore, the principles of state intervention and support for the production of food were firmly established by both Conservative and Labor.[58] The need to populate the State with Europeans, preferably British, and to develop the land, had over-ridden any nascent principles of private enterprise and free trade. Indeed, government support for the sugar industry[59] continued to be a contentious matter. Embargoes on the import of cheap sugar caused a certain amount of debate in the southern press. The rebuttal, then and now, remains the same. It is the argument that sugar farmers need support as the cost of populating the north and providing employment, and that as a major part of the Queensland economy, it requires Commonwealth as well as State support.[60]

Intervention at a Federal level continued with the *Excise Tariff Act (Agricultural Machinery)* of 1906, which protected agricultural machinery made in Australia using white labour paid under an award established under the *Conciliation and Arbitration Acts*. This was followed

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[56] Diana Shogren, “Agriculture: 1915-29”, in Murphy, Joyce and Hughes (Eds.*), Labor in Power,* p. 182.

[57] Skerman *et al, Guiding Queensland Agriculture,* p. 56.

[58] Fitzgerald, *A Hiistory of Queensland, from 1915 to the 1980s,* University of Queensland Press, St Lucia, 1985, pp. 188-93.

[59] An essential feature of the organisation of the sugar industry was the role of the Colonial Sugar Refining Company. See Robert F. McKillop, *Australia’s Sugar Industry* at http://www.lrrsa.org.au/LRR_SGRa.htm; Queensland Sugar at http://www.queenslandsugar.com/page.cfm?paged=169; Ross Fitzgerald*, From the Dreaming to 1915,* University of Queensland Press, St Lucia, 1982; G.C.Bolton, *A Thousand Miles Away*, Australian University Press, Canberra, 1963.

[60] *QAJ,* 1 October 1930, p. 372, quoted from the *International Sugar Journal.*

by The *Bounties Act* of 1907, which provided for bounties to be paid to growers or processors of a range of agricultural products including cotton, rice, tobacco leaf, dried fruit and wool, providing that white labour conditions prevailed.[61] In Queensland, *The Margarine Act* of 1910 was brought in to protect the dairy industry from competition with margarine. This Act banned the colouring of margarine to resemble butter, and licensed both manufacturers and retailers.[62]

The election of the second Labor government, led by T.J.Ryan, took place in 1915, during the First World War. The governments of Ryan and E.G. Theodore were destined to change the operation of agriculture profoundly over the course of the next thirty years and to establish firmly in the minds of many farmers the principles of agrarian socialism. Ryan was committed to the idea that yeoman farmers as well as workers formed part of the natural constituency of the Labor Party, and therefore sought to demonstrate to them his concern for their welfare and their enterprises.[63] The war time Federal Government had imposed controls on most areas of production, distribution and exchange in order to ensure food for the war effort. Following a crisis in the supply of wheat in 1914-15, Commonwealth and State governments' encouragement of the wheat industry led to a bumper crop which could not have been handled or distributed with the existing storage and handling facilities. The Federal Government under the leadership of William Hughes established a compulsory pooling system under the authority of the Australian Wheat Board, responsible for the receipt, financing, shipping and marketing of the entire crop. Over the next three years, growers benefited to the sum of ₤10 000 000, with prices above the London parity price, which was a powerful incentive to remove opposition to the scheme.[64] Another measure was the *Wheat Acquisition Act* of 1914 which ensured that the wheat crop was available for war purposes, and that speculation did not drive up prices. This action invoked a challenge in the High Court citing Section 92 of the Australian Constitution which guaranteed free trade between States. This was to be the first of many such challenges to organised marketing of agricultural products, but this particular appeal

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[61] Sawer, *Australian Federal Politics,* pp. 43 and 68.

[62] Skerman *et al, Guiding Queensland Agriculture*, p. 78.

[63] D.J. Murphy, *T.J. Ryan, A Political Biography,* University of Queensland Press, St Lucia, 1975, p. 78.

[64] Hale with Ashton, *A History of the Departments of Agriculture*, p. 38.

failed on the grounds that the acquisition affected title of the product, and not movement of trade across borders.[65]

The new government in Queensland was not averse to using these measures in the local context. In the face of rising food prices, Premier Ryan and Lands Minister Hunter took direct control of food prices.[66] The government, under the guidance of the new Minister, William Lennon, streamlined much of the agricultural legislation. Three Acts were to have far-reaching consequences. These were the *Regulation of Sugar Cane Prices Act* of 1915, which set up a Central Board to oversee prices set by local Boards; th*e Sugar Acquisition Act* of 1915 which allowed the government to purchase the whole of the sugar crop, and extended the power of acquisition to other commodities; and the *Farm Produce Agents Act* of 1917 which licensed agents and required them to keep registers.[67] The Acts which controlled the price of sugar were designed to vest the control of the price of the sugar crop to farmers in Cane Boards which would '...fairly and impartially adjust sugar cane prices between mills and growers.'[68] This aspect of the legislation set the scene for the compulsory acquisition of crops by statutory marketing boards organised on the cooperative principles which were in vogue in much of Europe and America at the time.[69] This radically changed the face of commodity marketing in Queensland for the next seventy years.

By 1916, parliamentarians and the population at large were beginning to turn their attention to the end of the War, and the problem of thousands of soldiers, many of them hurt in mind, body or spirit, returning to civilian life. Once again, the visions of the Chartists and Utopians brought forth the solution. The returned soldiers could be settled on small blocks of land to become self-sufficient, and with the benefit of good, clean air, plenty of physical work, and the support of a good woman, would be healed and become excellent farmers.[70] At a conference of State and Commonwealth representatives, in Melbourne in 1916, the Commonwealth agreed to provide funds as loans to the States, which were to be

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[65] Sawer, *Australian Federal Politics,* pp. 153-4.

[66] Murphy, *Labor in Politics,* p. 187.

[67] Skerman *et al*, *Guiding Queensland Agriculture*, p. 24.

[68] Murphy, Joyce and Hughes, (Eds*), Labor in Power,* p. 181.

[69] *Atherton News & Barron Valley Advocate (AN&BVA*), 2 October 1922..

[70] Milton, Soldier Settlement in Queensland, p. 20.

fully responsible for the schemes of Soldier Settlement. The Queensland Government enacted the *Discharged Soldier Settlement Act* in 1917. Both Crown Land and resumed freehold land, re-designated as Perpetual Lease blocks, totalling 4 000 000 acres, were set aside for the Settlements. By the signing of the Armistice a number of Settlements were already in operation. These included a limited number of grazing blocks, and farm land suitable for horticulture, dairying, poultry and egg production, sugar, maize, and bananas.[71] An inherent fault in the scheme was the assumption that novice farmers, with limited capital, on very small blocks of land could become self-sufficient, and pay back the loans made to them by the Government to develop their blocks.[72] The schemes ended in failure, and many of the returned servicemen walked away from their farms more damaged than when they went onto them.[73]

The end of World War One presaged a significant downturn in the prices commanded by agricultural products, due to the return to production of British farms, which were able to fill the British domestic demand for food stuffs at least in part. Wages were rising, and both the farm production price index and the agriculture price index were declining. It was evident that unless urgent action was taken by governments, many farmers would be forced off their land.[74] The Federal Government extended the *War Precautions Act Regulations* with the *Commercial Activities Act* of 1919, which continued pool marketing, price control, and bulk contracts with Britain. The *Butter Agreement Act* of 1920 vested all sales of export butter in the Dairy Produce Pool Committee, and the government also established the *Meat Export Bounties Act* to support the declining meat industry.[75]

In Queensland, the Labor Government under E.G.Theodore found the State at a disadvantage because it had been excluded from the Commonwealth sponsored Wheat Pool arrangements with the other States. Queensland was forced to pay world parity

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[71] Bernays, *Queensland Politics*, pp. 344-53.

[72] Mr Justice Pike, *Report on the Losses Due to Soldier Settlement,* Government of the Commonwealth of Australia, Canberra, 24 August 1929, p. 44.

[73] Marjorie Gilmore, Faith Hope and Charity, the History of the Atherton Tableland Maize Industry 1895-1945, BA (Hons.) Thesis, James Cook University of North Queensland, 2002, p. 81.

[74] Douglas Blackmur, The Primary Industries of Queensland 1919-1929, A Study in Policy, B.Ec. (Hons.) Thesis, University of Queensland, 1965, p. 43.

[75] Sawer, *Australian Federal Politics*, pp. 163 and 193.

prices for wheat not produced in Queensland, and therefore the government decided to assist the wheat industry to develop so that Queensland could become self-supporting.[76] This decision reflected its in-built suspicion of the 'middlemen', its need to cement its support from small farmers, and its steadfast belief in unionism and the cooperative movement. It became the basis of Theodore's plan to give the marketing of farm produce a stability it had not previously enjoyed.

Theodore outlined his grand plan for the organisation of agriculture at Laidley in 1922.[77] He stressed the importance of agriculture, and the need for the government to protect "the man on the land". His speech posited farmers as 'workers' and therefore to be organised for their mutual protection and betterment. Theodore had been responsible for the formation of the Amalgamated Workers' Association in Irvinebank.[78] This union consisted of local branches under the direct centralised control of an umbrella organisation. This template was followed for agriculture. A Council of Agriculture was the umbrella organisation, consisting of delegates from District Agriculture Councils, elected from the ranks of Local Association members.[79] The *Primary Producers' Organisation Act* was opposed by the Country Party on the grounds that the District Councils would be dysfunctional because the representatives were from areas with competing industry interests. The Government responded by saying that agriculture was so disorganised that it needed to be organised into one solid body before any other changes could be implemented.[80]

However, in 1926 the *Primary Producer's Organisation Act* and the *Primary Produce Pools Act* were both amended so that the Council of Agriculture would consist of representatives of discrete industries, and not areas. The latter Act provided for the establishment of pools of primary products to be marketed centrally, with all producers of that commodity receiving the same price. The *Primary Producers' Cooperative Association Act* of 1923 allowed farmers to form cooperative companies to market their produce, and the

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[76] Shogren, in Murphy, Joyce and Hughes, *Labor in Power,* p. 184.

[77] E.G.Theodore, 'Organisation of the Agricultural Industry. A State-wide Cooperative Scheme', *QAJ.,* April 1922, pp. 193-200.

[78] Ruth S. Kerr, *John Moffat of Irvinebank*, J.D. & R.S. Kerr, 2000, p. 240.

[79] *The Brisbane Courier,* 22 February 1922, p. 5.

[80] *QPD*, Debate on the *Primary Producers' Organisation Act*, Vol. CLIV, 1924, p. 981.

Agricultural Bank Act of 1923 allowed the cooperatives to borrow money for advances to farmers.[81] In 1925 an amendment to the *Pools Act* gave the Statutory Marketing Authorities, vested as Marketing Boards, powers to compulsorily acquire crops grown within a specific area. All of these pieces of legislation were designed to give farmers control over the marketing, and therefore the prices, of their produce. Federal Government legislation provided assistance and protection from imports by way of tariffs, excises and bounties. Therefore, Queensland farmers were cushioned from the unfettered domestic market by the powers of the Statutory Authorities, and protected from cheap imported products by tariffs[82] and excises.

The general principles survived for many years, but they did have unfortunate consequences in some cases. Marginally viable farmers were enabled to survive because of the pooling arrangements in which quality control was minimal; manipulation of the laws of supply and demand led to over-production in some industries; monoculture became endemic to the detriment of soil structures and resource use; and farmer managed cooperatives became less than optimally efficient adding to the cost structures of the members and, ultimately, the consumers. They also established the principle that farmers had a right *per se* to government support, and financial assistance whenever markets or changing circumstances made difficulties for farmers. It could be argued that the system of Statutory Marketing Authorities and government support led to the diminution of entrepreneurial growth and development in those sections of the Queensland farming population subject to such control, and therefore was the long-term cause of the distress and lack of individual control which the farmers experienced when the system was removed seventy years later.

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[81] Shogren in Murphy, Joyce and Hughes, *Labor in Power*, p. 181.

[82] Tariffs are taxes imposed on imports into a country, and may be either at a flat rate, or proportionate (*ad valorum*), which increases the tax according to the value of the product. Such taxes have impacts on domestic prices, production and consumption, and as they alter the market price, may have an impact on the allocation of resources, and therefore on the welfare of the nation. The result is that protection, in any form, is really a tax on the consumer, and as such has the greatest impact on the poorest members of society.

Cooperation and Depression

Between 1920 and 1929 approximately forty pieces of legislation dealing with agriculture were added to the statute books. The Labor government had managed to enrol 26 000 of Queensland's 30 0000 farmers in local producers' associations, and controlled marketing arrangements were current in most of the crops produced.[83]

With the farmers in charge of their own marketing, and the Department of Agriculture monitoring standards of seeds, stock foods, pesticides and fertiliser, as well as providing valuable research and education through the system of State Farms, agriculture was in a position to expand.[84] However, it was also a time of low prices, global trade depression, financial stringency and scarce credit.[85] Although the marketing of primary produce was socialized, production was not, leading eventually to over-supply of the market, with subsequent reductions in prices, and pleas from the farmers for more government assistance.

During this period, the Bruce-Page Federal Government was also putting in place protective measures for Australian farmers. This government sponsored a marketing scheme for butter based on the domestic consumption price. This was followed in 1926 by the imposition of a protective duty of 6d per pound on Empire butter, and 8d per pound on the product of other countries. As a result of this policy, production increased from 273 324 000 pounds in 1926 to 451 000 000 in 1934.[86] The *Dairy Produce Act* of 1933 set in place a series of licensing systems for the interstate movement of dairy produce, designed to complement State legislation to secure equalisation of returns to producers of manufacturing milk used in the production of butter, cheese and condensed milk.[87]

The Scullin Labor Government, elected in 1929, at the beginning of the Great Depression, began a series of increasingly protectionist measures for Australian manufacturing industries. This placed even more strain on the primary producers, whose cost structures

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[83] Skerman et al, *Guiding Queensland Agriculture*, p. 121.

[84]Skerman et al, *Guiding Queensland Agriculture*, pp. 122-3.

[85] *Ibid.,* p. 118.

[86] Earle Page, *Earle Page, Prime Minister of Australia 1939,* Black Inc., Melbourne, 2001, p. 268.

escalated. The conservative Moore Government, newly elected in Queensland, attempted to alleviate some of the difficulties of the farmers by abolishing Rural Awards which had mandated wages and conditions for rural workers. This was done on the grounds that thousands of farm workers had been put off because of the farmers' inability to pay wages.[88] It is not known whether this action saved the jobs of rural workers in Queensland, but it is known that unemployment reached almost 15% in Queensland in 1932.[89] Although terrible privations occurred in some industries in Queensland, most farmers were able to weather the worst effects of the Depression by growing their own food, employing family labour, and exercising the most stringent household economies.[90]

Although the Moore Government had tried to overcome the worst aspects of the Depression, both it and the Scullin Governments were defeated at the elections of 1932, and were replaced by the Forgan Smith Labor Government in Queensland and the conservative Lyons-Page Government federally. The Forgan-Smith Government promptly overturned the Moore Government's legislation, which had allowed free-hold title to land, reconstituted the Council of Agriculture; and restored the 44 hour week and the powers of the Industrial Commission.[91] The agricultural industries were therefore placed in the same position as two years previously. Although the Moore and the Scullin Governments were defeated because of their handling of the conditions of the Depression, it must be noted that no Australian government could have had any great effect on the course of the world-wide depression. Indeed, throughout the democratic world, no elected government survived the Depression.

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[87] Sawer, *Australian Federal Politics and Law,* p. 47.

[88] Clem Lack, *Three Decades of Queensland Political History*, S.G. Reid, Government Printer, Brisbane, undated, p. 63.

[89] Rodney Maddock and Ian W. McLean (Eds.), *The Australian Economy in the Long Run*, Cambridge University Press, Cambridge, 1987, p. 63.

[90] Gilmore, Faith, Hope and Charity, p. 87. The census of 1933 does not disaggregate the unemployment rate for individual electorates. However, the unemployment rate for all persons between the ages of 15 and 65, unemployed for between one week and two years was 10.32%. The male rate was almost 15%.

[91] Lack, *Queensland Political History*, p. 128.

At that time, Australia was heavily dependent on export markets for wheat, beef, wool and dairy products. The recovery of European and British agriculture after the war, and the establishment of protectionist policies overseas, had militated against Australian farmers. The collapse of the export markets, combined with the effects of the Depression led to increasing levels of stress on agriculture in general. The Federal Government responded with measures designed to assist the farmers through the crisis by establishing the Rural Rehabilitation Scheme with an initial funding of ₤12 000 000.[92] However, many assistance measures were conditional on improvements in productivity and efficiency.[93] Farmers in financial distress found it difficult to afford the machinery and/or the better quality stock necessary to comply with this requirement, and many were therefore unable to take advantage of the proffered assistance.

Federal governments established new markets by negotiating preferential trade agreements for dried and canned fruits and wine with Canada and New Zealand. The urgent need for export income, when the British capital markets were closed to official Australian borrowers,[94] put Australia in a poor bargaining position in the negotiations to establish the 1932 *Ottawa Agreement.* This gave preference to Dominion produce on the British market in return for preferential treatment for British manufactures.[95] This was supported by the Country Party only partially because it advocated some protection for certain primary products, but at the same time wanted a reduction in tariffs for most manufactured goods.[96] In 1934, the newly-created Federal Council of Agriculture (sponsored by Earle Page, the Minister for Commerce in the Lyons Government)[97] took over the marketing of Australian produce for export, and in 1936 negotiated substantial increases in exports of beef and lamb to Britain.[98] Export Marketing Boards were established for meat, wool, apples and pears, dairy products, maize, pork, eggs, timber and citrus.[99] The Federal and State Governments also cooperated in establishing an

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92 Page, *Earle Page*, p. 272.

93 Hale with Ashton, *History of the Department of Agriculture*, p. 67.

94 Maddock and McLean, (Eds), *The Australian Economy*, p. 64.

95 *Ibid.,* p. 61.

96 Sawer, *Australian Federal Politics and Law,* p. 61.

97 Earle Page, *Earle Page*, p. 269.

98 Hale with Ashton, *History of the Department of Agriculture*, p. 61.

99 *Ibid.,* p. 69.

import substitution tobacco industry in North Queensland to provide employment, and conserve dollar reserves.[100]

However, as noted earlier, there were many constitutional challenges to State intervention, mainly to the principle of compulsory acquisition by State Marketing Boards. Two of the most important of these were the *James v. Cowan Case* of 1927 which challenged the validity of the Commonwealth *Dried Fruits Act* which established quotas for the interstate marketing of dried fruits; and the *Peanut Board Case*, which challenged the right of a Commodity Board to restrict interstate trade. [101] After many appeals, and legal argument, the Privy Council eventually judged that Marketing Boards did not have the constitutional authority to restrict interstate trade, and that the Commonwealth was in contravention of Section 92 of the Commonwealth Constitution by establishing quotas in interstate trade.[102] Although the Commonwealth attempted to validate such legislation by referendum, it failed. This caused certain difficulties for successive governments wishing to control aspects of production, distribution and exchange. However, as Page points out, cooperation and good will can solve most problems, and later marketing schemes were set up by the introduction of complementary state and federal legislation, based on the decision of the High Court in the McArthur Case which determined that the States were prohibited from interfering with trade between States, but that the Commonwealth by virtue of Section 51 of the Constitution has power to legislate with respect to trade and commerce with other countries and between States.[103] Although these decisions were still open to challenge, they had a much more secure legal basis than did unilateral legislation.[104] However, it was the very reliance on agreement between the States and the

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[100] The Parliament of the Commonwealth of Australia, (PCA) *Report of the Select Committee on the Tobacco-Growing Industry in Australia,* Commonwealth of Australia, Canberra, 1930. Dollars were needed to buy imports from America. If tobacco, a major import from America, could be grown in Australia it would reduce the need to spend dollars on imports of tobacco.

[101] Commonwealth Law Reports, *Reports of cases determined in the High Court of Australia, 1927-1928*, p. 1.

[102] Sawer, *Australian Federal Politics and Law,* p. 67. Section 92 of the Commonwealth Constitution guarantees free trade between the States. This was a key component in the agreement to form a Federation of States in 1901.

[103] *QPD,* Mr Walker, Debate on the *Dairy Products Stabilisation Bill*, Vol. CLXIV, 1933, p. 1207.

[104] Page, *Earle Page*, p. 279.

Commonwealth which was ultimately to prove the undoing later of several comfortable arrangements for protection of dairy and tobacco farmers in particular.

Up to World War Two, State and Federal Governments, Conservative and Labor, were taking an increasingly active role in agriculture generally, and in marketing in particular. All governments were interested in the economic benefits of a strong agricultural sector, recognising the need for export income, employment opportunities for the vast numbers of unemployed, and closer settlement to populate the north of Australia. The wheat industry was guaranteed a price of 5s. 2d per bushel from 1938, with subsidies for all growers, and assistance for farmers on uneconomic blocks to retire or convert to other crops.[105] In the period 1901 to 1939, the sugar industry became dominant in Queensland, increasing its proportion of cropped land from 74% to 87%. It peaked in the late 1930s, despite strict control of production through acreage allotments and production limits for farmers, and marketing quotas for mills, allied with import embargoes and prescribed wholesale prices for domestic sugar.[106] The dairy industry reached its high point of production in 1939 with more than 1.4 million cattle, and more than 53 000 tons of butter and 2.2 million gallons of milk.[107]

By 1939, almost every agricultural industry was heavily regulated, and although protected by a system of bounties and tariffs, with some direct subsidies from the Federal governments, all had to conform to ever-increasing levels of compliance with standards and inspection services provided by the State governments. It should be said that whilst agriculture had become one of the most regulated industries in the country, protectionist measures never reached the same level as those provided to the manufacturing industries which reached their peak under the Scullin Government.[108]

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[105] Sawer, *Australian Federal Politics and Law*, p. 76.

[106] P.P.Courtenay, 'Agriculture in North Queensland', *Australian Geographical Studies*, Volume 16, 1978, p. 33.

[107] *Queensland Votes and Proceedings (QVP),* Report of the Registrar-General on Agricultural Production for the year 1939, p. 175-6.

[108] Warren Denning, *James Scullin, Prime Minister of Australia 1929-1932,* Black Inc., Melbourn*e, 1982,* pp. 63-4.

War, and More Controls

The outbreak of World War Two presented Australian farmers with more challenges. Initially the Commonwealth Government took control of most food production under the National Security Regulations. It is to the credit of Australian farmers that food supplies to the Australian population did not decrease to any extent,[109] and that supplies of dairy products, meat, wool, eggs and vegetables to Britain were also maintained under difficulties of reduced shipping and the new demands for further processing made by Britain.[110] The Commonwealth allocated ₤400 000 for the establishment of dehydration plants for the processing of fruit, vegetables and meat for export to Britain.[111] The deployment of large numbers of Australian and United States troops in the country increased the demand for canned fruits and fresh fruit and vegetables generally. On the Atherton Tablelands, approximately 60 000 troops were based in locations from west of Mt Garnet to Mareeba,[112] creating a huge local demand for fruit, vegetables, meat, and dairy products

However, production of sugar, tobacco and maize was reduced, particularly in North Queensland, following the *Aliens Registration Act* of 1939. From 1921, Italians had migrated in large numbers to Queensland, many of them settling on sugar, maize and tobacco farms in the north.[113] By 1939, these three industries in particular were heavily reliant on them as farmers and labourers. Their settlement was resented by the Anglo-Australian section of the population which regarded Italians, and particularly those from Sicily and Calabria, as politically suspect and racially inferior.[114] Albanians and Finns were also important sources of labour and skilled farming in these industries. The Act allowed

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109 Percy Spender, *Politics and a Man*, Collins, Sydney, 1972, p. 50.

110 In response to reduced shipping space, Britain demanded that eggs and vegetables undergo a dehydration process, and that butter be reduced to pure butterfat which could be canned and not refrigerated. Hale with Ashton, *History of Commonwealth Department of Agriculture,* p. 78.

111 *Ibid.*

112 Peter Nielsen, *Diary of WWII North Queensland*, Neilsen Publishing, Smithfield, 1993. This publication provides the full list of all Australian and United States Army and Air Force Units based on the Tableland during WW II.

113 Gilmore, Faith Hope and Charity, pp. 82- 92; *Cairns Post,* 14 May 1940.

114 Kay Saunders, *War on the Home Front,* University of Queensland Press, St Lucia, 1993, p. 46.

for the registration of those considered 'Enemy Aliens' including those people of German, Italian, and later, Finnish and Albanian origin. From 1942 a process of internment was undertaken, and thousands of men and some women were imprisoned for the duration of the war. Their enforced removal from agriculture led to a shortage of labour and a decline in production. The enlistment of large numbers of young, active men into the armed forces also depleted the available rural workforce. To a large extent, farm women and children tried to keep up the production levels, but eventually, in 1942, the Government was forced to release internees and prisoners of war – mostly Italians – to provide labour on southern farms at a distance from war zones. The Women's Land Army was formed to grow fruit and vegetables, mainly for troop consumption, but even with their assistance the demand could not be filled, and by 1943-44 supplementary supplies had to be obtained from southern States.[115] By 1944, the need for food was so acute that 15 000 men in the Forces were sent back to the farms to increase production.[116]

Shortages of machinery and fuel also contributed to difficulties of production. In Queensland, *The Agricultural Requirements Control and Conservation Act* of 1939 created an organisation to control the distribution of seed, fertilisers, and other equipment, whilst agricultural machinery was allocated by a machinery control officer.[117] Fuel allocations caused many problems for farmers,[118] and farm machinery was often requisitioned for the war effort, with farmers being encouraged to pool their machinery to maximise efficiency.[119] Production dropped in Queensland during the war years in most agricultural industries. For instance, the number of cows in milk dropped by a total of 100 000 between 1939 and 1946; the area planted to maize declined by 40 000 acres, tobacco by 1 400 acres, and sugar cane by almost 40 000 acres.[120]

The Queensland Government turned its attention towards post-war reconstruction with the introduction of the *Coordination of Rural Advances and Agricultural Bank Amendment Act*

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[115] Clem Lack, *Three Decades*, p. 257.

[116] Rob Linn, *Battling the Land*, Allen & Unwin, St Leonards, 1999, p. 148.

[117] Skerman *et al*, *Guiding Queensland Agriculture,* p. 191.

[118] *QPD*, H.H.Collins, Statement on manpower and other shortages, Vol. CLXXVII, 1941, p. 327.

[119] *The Tableland Examiner,* 30 October 1942.

[120] Government Statistician, *Queensland Year Book,* No. 9, Government Printer, Brisbane, 1948, pp. 147-50.

which increased the maximum advance to any single mortgagor to ₤5 000 and increased the terms of loans from 25 to 35 years, at a reduced interest rate of 4%.[121] One piece of legislation which was to have great implications for the development of the Atherton Tablelands was the *Land and Water Resources Act* of 1943, which allowed the Lands Department to plan the development of Crown Lands with appropriate water resources. However, it was not until 1948, under the auspices of the Irrigation and Water Supply Commission[122] that planning for the Tinaroo Dam on the Atherton Tablelands was put into place. It was this dam which enabled the massive expansion of the tobacco industry from its construction in 1955. Another Act which had an impact on the Tablelands was the *Diseases in Stock Act and Another Act Amendment Bill* of 1944. This Act made mandatory the testing of milk for domestic consumption and for manufacturing subject to mandatory testing for tuberculosis, and also provided for compensation to the farmer if stock had to be destroyed.[123]

Supply and coordination of agricultural production was undertaken by the Committee of Direction of Fruit Marketing, which established depots at Rockhampton, Townsville, Cairns, and Atherton.[124] This, of course, meant that the farmers were required to take their produce to a single outlet for sale and distribution, without the benefit of competition for their products in a time of peak demand.

Although the marketing of fruit had been controlled by the Committee of Direction of Fruit Marketing since 1923[125] the *Fruit Marketing Organisation Acts Amendment* of 1945 enabled the Committee of Direction to act as agent in the refrigeration, storage and ripening of fruit and vegetables, and could also process and manufacture produce. Vegetables were also brought under the control of the Committee which would direct supplies to areas of need when there were glut conditions in other parts of the State.[126]

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[121] The Irrigation and Water Supply Commission was established under *The Commission of Irrigation and Water Supply Act* of 1946. Lack, *Three Decades*, p. 223.

[122] Lack, *Three Decades,* p. 303.

[123] *Ibid*, p. 234.

[124] *Ibid.,* p. 257.

[125] Diana Shogren, 'The Creation of the Committee of Direction of Fruit Marketing', *Queensland Heritage*, Vol. 2, No. 5, November 1971, p. 36.

[126] Lack, *Three Decades*, p. 242.

The *Fruit and Vegetables Act* of 1947 gave powers of entry to Government appointed inspectors who had powers to enforce packaging, standards of handling, marketing, and even loading and unloading packages of fruit and vegetables.[127] By the end of the War, farmers were subject to more controls over every aspect of their operations than ever before.

Boom Times

The next twenty years were relatively good times for agriculture in Queensland. Sugar was the dominant crop, and British Empire trade preferences ensured expansion.[128] However, the Chifley Government's bulk-purchasing scheme, which was negotiated with the British Government, sold Australian wheat, meat and dairy products to Britain at considerably lower prices than those which could be obtained on the world market. Although this was opposed by John McEwen (Leader of the Country Party) on the grounds that assisting the Mother Country should not be done at the expense of one sector of the Australian economy, he did not dispute the general principle of helping Britain in a time of want.[129] This magnanimity was not reciprocated when the Menzies Liberal Government, elected in late 1949, abolished petrol rationing. This action was outside the *Sterling Area Agreement* which sought, by cooperative means, to manage the post-war dollar shortage. Menzies further upset the British Government when his Government introduced across the board import restrictions because of balance of payment difficulties caused by the end of the Korean War which brought about a collapse in wool prices. This impacted heavily on Britain as the major supplier of manufactured goods to Australia, but the Government could not see any other way of coping with a loss of 50% of its sterling reserves. It could be argued that, although the Government and the population in general remained committed to the British alliance and the 'ties of blood', both countries were beginning to realise that their interests were not exclusively mutual.[130]

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[127] *Ibid.,* p. 313.

[128] P.P.Courtenay, 'Agriculture in North Queensland', *Australian Geographical Studies,* Vol.16, 1978, p. 34.

Lack, *Three Decades,* p. 354.

[129] Stuart Ward, *Australia and the British Embrace, The Demise of the Imperial Ideal*, Melbourne University Press, Carlton, 2001, p. 18.

[130] *Ibid.,* p. 22-3.

During the 1950s, Australia was committed to a massive immigration programme and an expansion of the economy, including primary production. Such development was widely considered to be a part of the policy of defence through populating of the North, which was thought to be the principal area of Australia vulnerable to invasion from the northern Asian nations.[131] It was also very much in accord with the policy of developmentalism extant in both Federal and State Governments. In 1952, in response to the severe shortage of materials due to import restrictions, the Federal Government reassessed the restrictions on the import of agricultural requirements. A major policy statement, released by the Minister for Commerce and Agriculture, John McEwen, set out a five year plan to increase agricultural production. Farm machinery was made available, fertilisers subsidised, research funded, and taxation concessions allowed to fund research.[132] McEwen saw in primary production the solution to Australia's balance of payment problems, and to this end he was determined that Australia would produce more food for export, and be as self sufficient as possible to save importing produce.[133] To this end, McEwen negotiated revisions to the *Ottawa Agreement* in 1956. The new Agreement enshrined the principle of preferential British and Australian trade; allowed for across-the-board reduction in British tariff preferences in the Australian market; and secured a non-binding agreement for the British purchase of 750 000 tons of Australian wheat. Trade negotiations with Japan in 1957 resulted in 'most favoured nation' status to the Japanese, resulting in expanded trade in both directions.[134]

In Queensland, provision of dams to ensure water for irrigation caused expansion in the tobacco and rice industries. Several ambitious projects included the provision of electricity facilitated by the construction of the Tully Falls Power Station which was designed to provide power to Cairns and its hinterland. Improvement in transport and refrigeration systems allowed fresh milk to be taken to more markets, and the further adoption of mechanical means for the cultivation and harvesting of crops added to the profitability of farming.[135] However, the down side of mechanisation was that it contributed to declining

[131] *QPD*, E.M. Hanlon, Debate on Supply, Vol. 195, 1948-49, pp. 2004-5.

[132] Hale with Ashton, *History of Departments of Agriculture,* p. 99.

[133] *Ibid.*

[134] Ward, *Australia and the British Embrace,* p. 37-8.

[135] P.P.Courtenay, 'Agriculture in North Queensland', p. 40

levels of employment in agricultural industries in Queensland, with a loss of 9 000 jobs between 1939 and 1954.[136] This trend ultimately led to loss of population and subsequent decline in the economic importance of the regions, and resulting loss of political influence which was to lead to massive change in the agricultural landscape in years to come.

The Queensland Government, in concert with the British Government, instituted more radical experiments such as the ill-fated Peak Downs Scheme, designed to settle British farmers on a vast Queensland communal farm to produce food for England. This was condemned in Parliament by the Opposition which described it as collective farming on the Soviet model, and should not be allowed in Queensland.[137] It was also opposed by established farmers whose point of view was put by *Queensland Country Life*, "every tractor, every mile of fencing wire... will deprive some established farmer of the opportunity of making an immediate contribution to increased production."[138] The scheme, poorly planned and bureaucratically run, was abandoned in 1953, and the land sub-divided into sixty mixed farming blocks devoted to grazing and growing sorghum.[139]This scheme was a failure, but it opened up settlement of Central Queensland, and with the Brigalow Scheme, a joint Commonwealth-State enterprise which established 247 pastoral farms on over 2 000 000 hectares, converted what had hitherto been strictly grazing land into more closely settled farming areas.[140] Post-war reconstruction and the active encouragement of governments led to vastly increased production of most food stuffs. Land was made available for cultivation in areas which sometimes proved inappropriate, and the provision of water and transport infrastructure continued to be a feature of government policy in Queensland until the 1980s.

Queensland continued to rely on primary production for economic survival, and both Labor and conservative governments encouraged its expansion with schemes to facilitate both production and marketing. However, agriculture was challenged by Britain's entry to

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[136] Commonwealth Bureau of Census and Statistics, Queensland Office, *Queensland Year Book*, Number 20, Government Printer, Brisbane, 1959, p. 340.

[137] Lack, *Three Decades,* p. 364.

[138] *Queensland Country Life,* 1 April 1948, p. 6.

[139] Ross Fitzgerald, *A History of Queensland from 1915 to the 1980s*, University of Queensland Press, St Lucia, 1984, p. 188.

[140] *Ibid.,* p. 412.

the European Common Market and the repudiation of preferential trade deals with Australia in 1961. Although this was portrayed by Macmillan, the British Prime Minister, as a recognition of the shifting balances of power in the Pacific region, with Australia expected to align itself more closely to American interests,[141] it is clear that British interests were served best by trading with nations in its geographic vicinity, giving it a comparative advantage in terms of transport and proximity to a critical mass market. Indeed, the existence of the Common Market closed the door to the European and British markets for most Australian produce, and forced the government to consider closer trade ties with neighbours in the Asia-Pacific region. Demographic, political and economic circumstances had coalesced into forces for dramatic change for all agricultural industries, and for the people of regional Australia.

By the 1960s increased production in many industries, and the loss of British preferential trade, caused falling prices. Both Federal and State Governments attempted to rationalise production through Stabilisation Schemes, designed to limit production to the requirements of the market. Farmers were compensated for this action by the assurance of guaranteed prices, and the closure of industries to new comers except through the sale of existing farms. This increased the value of farms, which led to the expectation that the sale of the farm would provide a *de facto* superannuation benefit for retiring farmers, and thus obviate the necessity for saving or forward planning for economic downturns. Eventually, this was to prove expensive in two areas. Virtual assurance of income did not encourage efficiency of production; and the closed nature of much of the agricultural sector militated against the entry of young and forward-looking farmers who may have been able to cope with the inevitable changes which global economic and political factors produced in the 1970s.

Conclusion

It can be seen that governments of all persuasions were committed to the development of the vast ‘empty’ spaces of Queensland, and were prepared to expend considerable amounts of funds towards it. However, settlement and production were all very well, but without access to markets which would absorb increased production, and access to cheap labour and/or mechanical means of production, both were to prove expensive and, in the

[141] Ward, *Australia and the British Embrace,* p. 51.

long run, scarcely tenable. As Courtenay points out, the capital costs of mechanisation, the increasing costs of transporting inputs and products, and the lack of close markets, contributed to the questionable viability of the exercise.[142] Survival required further government intervention in the form of Stabilisation Schemes, and, in the case of the dairy industry in particular, direct support. All governments, and by extension, the general population had to realize that ideology came with a price tag, and in many cases, the price tag would prove to be too great to sustain. By the end of the 1960s, the long boom was in decline, the global economy was changing with new alliances and shifting patterns of power, new nations which would provide severe competition to the old orders were emerging, and agriculture, once again, would be the target of extensive government intervention in its affairs. After so many years of government support the farming community was ill equipped to deal with the massive economic and psychological shifts which would be required of it, and the aftermath would resound for the next forty years.

[142] Courtenay, 'Agriculture in North Queensland', p. 41.

Chapter Three: The Maize Industry 1895 – 1945

Case Study One

Introduction

The history of the first fifty years of the maize industry on the Atherton Tablelands of Far North Queensland is a story of government intervention which had a severe impact on a small, regional and economically peripheral community. The early history of this industry is important because of the effect of government policies on several distinct groupings of people who played parts of varying importance in the development of the industry. The result of the intervention led to conflict, hardship, poverty, land degradation and ultimately, a culture of dependence on government support in the farming community.

Although the Atherton Tablelands are not unique in the sequence of events leading to the establishment of agriculture in a pristine environment, it is unique in that the effects on different groups of people are able to be traced definitively. The first to be affected was the Aboriginal population which was disposed of quickly, with remnant populations being confined to mission stations and settlements, apart from those involved in the economy as cheap labour clearing land and working on the farms. The Anglo-Celtic group which was responsible for the marginalisation of the Aborigines was quickly followed by the Chinese who gravitated to the rich farming lands of the Tablelands after being excluded by legislation and force from the mining fields. The fourth group consisted of the immigrants from continental Europe, and particularly from northern Italy, who began arriving from the end of the nineteenth century.

Government intervention took the form of legislation to regulate the Aboriginal group, and to control the Chinese. It then moved to change the profile of farming by amendments to the land tenure system which was based on the ideology of the independent and self-sufficient Anglo-Celtic farmer cultivating small blocks of land. The Chinese were driven off the land by the inception of the Discharged Soldier Settler Scheme in 1919. This Scheme, as administered on the Tablelands, was a disaster in terms of ruined lives, crop production, and resource use and abuse.

The Ryan Labor Government of 1915 signalled the beginning of massive intervention in the agricultural industries. In spite of being the only maize growing area in Queensland to take advantage of legislation which allowed farmers to take control of the collective marketing of the crop, the industry struggled until the Second World War. The small size of the farms forced the farmers to grow maize as their only crop, and therefore weed infestations, pests, and erosion gradually depleted the soil and yields of the grain, reducing the farmers to a state of grinding poverty.

The years of the 1930s Depression followed by the Second World War also had effects which had serious consequences for many of the people involved in the maize industry on the Atherton Tablelands. Gradually, the farms were taken over and enlarged, in many cases by migrant farmers from Italy, Albania, and Yugoslavia. After the Second World War, advances in technology allowed farmers to increase production and efficiency, but it was not until the 1960s that government sponsored research produced high yielding varieties, introduced rotation of crops, and established weed, pest and conservation management programmes. The period 1895 to 1945 concluded with the industry poised to take advantage of the post-war boom, but with serious problems as a direct consequence of the policies implemented by governments during those years.

The literature relating specifically to the history of the maize industry in North Queensland is confined to one Honours thesis by Marjorie Gilmore, who documented the history of the industry from inception to 1945.[1] Her work found that the maize industry was instrumental in opening up the Tablelands for agriculture, but that it came at the cost of considerable distress to groups of people. However, a number of other theses contributed to knowledge of the subject. Elizabeth Milton's study of soldier settlement in Queensland following World War One[2] provided valuable insights into the effects of the scheme in other areas but had little to say about the Tableland scheme or the maize industry. Terry Birtles'[3] landmark study of land use on the Atherton Tablelands prior to 1915 briefly touched on the early maize industry, but his study did not include the effects of government intervention on the

[1] Gilmore, Faith, Hope and Charity, 2002.

[2] Milton, Soldier Settlement in Queensland, 1968.

[3] Birtles, A Survey of Land Use, 1967.

industry. Douglas Blackmur's[4] study of government policy applied to primary industry from 1919 to 1929 was extremely useful in defining the legislation which shaped the maize industry in those critical years, but was not specific to the industry. Other work which added to the study included *Guiding Queensland Agriculture*[5] which gave an overview of the history of the industry in Queensland to 1965. Most of the information for this chapter came from interviews, newspapers of the relevant periods, government statistics and reports, the State archives, the John Oxley Library, and the archives of the Atherton Shire Council. Access to the records of the Atherton Tableland Maize Marketing Board, 1923-1994, was denied by the current custodians, Tableland Stockfeed Specialists. The lack of access to these documents constituted a major constraint to the study.

This chapter will study the process of regulation and its effects on a small industry in a specific location in North Queensland and will demonstrate the effects on the land, the people, and the economy. It is important to the overall study as an insight into the processes used by government in the implementation of policy, and will also provide a contrast to the processes discerned in the other industry case studies as this was an industry producing only for domestic markets.

Background

Maize is the domesticated form of Teosinte, a native grass (*Zea mayz ssp parviglumis*) which is first recorded as growing in what is now Mexico. A staple diet of maize is unsuitable for human consumption because it is lacking in the essential vitamin niacin, a shortage of which may cause a condition known as 'pellagra'.[6] However, it is valuable as a supplement to the human diet, and as stock feed. Maize requires a five month growing period and a dry period for the grain to dry out before harvest. Regular rainfall is needed during the growing period, but rain at the wrong time, or a sustained spell of autumn and winter drizzle such as occurs on the Atherton Tablelands, can cause crop losses. Maize

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[4] Blackmur, The Primary Industries of Queensland 1919-1929, 1965.

[5] Skerman *et al, Guiding Queensland Agriculture.*

[6] Alan Kraut, *Dr. Joseph Goldberger & the War on Pellagra*, http://www.nih.gov/od/museum/exhibits/goldberger/full-text.html.

requires a well composted or fertilised soil on a slope which ensures excess water run-off to prevent the plants developing root rot and falling over.

Maize varieties were introduced into Australia with the First Fleet, and it was first grown in Queensland in the 1820s, mainly for stock feed. By the 1890s, it was obvious that better varieties were required to produce higher yields in Queensland conditions, and in 1893, seven new varieties were imported from the United States by the Department of Agriculture and Stock.[7] However, these mother varieties were to prove unsuitable for the conditions of the Atherton Tablelands, and retarded the development of the industry for the next sixty years.

Production of maize began very early in the history of the Atherton Tablelands, and continues to the present day. It began purely as a response to a local demand, and grew rapidly as the dominant agricultural industry of the southern Tablelands up until the Second World War. Although some of the crop was exported to the south and overseas, its main market was and is local. It has had mixed fortunes over the hundred and ten years of its history, and has been subject to government intervention at every stage of its evolution. It now remains as a small section of the local economy, no longer monocultural, or the dominant crop.

The Establishment of the Maize Industry

Agriculture on the Atherton Tablelands, like other areas of Queensland, followed mining and grazing enterprises. The ranges and dense rainforests of the area provided a formidable barrier to access from the coast to the inland mining areas of the west, so the first arrivals came from the west and the north in a pincer movement.[8] When gold was discovered on the Hodgkinson field, just to the north west of the Tablelands, by Mulligan in 1876,[9] the field attracted miners, both European and Chinese, from the diminishing Palmer field. John Atherton had established a homestead for his cattle run at Emerald End, situated at the confluence of the Barron River and Emerald Creek, in 1877 to supply beef

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[7] Skerman *et al*, *Guiding Queensland Agriculture*, p*. 58.*

[8] Bolton, *A Thousand Miles Away,* p. 7.

[9] *Ibid.,* p. 59.

to the miners of the gold fields. [10] His cattle empire had its southern boundary at the edge of the rainforest[11] to the south, and extended west to what is now Chillagoe. His discovery of tin on Tinaroo Creek in 1878, and on the Wild River in 1879, led to a minor "rush" to what was to become Herberton.[12] It was from this beginning as a mining area that the Atherton Tablelands were developed as one of the most productive farming areas in Queensland.

Aboriginal Possession and Dispossession

Aboriginal people, known as Ngadyan, had inhabited the area for thousands of years, using the rich resources of the rain forest and the surrounding open forest areas for hunting and gathering. However, the rush to the Herberton tin field meant that their days of peacefully inhabiting the land were numbered.

As the land was cleared for agriculture, the Ngadyan people were pushed to the margins of their lands, and ultimately deprived of their livelihood. They were forced into mendicancy and theft of crops, and often were the target of settlers' reprisals.[13] By the mid 1880s the Aboriginal population was in such a state of poverty and illness that they were provided with handouts of blankets and food. The Government passed the *Aboriginal Protection and the Restriction of Opium Act* in 1897 in an attempt to protect Aboriginal people from exploitation by both Europeans and Chinese. Later, the establishment of Mission Stations designed to contain the remnant populations removed many of the people from the Tablelands to Palm Island and Mona Mona Mission near Kuranda. However, because of their value as a source of cheap labour, some of the families managed to avoid being sent to the Missions, and continued living on the fringes of the towns. The traditional use of the rainforest and its resources by the Ngadyan was destroyed for ever.

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[10] John Atherton, Letter to the Department of Mines, claiming 2500 acres in the Parish of Tinaroo under the Presumptive Clause of the *Land Act* of 1869, 1 March, 1895. Held in the private papers of John Atherton, John Oxley Library, Brisbane,

[11] *Ibid.*

[12] Bolton, *A Thousand Miles Away*, p. 117.

[13] *Cairns Post*, 9 July 1885. p. 2.

Chinese Farmers 1895-1920

Chinese immigration into Australia began very early in the history of the colony, and the discovery of gold in 1849 accelerated their ingress to Australia. The Chinese were usually single young men, sent from their families to make money from the fabled 'New Gold Mountain'.[14] Many of them followed the gold discoveries, and in 1874, large numbers of them arrived at the Palmer River Gold Field.[15] The Palmer and the Hodgkinson gold fields were almost exhausted by 1882, and hundreds of men, including many Chinese, flocked to the Herberton tin field. However, the mining fields were barred to the Chinese by legislation. During the latter quarter of the nineteenth century, Queensland had enacted a number of laws which restricted the mining activities of the Chinese.

Many went to the coast, where they grew vegetables, rice, bananas, and maize. However, there were several factors militating against continued production in that area. These were fruit fly infestations in the dominant banana crops; the decline in fertility of the fragile coastal soils; cyclones which devastated the crops on a fairly regular basis; and the difficulties of shipping fruit to markets in the south.[16] Those who stayed in the Herberton area either worked on a tribute system for the white miners,[17] or grew market gardens. It could well be argued that their presence contributed to the well being of the community by providing fresh fruit and vegetables which otherwise would have been difficult and expensive to obtain.[18] There was also a great demand for feed for the bullocks, pack teams, and riding horses. It was expensive and difficult to cart feed from the coast, and the coastal maize industry was in decline as sugar became the dominant industry. The Chinese farmers quickly exploited this need by planting maize along the river flats, and in small cleared areas.

In 1882, the first land surveys were carried out in the area which was later named Atherton. The land was covered with dense rain forest which contained valuable species

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[14] C.Y.Choi, *Chinese Migration and Settlement in Australia*, Sydney University Press, Adelaide, 1975, p. 4.

[15] Bolton, *A Thousand Miles Away*, p. 55.

[16] *Ibid.,* pp. 226-7.

[17] *Wild River Times*, 28 March 1895.

[18] Birtles, Survey of Land Use, p. 271.

such as red cedar (*Toona australis*). The stands of cedar were a magnet for men searching for a more lucrative living than tin mining provided, and in 1883 the first timber camps were set up on the banks of Prior's Creek, not far from where the township of Atherton now stands.[19] At that stage, agricultural land had been surveyed into areas from 160 acres to 1280 acres, and was offered on both free-hold and rental basis. With few exceptions, the original land sales were mostly to mining men with no experience of farming or of clearing the land,[20] hoping to get in on the ground floor of a coming "land boom".[21] These men had no taste for the daunting task of clearing the dense forest, and although there were requirements for improvements and personal residence,[22] distance and difficulty of administration made these almost impossible to enforce. Many of the original settlers compromised by building minimal shelters and outhouses, and appointing a Chinese tenant as bailiff.[23] The needs of the Chinese population to make a living coincided with the needs of the white settlers to fulfil their obligations of residency on their selections, and thus it was the Chinese who were the principal mainstay of early agriculture.[24]

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[19]Bolton, *A Thousand Miles Away*, p. 2.

[20] Minutes of the Commission on Land Settlement (CLS), Atherton Sittings, Questions 4143-4, p. 184.

[21] *Ibid.,* Question 4072; and 'Atherton District', *Local Government Magazine*, December 1962, p. 41, held by the Queensland Royal Historical Society.

[22] Birtles, Survey of Land Use, p. 150.

[23] CLS, Questions 4005-4006.

[24] *Wild River Times,* 4 April 1895. In a letter to the editor, "Onlooker" decries the fact that "The sturdy yeoman farmers of the Barron Valley [are] …very piebald--- Malays, Javanese, Chinese, and Kanakas'.

IMAGE REMOVED DUE TO COPYRIGHT RESTRICTIONS

Illustration 1: Red cedar taken from the Atherton Tableland, c. 1910.
Source: Joan Cairns and W.T. Johnstone, *Early Tableland Days, W.H. Bunker Photographic Collection*, Joan Cairns and W.T. Johnstone, Cairns, 1997, p. 11.

Clearing of the rainforest continued, with the best timber taken out for milling. Some local timber was also used for building and fence and yard posts, but because of a lack of legislation or administration of forestry resources, much of the timber was burnt or wasted.[25] Although it appears that there is some question about the willingness of the Chinese to clear land,[26] the evidence to the Royal Commission on Land Settlement would indicate that that in some areas they cleared extensive areas by using a particular method which brought down as much as an acre of timber and undergrowth at one time. This facilitated the burning of vegetation.[27] They then planted corn seed by hand among the stumps and cultivated it with hoes.[28] The matured cobs of grain were hand harvested from the stalks, carried in baskets to the edge of the clearing and placed in drays. They were then husked and shelled by hand, and bagged ready for the merchant's dray to pick up.[29]

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[25] Peter Holzworth, 'Archibald McDowell and Nineteenth Century Forest Conservation in Queensland,' *Journal of the Royal Historical Society of Queensland*, Volume 17, No. 10, p. 477.

[26] RC on Land Settlement, Question 4201.

[27] *Ibid.,* Question 4007.

[28] Birtles, Survey of Land Use, p. 64.

[29] Interview with Ian Allen, Tolga, May 2000.

By 1895, the Chinese and other farmers had established that maize could be grown on the Tableland, but the Royal Commission on Land Settlement was told that very few of the white farmers were making money,[30] apart from three who were cultivating large acreages and growing both potatoes and maize.[31] However, grain of a quality suitable to feed horses, mules, and working bullocks could be produced to satisfy the local market conditions[32] although the quantity required was not met for some years and maize continued to be brought in from the south.[33] By 1897, there were 110 agricultural farms in the district, sixty of them freehold.[34] The number of white farmers was estimated at eighty, with 180 Chinese working about half the farms.[35] By 1901, in excess of 30 000 acres of land had been alienated, 4079 acres were under maize and producing 167 524 bushels of grain.[36]

The Chinese population had grown to 484,[37] with those not growing maize involved in the transport or selling of it.[38] Although many of the men lived in rough huts on the farms, others lived in a shanty town on the outskirts of Atherton on a selection bordering Piebald Creek, owned by Frederick Loder.[39] In the earliest times, these dwellings were probably

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[30]CLS*,* Questions 4000-2.

[31] *Ibid.,* Question 4208.

[32] C.Crosthwaite, 'Maize Growing on the Atherton Tablelands', *Queensland Agricultural Journal Reprint* QA3049, January-February, 1983, Queenland Department of Primary Industries, Agriculture Branch.

[33] *Morning Post*, 6 January 1905.

[34] CLS, Questions 3987-8.

[35] Aliens were not able to acquire land, and had to lease it from white farmers. Of the 110 farms, 55 were being worked without Chinese labour, 25 by white farmers with Chinese farmers leasing all or part of half of them, and 30 leased entirely to Chinese.

[36] *Statistics of Queensland 1901*, Government Printer, Brisbane, 1902.

[37] QSA, POL/J2, Letter from Constable Creedy, Atherton, to Police Inspector, Cairns.

[38] The Chinese had participated in the carrying business very early. In 1892, E.G. Putt wrote to the *Herberton Advocate* complaining that they had a 'virtual monopoly'. *Herberton Advocate,* 18 October 1892.

[39] Minutes of the Tinaroo Divisional Board, 3 November 1903, p. 184.

built from saplings and corn stalks, with a thatched roof of blady grass.[40] By 1900, the shacks had been replaced by relatively substantial buildings, built of slabs, with sawn timber floors and corrugated iron roofs, and a separate lean-to cooking facility at the back. The small township was neat and orderly, with one street, solid dwellings, permanent water from wells, and gardens which allowed self-sufficiency.[41] A site analysis of the area shows that there were a herbalist/doctor, two gambling houses, a restaurant, several merchants, and a 'Lodge' or communal hall, as well as the Hou Wang Miau (Chinese Temple), constructed in 1903.[42]

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[40] Abdul Latif Ibrihim, A Study of the Material Culture of the Chinese Temple, Atherton, Graduate Diploma of Material Culture, James Cook University, Townsville, 1987, p. 28.

[41] Interview with Neil Lee Leong, April 2000.

[42] Ibrihim, Study of Material Culture, pp.35-6.

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Illustration 2: Plan of China Town, Atherton, c. 1910.
Source: Maureen Lillie, *Hou Wang Miau*, National Trust, Queensland, 1997, facing page.

Several Chinese merchants set up business in the townships of Atherton and Martin Town, which later became Tolga. Two key figures emerged in the maize industry very early in the 1900s. One was Edward Lee Sye, who had arrived in Cairns in 1892 at the age of sixteen. He had quickly learned to speak English, and was a dedicated gambler. It is likely that it was from this source that he acquired enough capital to set himself up as a merchant in Tolga in 1903. His marriage to an Australian born woman allowed him to apply for naturalisation.[43] He assumed a leadership role in the Chinese community, and formed a society known as the Gee Kung Tong.[44] This society placed a levy on the gambling houses, and forced the Chinese farmers to sell their crops through members of the society.

His status as 'The Corn King' or 'The Head Serang', as he was known throughout Atherton[45] was challenged in a dramatic fashion by another power-broker, George Fong On. Fong On's application to join the Gee Kung Tong had been refused on the grounds that he was not a fit and proper person for membership.[46] Fong On retaliated by organising a rival society known as the Tong Sin Tong. Matters came to a head in 1912 when one of the worst riots in Atherton's history broke out, resulting in the injury of eleven men, one of them seriously.[47] According to the police report, Chinese had been gathering in Chinatown from the outside farms, and up to 400 had congregated. Constable Creedy, the Officer in Charge of the Atherton police, stated that he had no doubt that the fight had been premeditated, and identified the ring leaders as Fong On and Chong Yee, and that it was an attempt to break up the Gee Kung Tong. Given that Lee Sye had attempted to monopolise the gambling and maize trades, it was hardly surprising that some reaction occurred. Tensions continued to simmer between the rival Tongs, and in 1914 extra police were requested from Chillagoe and Townsville.[48]

Needless to say, the Chinese presence in the district was resented bitterly by some segments of the white population. E.G. Putt was one of the most vocal, accusing them of committing unacceptable acts such as using opium to lure Aboriginal workers, failing to

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[43] Under the terms of the *Aliens Act* of 1867, an Asiatic was required to be married, to have lived in the Colony for three years, and that his wife should also live in the Colony.

[44] May, *Topsawyers*, p. 67.

[45] Interview with Dennis Lee Sye, April 2000.

[46] *Ibid.*This version of events was passed down as part of the Lee Sye family history.

[47] QSA 468M, Constable Creedy, Report to the Inspector of Police, Cairns, on the Chinese disturbance at Atherton on 6 October 1912, p. 3. In his report Constable Creedy refers to a "Lodge". This term was probably used as a reference to a secret society rather than to a Lodge of Free Masons. There is no record of a Chinese Lodge in the archives of the Atherton Free Masons.

[48] QSA 468M, Inspector of Police, Cairns, (name illegible), to the Commissioner of Police, Brisbane, on the dissension existing between two societies in Chinatown, Atherton, 14 January 1914,.

tank[49] their corn, or, conversely, tanking their corn and withholding it from the market to obtain better prices.[50] However, it was the principle of leasing land to the Chinese which caused most indignation.[51] Mr Givens, (MLA for Cairns), was a particularly trenchant critic of the practice,[52] and in 1904, a Bill prohibiting the lease of land to coloured aliens was introduced in the Queensland Parliament.[53] This resulted in the *Leases to Aliens Restriction Act* of 1912, designed to force aliens wishing to lease land to obtain a certificate based on their ability to write in English.[54] This was never pursued vigorously on the Tablelands, as the convenience of being able to have the hard work done by lessees and not themselves was not lost on the owners of the land. There is little evidence to support the claim that the presence of the Chinese was a problem to all white farmers in the district. W.B. Kelly, known as the King of Atherton because he had been the first to buy land in the area, refused to attend any meetings of the Barron Valley Farmers' Association after its members (on the motion of Putt), complained to the Government about the use of Aboriginal labour by the Chinese. Indeed, both Kelly and Putt had made use of Chinese lessees on their farms.[55] Charles Bryde, who farmed in the Kairi area from 1912 when the Chinese were most numerous in the district, expressed grudging admiration for 'John Chinaman'.[56] Arnold Jones, extolling the farming life on the Tableland in a private letter to his sister, also written in 1912, makes no mention of them at all.[57]

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[49] The harvested maize kernels were subject to infestations of weevils which spoiled the grain and made it unsaleable. Quantities of the spoiled grain coming onto the market gave the Tablelands product a bad name in the market place, and consequently depressed the prices. The solution was to "tank" the corn, that is, to seal it in a corrugated iron tank in which a lit candle would use up the available oxygen, and thus kill any weevils.

[50] *Barron Valley Advocate (BVA),* 11 October 1905.

[51] *BVA,* 17 May 1905; 2 August 1905; 16 August 1905; 12 June 1907; *QPD,* Debate on the *Lands Act,* Vol. XCV, 1905, pp. 418-441.

[52] *QPD.,* Mr Givens, Questions without Notice, Vol. LXXXVIII, 1901, p. 1643.

[53] *QPD.,* Mr Kenna, Leasing of land to coloured aliens, Vol. 93, 1904, p. 1161.

[54] *QPP, Leases to Aliens Restriction Act* of 1912, Vol. III, 1912, p. 153.

[55] QSA 134412/1898; and CLS, Question 4186.

[56] C.W.L. Bryde, *From Charthouse to Bush Hut,* City Printing Works, Rockhampton, 1977, pp. 230-1.

[57] Arnold Jones, Kureen, North Queensland, private letter to his sister, Sarah Woolaston, 1912, held in the private collection of Dr Joan MacDonald, Sunshine, N.S.W.

By 1912, Chinese domination of the industry had reached its zenith, with about 1000 Chinese living in the district.[58] There is also evidence that the Chinese were able to recruit labour from the coast when it was needed.[59] At this time, 13 042 acres produced 722 741 bushels[60] of maize,[61] about 80% of which was grown by Chinese.[62] The arrival of the railway in 1903, eagerly sought by the farmers from the mid-1890s,[63] was a great boon to the maize industry. The grain could be transported to Cairns or to the western mining and grazing areas by train, instead of by pack team. The Chinese were quick to realize the advantages of producing maize close to the line, and monopolised the land along it.[64]

In Queensland, the production of maize declined during the World War One,[65] but on the Atherton Tableland, production levels rose slightly. The system of leasing to the Chinese, who were "aliens" and therefore not eligible for army service, meant that the farms continued to function with the area under maize cultivation rising to 18 740 acres in 1917. However, the diligence of the Chinese did not prevent the white population's resentment of them from continuing with increased venom.[66] The Tinaroo Shire Council began lobbying the Government to resume land leased to the Chinese, and to set it aside for a Soldier

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[58] According to the 1911 Census, there were 3868 persons residing in the Woothakata electorate at that time.Therefore 1000 Chinese would represent almost 30% of the population.

[59] QSA, POL/J29, 422M, Constable Creedy to Inspector of Police, Cairns, 15 October 1912,

[60] One bushel is the volume equivalent of 8 gallons of water, and therefore a weight of 80 pounds.

[61] May, *Topsawyers*, p. 248-9. Many Chinese had migrated to the Cairns District in the years 1896-98 in response to the opportunities offered by agriculture. There was a significant increase in the number of younger men on the Tablelands between 1900 and 1911. However, the implementation of the White Australia Policy from 1901 greatly inhibited further immigration from China. Most of the Chinese on the Tableland came from within Australia.

[62] 'Atherton Tablelands District', *Local Government,* December 1962; and Brian Watson, 'The Chinese Influence on Far North Queensland Agriculture' (Circa 1870-1920), Centre for Wet Tropics, Mareeba, undated.

[63]CLS, Questions 4145-6.

[64] May, *Topsawyers,* p. 19.

[65] The area under maize in Queensland dropped by 30 000 acres, and due to drought, the yield also dropped resulting in a decline of 53% of the production of the previous year.

[66] *The Atherton News and Barron Valley Advocate (AN&BVA),* 8 July 1914; letter from the Tolga Chamber of Commerce to the Tinaroo Shire Council requesting that the Council deny cartage licenses to the Chinese.

Settlement Scheme.[67] In 1919, free hold land owned by white people, but leased or worked by Asians, was resumed.[68]

Most of the Chinese left, but a few remained. These were the very old, who continued to live in shacks on farms, eking out a living growing fruit and vegetables, many spending the remainder of their time in an opium induced haze; and the successful merchant families who had managed to obtain naturalisation. Today, no Chinese farmers remain in the district. More than 100 Chinese were buried in the Atherton Pioneer Cemetery in the Alien Section from about 1894.[69] Of Chinatown, all that remains is the Temple, restored by The National Trust using government grants. Jue Sue Road, Fong On Street and Lee Leong Street are the visible reminders of families who settled in the area.

The Chinese had worked, developed, and organised an entire industry under legislative constraints which would have daunted lesser mortals. From 1877, the Queensland Parliament had passed a number of Acts designed to limit citizenship rights of Asians, and to restrict their entry into the colony and activities there. As previously noted, the embargo on mining activities forced them into agriculture, whilst *The Railway Construction Act* of 1892 also denied them the right to work as labourers on railway construction.[70] Later, the *Leases to Aliens Restriction Act* attempted to debar them completely from agriculture. It failed in its purpose due to the needs of the white farmers whose antipathy to the Chinese was overcome by the pragmatic necessity for their labour and farming ability. Socially, the Chinese were meant to be affected by the *Aboriginal Protection and Restriction of the Sale of Opium Acts* of 1897 and 1901. These Acts not only restricted the employment of Aboriginal labour by Chinese, but prohibited the marriage of Chinese and Aboriginal

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[67] Minutes of the Tinaroo Shire Council, 8 February 1919, p. 34. See also, Ian Dempster, “Soldier Settlement in the Atherton-Kairi-Tolga Area after World War One”, *John Oxley Journal,* Vol. 1, No. 7, September/October 1980, pp. 11-16.

[68] *QPP,* Resumptions for Soldier Settlement, Vol. I, 1919, pp. 2-6.

Queensland Government Gazette (QGG), Resumptions for Soldier Settlement, Vol. 1, 12 April 1919, pp. 1075-6.

[69] Atherton Shire Council, Burial Records, 1909-1927.

[70] *The Railway Construction Act* of 1892, (56 Vic., Number 11).

women without the permission of the Protector of Aborigines.[71] It has to said that on the Tablelands, neither of these Acts was enforced to a great degree, as there are references to inter-racial sexual liaisons, children of Chinese men and Aboriginal women, and the use of opium in many of the reports written during this time.[72] The restrictions on the use of opium led to a thriving smuggling trade which ensured that those who required opium or alcohol as a substitute were able to obtain it.[73]

In spite of local antipathy and State and Federal legislation, which were reflections of the national concerns about Asian immigration and settlement, the Chinese farmers were responsible for the establishment of the maize industry on the Atherton Tableland. When they were finally driven out, their legacy consisted of thousands of acres of cleared land, some improvements on the farms, and a demonstration that the industry was viable given farming knowledge, industry, and appropriate organisation. The next chapter in the history of the industry demonstrates the effect of the want of these essentials.

Soldier Settlement

A number of factors led to the establishment of the soldier settlement scheme in the Atherton-Tolga-Kairi area. From 1903, rail transport made the carriage of grain to the

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[71] *The Aboriginals Protection and Restriction of the Sale of Opium Acts* of 1897 and 1901 (61 Vic., Number 17) and (2 Edward VII, Number 1).
For a more complete discussion of the relations between Chinese men and indigenous women, see S.E.Robb, Out of Sight, Out of Mind, Wives of Chinese men in North Queensland: Strategies for Survival, 1875-1935, Bachelor of Social Science (Hons) Thesis, James Cook University of North Queensland, 2002, pp. 114-121.

[72] QSA 134412/1898, Roth, Report on the Complaints of the Barron Valley Farmers' Association, 1898,. Between 1893 and 1923 there were only twelve cases concerning the administration of morphine or poison; two concerning the employment of Aboriginals. Most of the charges related to assault.. QSA, Police Bench and Summons Books, CPS 12/S 1-3, and 78/44-6 and S 2/1-2; A/58447-A 58469; CPS 12B/U 1-2; B/3059; B/3060; B/3259; A/24768; A/24756; A/24757; A/24758; Police Summons Book A/24755. No charges relating to the personal use of opium could be found.

[73] QSA, POL/J29, 442M, Letter from the Commissioner of Police to the Under Secretary of the Treasury, 28 October 1912, re: the sale of Lee Sye's horse and buggy, three cases of whiskey, and five cases of brandy which had been seized by police, and suspected of being illegally traded.

coast and to the pastoral and mining districts of Etheridge and Chillagoe much easier and increased demand. The *Agricultural Bank Act* of 1901 established a rural bank which made money available to farmers to improve their selections. The Act was subsequently amended in 1904 so that farmers could amalgamate all their loans from other lending institutions, and to buy stock and implements. A further amendment in 1911 made money available for the purchase of property, and up to £200 to clear, fence and drain a selection.[74]

Therefore, by 1911, the Government was virtually providing money for people to purchase and set up a farm without requiring capital, or experience in farming.[75] Although *Queensland Parliamentary Debates* reveal that the purpose of the legislation was in the interests of the 'battlers', and to attract the 'right type' of men to the land, there was an unforeseen result.[76] Many worthy people were attracted to a life on the land, but they were not only burdened with an unsustainable debt, but forced into the clutches of merchants who provided them with provisions and crop expenses in return for a lien on their crops.[77] On the Tablelands, this gave an economic advantage to the Chinese whose organisational skills encompassed all aspects of the financing, growing, cartage, and marketing of the crops.[78]

This situation was bitterly resented by the white population, which also recognised that the low skill base of white farmers contributed to their difficulties. The Atherton Farmers' Association lobbied the Minister for Agriculture to offer inducements to experienced Victorian and New South Wales farmers to come to the Atherton district. The Association also lobbied for the establishment of a State Farm to provide education and advice to the farmers, as well as to provide stud animals.[79] Therefore, the circumstances of available money and land, inexperienced white farmers, and the presence of Chinese farmers willing and able to make a living where others could not, fuelled the emotional response of

[74] *QPP*, Report of the Manager of the Agricultural Bank, Vol. II, 1926, p. 647.

[75] *QPD,* J. Hunter, Debate on the Agricultural Bank, Vol. 113, 25 November 1912, p. 2725.

[76] *QPD*, Mr Morgan, Debate on Supply, Vol. 113, 25 November 1912, pp. 2722-24.

[77] *QPD,* J. Hunter, Debate on the Agricultural Bank Regulations, Vol. CIII, 29 July 1909, pp. 482-3.

[78] May, *Topsawyers*, p. 183.

[79] *BVA,* 10 May 1905.

the Europeans, who felt that with appropriate education and advice, and other more experienced farmers to provide role models, white farmers could also succeed.

Another factor which arose during the course of the World War One was the exodus of young men into the armed forces. During the first two years of the conflict 384 enlisted,[80] leaving a severe shortage of labour in the district. As the War progressed, it became increasingly obvious that the district would need some powerful incentives to attract men back. At the same time, the ruling ideology of agrarianism and of the superiority of the white race provided the perfect solution to the desire of the white section of the population to get rid of the Chinese, and to repopulate the district with men who had proved their worth on the fields of battle. The concept of soldier settlement on the farms leased to Asians would satisfy all the requirements of the district to develop as an enclave of white farmers successfully farming in the tropics.[81] It would also serve as a means to populate the North with white people, which was a key government policy until the end of the 1960s.[82]

The *Discharged Soldier Settlement Act* of 1917 provided the legislative framework to return 12 000 acres of prime agricultural land to white and "right" control. As noted earlier, the Tinaroo Shire Council began asking the Government for inclusion in the Soldier Settler Scheme in 1917. The Council wanted only land leased to Asiatics included, as a means of expelling the Chinese: "...what a fine improvement it would be if [the Council] could get a lot of our soldiers to settle after the War on the maize lands between Atherton and Tolga".[83] The Shire Clerk was authorised to write to the Lands Department suggesting that land in the vicinity of Atherton, Tolga and Kairi be resumed for settlement of as many returned soldiers as possible.[84] The response from the Department made it clear that only

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[80] "*AN&BVA*, The Roll of Honour", 25 April 1917.

[81] Gilmore, Faith, Hope and Charity, p. 64. For many years, it was considered that white people could not adapt to tropical conditions to the point of being able to work long and hard in the heat and humidity. *QPD*, Debate on the *Lands Act,* Volume XX, 1866, p. 622.

The Atherton Tablelands were considered to be an exception because of its elevation and more sub-tropical climate. Bolton, *A Thousand Miles Away*, pp. 310-11.

[82] B.R.Davidson, *The Northern Myth,* Melbourne University Press, Carlton, 1965, p. 2.

[83] Tinaroo Shire Council Minutes, 26 April 1917.

[84] *Ibid.*

land worked by Asians would be targeted, and the Council was asked to provide a list of the land and the owners.[85]

In 1919, the land, all free hold, was resumed after the Land Court had settled the values and the owners paid out.[86] Although some of the owners resisted the resumptions and complained of forced evictions,[87] most received very generous compensation varying between £11 and £14 per acre.[88] The ninety-three farms, varying in area from four acres to 592 acres, were re-surveyed into 183 Perpetual Lease blocks of between fifty and sixty acres, in accord with the closer settlement policy of the Ryan Labor Government. The underlying ideology was that the farmers would be self-sufficient, but not necessarily aspiring to make profits from their farms.[89] The Government sent 1 000 copies of a booklet extolling the opportunities and attractions of the Atherton Tablelands to the Agent-General's Office in London[90], and some British returned soldiers responded by applying for and being allocated blocks.[91]

Applicants for the blocks were self-selecting, in that the only qualifying requirement was demonstrated service in any of the allied forces. It is evident from a study of the Farm Files held at the Queensland State Archives that many of those who were allocated a block had little or no experience of farming. Many had come from a city environment where the conditions were not so primitive as those prevailing on the Tablelands farms at that time. Many were unwell, suffering from the effects of shell shock, war wounds, or both. Those wives who accompanied their husbands onto the farms were also unfamiliar with life on

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[85] Letter from the Under Secretary of the Department of Lands to the Shire Clerk, Tinaroo Shire Council, undated, inserted into the Minute Book, p. 86.

[86] *QGG,* Land Resumptions, Vol. II, 1919, pp. 1714, 1313, 1149, 885, 746, 689, 568, 66. See also QSA , TR 1846/1 Box 14 PWLR 267. The Crown reserves the right of resumption of all land in Queensland. Resumption of freehold land is subject to adequate compensation as determined by the Land Court.

[87] *Cairns Post,* 10 and 26 May 1919.

[88] *QPP*, Resumptions for Soldier Settlement, Vol. I, 1919, p. 1106.

[89] Milton, Soldier Settlement, p. 63.

[90] QSA, PRE/A605, 10876G/2, Letters from J. Harding and W.F.Weare to Hon. W.N.Gillies, September and October 1918.

[91] QSA TR1903/1, Farm File Series, Boxes 8, 13 and 17.

the land, the isolation, and the poor living conditions.[92] Very few had any capital other than their deferred Army pay. The hapless soldier settlers were set up to fail. Not only were the farms too small to make a decent living, the farmers had little or no money, apart from the initial grant which had to be repaid; they had limited experience of the land and the prevailing conditions of soil and climate, and they were given very little opportunity to acquire any of these desirable attributes. Predictably, the area of land planted to maize steadily declined from 1919 to 1923 by more than 5 000 acres, and the yield declined by 217 000 bushels. The numbers of settlers also steadily declined, dropping 30% over the first two years of the scheme.[93] Many of their wives succumbed to "neurasthenia", which diagnosis allowed the settlers to walk away from their farms.[94]

The terms of occupation of the soldier settler blocks were onerous. The farmers were advanced up to ₤1200 (₤625 by the Commonwealth, and ₤525 by the State) to pay for any clearing which had to be done, erect a house, outbuildings and fences, and buy necessary stock. The value of the land was based on the resumption price, the value of any improvements, and the survey fee. The price of the farm plus the loan was repayable over forty years at 6% interest. If the settler fell into arrears, the interest rate became 10%. Debts exceeding ₤1250 were not uncommon.[95] Under the terms of the scheme the settlers could not dispose of their farms for the first five years, and then only to another returned soldier for the next five years.[96] The only option for many of the original settlers was to forfeit on the grounds of illness, or to walk off and remain liable for the debt (if they could be located by the Lands Department). Many of the settlers turned to the merchants for credit for living and crop expenses, and thus their crops were under the control of these business people. There is evidence,[97] both anecdotal[98] and written, that some of the

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[92] QSA Farm File Series TR1903/1, Boxes 8, 13 and 17.

[93] *QPP*, Report on the Discharged Soldier Settlement Scheme, Vol. I, 1923, p. 1343.

[94] "Neurasthenia" was used as a kind and non-specific term for any nervous disorders. Dr Jervis Nye was the compassionate doctor who diagnosed most cases among the wives. QSA Farm File Series TR1903/1.

[95] QSA TR1903/1 PR14834 , Farm File Series, Atherton, Boxes 8, 13 and 17.

[96] *Ibid.* See also, Milton, Soldier Settlement, p. 65.

[97] Ian Allen, of Hall's Road, Tolga, is in possession of correspondence which indicates that at least one local merchant and at least four southern merchants entered into a deal whereby only one buyer would buy the entire crop, limiting competition and keeping the price low. The deal was

merchants colluded to keep the price of maize to the farmers down to bedrock prices. By 1921 the price of maize had dropped to 3/6d per bushel, the northern market was absorbing only 33% of the Tableland crop, and freight costs to southern markets were proving to be an economic bar to the progress of the district. The soldier settlers were in financial difficulties as early as two years into the scheme.[99]

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Illustration 3: Soldier Settler Joseph Austin outside his Kairi farmhouse, c. 1920. -
Source: Mrs Noela Debel.

The effects were felt within the Shire and the town. The Council was not able to collect rates from the farmers, and rates went unpaid for years. In 1936, the total arrears of rates was £23 166,[100] and the Council was forced to beg the Government for relief. This was refused.[101] Although the soldier settlers were supported by the local and State branches of

initiated by T.E.Thorpe, Mercantile and Produce Broker of Townsville, and involved Holman of Atherton, O'Brien, Munroe and Company of Brisbane, Messrs Siemon and Sons (locality unspecified), and Burns Philp Ltd. Held in the collection of Ian Allen, Tolga.

98 Interviews with Ian Allen and Guido Poggioli, Tolga, June and July, 2002.

99 *QPP*, Report of the Department of Agriculture and Stock, Vol. I, 1921, p. 1111.

100 *Tableland Examiner and Barron Valley News (TE&BVN),* 5 September 1936.

101 Minutes of the Tinaroo Shire Council, 13 February 1942.

the RSSAILA[102] which argued for better conditions and reductions of rents and rates, the settlers continued to fall into arrears. By 1944, the situation was critical for the Council, which was not able to provide necessary infrastructure such as roads, and farms were sold up without reserve to the highest bidder to recover rates owing.[103]

By 1923, it was obvious to the Government, and everybody else, that the Soldier Settlement Scheme was seriously flawed. There were 155 settlers left on the Tablelands, occupying 11 033 acres, with a total liability of ₤99 249.[104] The Government appointed a Revaluation Board which found that the prices of all farm equipment were abnormally high before 1919 because of shortages of such materials during the War. In the light of this finding the valuations placed upon the blocks were reduced.[105] This action reduced the level of payments and although the Government expected that they would be within the settlers' capacity to pay, they proved not to be. The Government then attempted to increase the size of farms by allocating settlers more land from the abandoned farms. The sting in the tail of this 'solution', was that the new owner had to agree to pay off the debts of the previous owner, and to borrow more money for the extra plant and equipment required to cultivate the larger acreages. Although the price of maize rose to, and stabilised at, ₤8 10s per ton in 1925,[106] it was still not enough to pay for the fixed expenses, growing costs and living expenses.

The Farm Files reveal the growing desperation of the settlers and the hardening attitudes of the government agencies in charge of the scheme. Often, the decision to revalue a block was made on a moralistic assessment of the settler's habits, and not on the capacity of the land to provide a living for the farmer and his family. In a confidential memo to the Land Administration Board, the Land Agent reported that one settler who had applied for more land '...does not work the farm to full capacity by any means. It is also understood that he is not a progressive farmer... and incidentally does not devote his earnings in the

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[102] The Association consistently advocated that farms should have freehold status; that preference in employment should be given to returned soldiers; and that reductions in valuations, rentals and rates were necessary to ensure the success of the scheme.

[103] *TE&BVN,* 13 March 1944.

[104] *QPP*, Report on the Discharged Soldier Settlement Scheme, Vol. 1, 1924, p. 1191.

[105] *Ibid.*

[106] Annual Report of the Atherton Tableland Maize Board, 1974.

most desirable directions...'.[107] The Files also reveal that the settlers were constantly in arrears of rent, and that income from the crops was insufficient to clear their debts at any one time.[108] In 1928, the Minister agreed to allow the settlers to retain £156, being £3 per week for one year, for the sustenance of their families, from the proceeds of their crops before any lien or order held by the Agricultural Bank operated for the payment of dues. In fact, very few settlers were making £156 per year from their crops. For instance, one farmer realised £69, but had to pay £15 for the lease of extra land. Another settler wrote to the Department of Lands in 1925:

> '...I owe the store (Armstrong Ledlie and Stillman) £120 for food and if he does not get his money off my maize crop he is going to stop my credit and if he does that, well the only thing I can do is get off the farm and let a Chinaman have it. They can make it pay but I can't as I have a wife and three children and the price we are getting for our product is rotten and if things don't change there won't be anybody here to pay the rent.
>
> P.S. I had 50 tons of maize last year and then I could not clear myself and when I cannot clear myself on 50 tons off 56 acres, well, it is time to clear out.'[109]

Neither could the farmers afford to pay for mechanical aids which may have increased efficiency by reducing the price of labour. Tractors were available in Cairns from 1923, but at a cost of £225 were the equivalent of the returns from at least a year's crop.[110] Threshers were available from 1900, but did not make their appearance on the Tablelands until the 1920s. The Faichney Brothers imported a mechanical harvester from the United States in 1925,[111] but it was not designed to cope with the tall plants and mass of vegetation which were features of the Atherton maize crop. Another problem for farmers was the difficulty in drying their crops to the desired 14% moisture necessary to store it correctly.[112] The Department of Agriculture and Stock was advocating a modern plant for the drying, treatment and storage of the grain as early as 1921, when it was realised that

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[107] QSA, Farm Files, Box 17.

[108] QSA Farm Files, Boxes 8, 13 and 17.

[109] *Ibid.,* Box 8.

[110] *The Queenslander*, 7 July 1923.

[111] *QAJ,* October 1925, p.361.

[112] Officers of the Department of Agriculture and Stock*, The Queensland Agricultural and Pastoral Handbook,* Vol. I, Government Printer, Brisbane, 1941, p. 94.

in order to obtain premium prices, the grain had to be presented in a state as good as, if not better than, grain grown in the southern districts.[113]

The Soldier Settlement Scheme was a disaster in terms of the broken lives of so many people, the monocultural practices which the small areas of the farms forced upon the farmers to the detriment of the land, and the inevitable losses borne by all levels of government. The transfer of 12 000 acres of prime agricultural land to men with no expertise in farming led to land degradation, the invasion of weeds, and a loss of soil fertility. Socially, the wives and children of the farmers were isolated by poverty, and unless the women, as inexperienced as the men, kept poultry, a cow, and a vegetable garden, they were often hungry.[114] Low yields and poor prices militated against the adoption of technology which may have led to long-term efficiency and lessened the need for intensive hand labour, and decreased the pressure on the farmers' physical capabilities.

Commonwealth, State and Local Governments were ultimately forced to write off thousands of pounds which otherwise could have been expended productively. In 1945 the financial position of the Shire had become so bad that the State Government wrote off ₤20 000 of the loans to the Shire Council.[115] It could be argued that the development of the Tablelands was set back thirty years because of this scheme, as it was not until the 1950s that land ownership began to stabilise, the land was farmed according to good conservation practice, and the Shire Council was able to recover its financial viability.

Other Farmers

During the period of the Soldier Settlement Scheme, the farmers whose land had not been resumed, occupying about 4 000 acres, on farms which ranged from 150 acres to over 300 acres, were faring rather better. The yield from these farms was in excess of the average

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[113] *QPP*, Report of the Department of Agriculture and Stock, Vol. I, 1921, p.1111.

[114] The local branches of the Country Women's Association often came to the rescue of destitute families. The published minutes of the Association record the distribution of parcels of food and clothing. *Cairns Post,* 17 July 1937; *Tableland Examiner,* 12 September 1931.

[115] *Tableland Examiner,* 17 February 1945.

27.5 bushels per acre of the total area under maize.[116] These farmers also had the advantage of farming experience under the conditions prevailing on the Tablelands, and had also been able to observe the methods of the Chinese. Most of them had been farming for some time, and had established families, the members of which could be used as labour if needed.

In 1911 these farmers comprised about 90% British or Australian born stock, but among them numbers of migrants from northern Europe had been taking up land since the turn of the twentieth century. People from Germany, Denmark and northern Italy are shown as owning land in 1911.[117] These migrants were considered to be of the 'right type', and therefore more welcome than the Chinese had been, although several of the descendants of the Italians reported a degree of ostracism from the Anglo-Celtic settlers at that stage. However, officially they were looked upon as sober, hard-working and industrious.[118] Each of these migrant families was thrown very much on its own resources, and as there was no going back to where they had come from, they had to succeed. Not many of them had capital in the beginning, or access to money, and few had any possessions of worth. However, they did have a burning desire to succeed, with success measured as ownership and thrifty stewardship of the land.

The pattern of migration to the Tablelands appeared to be consistent. Often, the father of a family would migrate to Australia first, and when he had made enough money from working in seasonal industries such as cane, would send for his wife and children.[119] The history of the Italians, in particular, shows that tight family discipline, control over expenditure, and the willingness of the women and children to work long hours both in the fields and in producing their own food, added to their ability to survive and thrive where others could not.[120] Many of the farmers worked off-farm on occasions to earn cash for

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[116] The Farm Files indicate that the Soldier Settlers were unable to achieve the average district yield. Therefore it follows that the other farmers must have produced in excess of the average yield.

[117] Department of Lands, Map of County of Nares, Parish of Barron, 1911.

[118] Lyn Henderson, 'The Truth in Stereotype? Italians and Criminality in North Queensland between the Wars', *Journal of Australian Studies,* No. 45, June 1995, p. 32.

[119] Interviews with Ines Pensine (nee Peluchetti), and Andy Favier, May and June 2002.

[120] Gilmore, Faith, Hope and Charity, pp. 86-90.

carry-on finance, and there were many occasions when the women and children were alone on isolated farms to cope as best they could.[121]

IMAGE REMOVED DUE TO COPYRIGHT RESTRICTIONS

Illustration 4: Early corn shelling, c. 1913.
Source: Cairns and Johnstone, *Early Tableland Days*, p. 62.

However, there were factors which made successful production of maize difficult, and profit making almost impossible. The available varieties of maize were not suitable for the climatic conditions, and were subject to various fungal and bacterial conditions which resulted in an inferior product for the market. The task of discovering a suitable variety for the conditions on the Tablelands was undertaken by the Department of Agriculture and Stock from 1920.[122] One of the farmers, William Allen, who had been among the first to realize that maize more suited to the Tablelands conditions had to be developed, conducted much of the plant breeding under the guidance of Mr Pollack from the Department.[123] He bred the maize back to the Teosinte original stock, and then bred a

[121] Interview with Guido Poggioli, July 2002.
[122] *Cairns Post*, 14 January 1920.
[123] *QPP*, Report of the Department of Agriculture and Stock, Vol. II, 1927, p. 399.

Duram variety which produced a very hard grain.[124] Prior to this, the farmers had generally kept their own seed, and two types had developed: Atherton Main Type, and a Dent variant of Fitzroy, both of which were very susceptible to Cob Rot, which reduced the yield.[125] Although this work did result in increased yields, other problems were just as difficult.

Storage of the grain to protect it from infestations of weevils, and treatment for their eradication from the stored grain, was costly, requiring an investment in drying and storage facilities for each farm. Failure to dry the grain to the required 14% of moisture also resulted in mouldy grain which was difficult to sell and added to the poor reputation of the Tablelands crop. The cost of transport made it even less attractive on the Brisbane and Sydney markets.[126] Finally, the farmers were reliant on the merchants to buy their crops, and as previously noted, there were well founded suspicions that they were not acting in the farmers' interests.

Government Intervention

The Department of Agriculture and Stock identified the need for a centralised, modern drying and storage facility, but stated that the financing of such a facility was an insurmountable obstacle for the farmers alone. [127] However, this difficulty, as well as the problems inherent in the marketing of the crop, was overcome by the introduction of legislation which was to lead to the complete reorganisation of agriculture in Queensland.

The Queensland Government introduced five critical pieces of legislation which fundamentally affected the maize industry on the Tablelands. The *Primary Producers' Organisation Act* of 1922 provided for the political organisation of agriculture. Of the first Cairns-Eacham District Council, four members were directly involved in the maize industry.[128] The industry acquired increased political influence when H.H.Collins, the local Member for Eacham, and later the Minister for Agriculture, was appointed to the State

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[124] Interview with Ian Allen, Tolga, May 2002.

[125] Interview with Dr Ian Martin, Kairi Research Station, June 2002.

[126] *QAJ,* February 1923, p. 54.

[127] *QPP*, Annual Report of the Department of Agriculture and Stock, Vol. I, 1921, p. 1111.

Council. The *Cooperative Production A*ct of 1914-19 allowed the farmers to borrow money from the Government for centralised storage. *The Primary Producers' Cooperative Association Act of 1923* made possible the formation of cooperative companies to deal with the marketing of primary produce. The *Primary Products Pool Act* of 1923 enabled the establishment of pools of primary produce which allowed all the farmers to be placed on an equal footing, with one selling agent to handle the marketing of the crop. The *Agricultural Bank Act* of 1923 provided for cooperatives to borrow money for advance payments on crops before the sale of the commodity. Therefore, by 1923, the farmers had the means to form themselves into a Cooperative Company, raise money for suitable grain handling facilities, and to market the crop as a whole, with returns guaranteed to each grower. The legislation also gave the farmers much tighter control over the distribution of maize onto the market, and therefore some control over the prices they received. The maize farmers, after much acrimonious debate, took advantage of the legislation, and formed a pool, administered by the Atherton Tablelands Maize Marketing Board by authority of the *Primary Producers' Organisation and Marketing Act* of 1922-1926.

The inaugural Board negotiated a loan of ₤70 000 from the Government, and built storage facilities at Tolga and Kairi, and a storage and drying plant at Atherton. Each had a working capacity of about 650 tons, barely enough to process the anticipated delivery of about 20 000 tons.[129] The Board began operations in 1924, in time to handle the harvest of that year. A total of 17 099 tons was delivered, and a price of ₤4. 12s per ton paid to the growers. However, the cost of shelling, drying, bagging and selling the crop was ₤2. 13s, or almost 37% of the total price received for the grain.[130] These costs dropped in the following years, and remained fairly stable, rising and falling as a percentage of grower returns, but remaining in the region of 20% to 25% of the total returns. (See Fig. 1). It would appear from an analysis of the handling costs that costs increased as tonnage decreased, as fixed costs are proportionally higher when lesser quantities of grain are handled. This, as well as freight costs and distance from markets put the Tableland product at a disadvantage when compared with that from the drier maize producing areas such as Kingaroy. The farmers there had opted not to enter into centralised handling,

[128] *QPP*, Annual Report of the Department of Agriculture and Stock, Vol. II, 1924, p. 170.
[129] Fiftieth Annual Report of the Atherton Tableland Maize Board, 1974, held by Ian Allen, Tolga.
[130] *Ibid.*

storage and marketing in the first instance, but to rely on on-farm storage in times of excess production.

IMAGE REMOVED DUE TO COPYRIGHT RESTRICTIONS

Illustration 5: Construction of the Tolga silos, 1923.
Source: Cairns and Johnstone, *Early Tableland Days*, p. 66.

Handling Charges 1924-1945

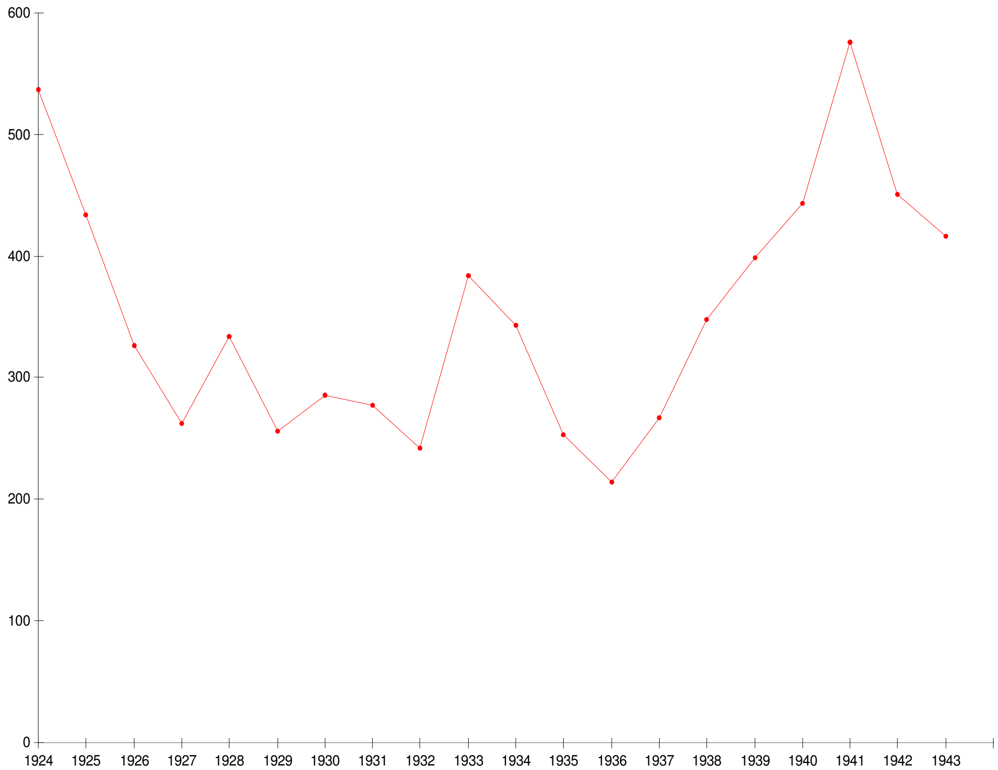

Fig. 1: Handling Charges 1924 to 1945, in cents, not adjusted for inflation.
Source: 'Table of Comparative Costs' in the Fiftieth Annual Report of the Atherton Tableland Maize Board. The Board published the Table in 1973, and conversion from imperial to decimal currency was carried out at that time.

The high costs of handling caused a great deal of conflict between the Board and some growers, who argued that individual farmers could store and market grain more cheaply, as did southern farmers.[131] This claim, however, was contentious, as individual growers would have had to borrow money to install drying and storage facilities. It is doubtful that many, if any, of the farmers would have been considered a good enough risk for any bank for a loan for that purpose when they were having difficulty meeting their obligations for other debts.[132] There were other causes of conflict between the growers and the Board. Some farmers had invested in corn shellers, and therefore wished to deliver their grain off-cob to the drying plant. However, the Board had also installed a sheller, and gave

[131] Letters to the Editor, TE&BVA, 9 April 1932 and 27 February 1935.

[132] QSA Farm File Series 1903/1, Boxes 8, 13 and 17.

preference to the delivery of cob corn. This led to a strike of farmers, one of whom blocked the entrance to the Tolga silo with a truck loaded with shelled grain. His truck was followed by several others, and general chaos ensued with 105 farmers demanding that their loose grain be handled immediately. The police were called to control the crowd, and by 5.30 pm, the Board capitulated and withdrew the preference for cob grain.[133]

IMAGE REMOVED DUE TO COPYRIGHT RESTRICTIONS

Illustration 6: Delivery of cob corn to the Atherton silos, c. 1934.
Source: Tableland Secretarial Service.

In an attempt to protect locally grown maize against imports from abroad, the Commonwealth Government imposed tariffs of 1s. per cental[134] on South African grain,[135] and 3s. per cental on grain imported from other countries.[136] Therefore, farmers were provided with protection from imports, as well as a means of controlling the flow of their product onto the market through the centralised handling, storage and marketing systems. The pooling system was designed as a protective measure against collusion by private merchants. With such measures in place, the industry was set to expand, and in 1924

[133] QSA, A/64261, Number 485, Report of Inspector Mann, Cairns, to Commissioner of Police, 3 September 1928.

[134] A cental traditionally referred to 100 pounds of grain. Modern usage is for a cental to refer to 100 kilograms.

[135] Imports from South Africa were subject to British Empire preference.

[136] *QAJ,* April 1923, p. 331.

Queensland produced a substantial surplus, 30 000 tons of which were shipped to England.[137] The Tablelands' share of this was 5477 tons for a price of £38 282. However, on the Tablelands, the expectation of substantial expansion was not realised, and the acreage put to maize production stayed within the range of 18 000 acres to 20 000 acres, producing tonnages which varied from a high of 26 558 in 1937-38 to a low of 4433 tons in 1944-45. (See Fig. 2). The reasons for the fluctuations in production appear to be related to the weather in the first instance. (See Fig. 3). Other factors such as the lack of labour during the War years also played a part.

Maize Production 1916-1945

Fig. 2: Production of maize (tons), 1916-1945.
Source: Table of Comparative Costs, Annual Report of the Atherton Tablelands Maize Board, 1974.

[137] *QAJ,* April 1923, December 1924, p. 478.

The Depression Years

During the years of the 1930s Depression, the Atherton Tablelands farmers, who were already battling against the odds of poverty, distance, and disproportionate production costs compared with those incurred in southern Queensland, suffered badly. The Depression had reduced the money available for the purchase of commodities in the general community, which meant that dairy farmers and pig producers could not afford to buy maize for animal feed. As the use of motor transport increased, the use of horses declined, particularly in the cane growing areas, with a subsequent loss of demand for maize.

During the period 1928-1931 the Maize Board made a loss of ₤24 794.[138]The farmers, dissatisfied with its performance, forced the resignation of the Board, and elected another.[139] By 1931 the situation had become critical. The Maize Board was holding surplus stock from the previous season and the price had fallen to ₤6. 5s per ton with little likelihood of a further advance to the growers. The situation was said to be so bad that many of the farmers did not '...know where their next feed was coming from.'[140] Many were living on credit extended by shop keepers. The only way the debts could be serviced was by payment in kind.[141]

The new Board reduced the price of maize to ₤4. 10 at the silos to dairymen able to pay cash.[142] This price was below the cost of production, and the growers lobbied the Government to acquire the whole of the Queensland crop, and to put in place a State-wide pool immediately.[143] This was not agreed to, but the Government did establish a non-marketing board for the State, under which the whole of the State crop would be declared

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[138] *TE&BVA,* 7 September 1932.

[139] *Cummins and Campbell Monthly Magazine (Cummins and Campbell),* July 1930, p. 83.

[140] *Tableland Examiner*, 7 October 1931.

[141] An analysis of the ledgers of A.S. Neil and Co., 1932-1945, reveal that there were as many bad debts as there was profit. Payments in kind included eggs, fruit, vegetables and hay. Gilmore Family Papers.

[142] *Cummins and Campbell,* 7 November 1931.

[143] *Ibid.,* 7 October 1931.

a ‘commodity under the Act’, and therefore subject to compulsory acquisition. This move fore-shadowed the imposition of a State-wide pool, as one of the functions of the non-marketing board was to convince a majority of the growers throughout the State to vote for the pool as required under the Act.[144] This would allow the State Board to borrow money to pay growers for the crop before it was sold, and therefore alleviate some of their immediate problems. It would also have powers to control the movement of grain onto the market, and to search for alternate markets.

The Maize Board also began lobbying the Government for a further loan of ₤16 000 to extend the storage facilities at Atherton.[145] The Board considered this necessary because the lack of storage meant that excess stocks had to be sold for whatever price could be obtained, instead of being able to hold it until shortages caused demand, and therefore prices, to increase. The request for the loan was refused by the Government, resulting in a loss to the pool of ₤24 000 over three years.[146] The Manager, Mr Winzar, in a report to growers, said that the losses incurred could have built the extra facilities ‘...three or four times over.’[147] In response to pressure from the Board prior to the elections of that year, the Minister for Agriculture stated that the loan was contingent on the extension of the pooling arrangements for a further term of ten years, and if the growers did not vote for an extension, then the loan would not be forthcoming.[148] The reason for the lack of enthusiasm to continue the pool was the high handling charges of approximately 30s. per ton. As one farmer pointed out, the price of maize to the consumer had to be kept artificially high to ensure the recovery of the charges, but without the extra storage facilities, the price on the open market was depressed. Therefore, the farmers had to carry the costs of handling, which further reduced returns.[149] In response, the Chairman of the Board, Mr Crouch, reminded the farmers that before the inception of the Board, the average crop was 12 000 tons, whereas in 1932 it was now 17 000 tons. He said that without the Board they would have to individually dry, store and market their crops, and

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[144] *Tableland Examiner,* 28 October 1931.

[145] *Ibid.,* 19 December 1931.

[146] *Ibid.*, 24 February 1932.

[147] *Ibid.,* 9 March 1932.

[148] *Ibid.,* 4 March 1932.

[149] *Tableland Examiner,* 9 April 1932.

would not have the advantage of collective bargaining.[150] In spite of the debt of the Board for the existing silos standing at ₤63 000,[151] and the returns to the growers dropping by approximately 33% in 1931-32,[152] the farmers did eventually vote to extend the operations of the Board and the pooling system. The Government agreed to lend ₤15 000 to the Board to extend the silo storage capacity.[153]

Realising that no-one would prosper from maize, the farmers attempted to find alternate crops. At various times, many crops were proposed, including flax for linseed, tea, coffee, ginger, chicory, tung oil and peanuts. Of all the crops proposed, only peanuts became a viable alternative.[154] The farmers realised that new crops would require research into their cultivation and marketing, but the closure of the State Farm at Kairi ended any likelihood of this. The closure was hotly disputed by the farming community which pointed out to the Government the desirability of having such a facility in a tropical environment.[155] The farm was leased out, and its dairy herd and equipment sold off.[156]

Another proposed solution to the problems faced by the farmers was the conversion of the high starch content in maize into ethanol.[157] A branch of the Power Alcohol League was formed in 1938, but nothing came of their efforts to establish an ethanol plant on the Tablelands.[158] There was a further set-back for the industry in 1932 when Mr Justice Webb found that the Queensland system of compulsory acquisition and pooling was contrary to the provisions of the Commonwealth Constitution under Section 92 guaranteeing free trade between the States.[159] This finding had the potential to dismantle

[150] *Tableland Examiner,* 13 June 1932.

[151] *Ibid.*

[152] *Ibid.,* 10 December 1932

[153] *Ibid.*

[154] Gilmore, Faith, Hope and Charity, p. 58.

[155] *Tableland Examiner,* 8 June 1935.

[156] *Ibid.,* 26 June 1935.

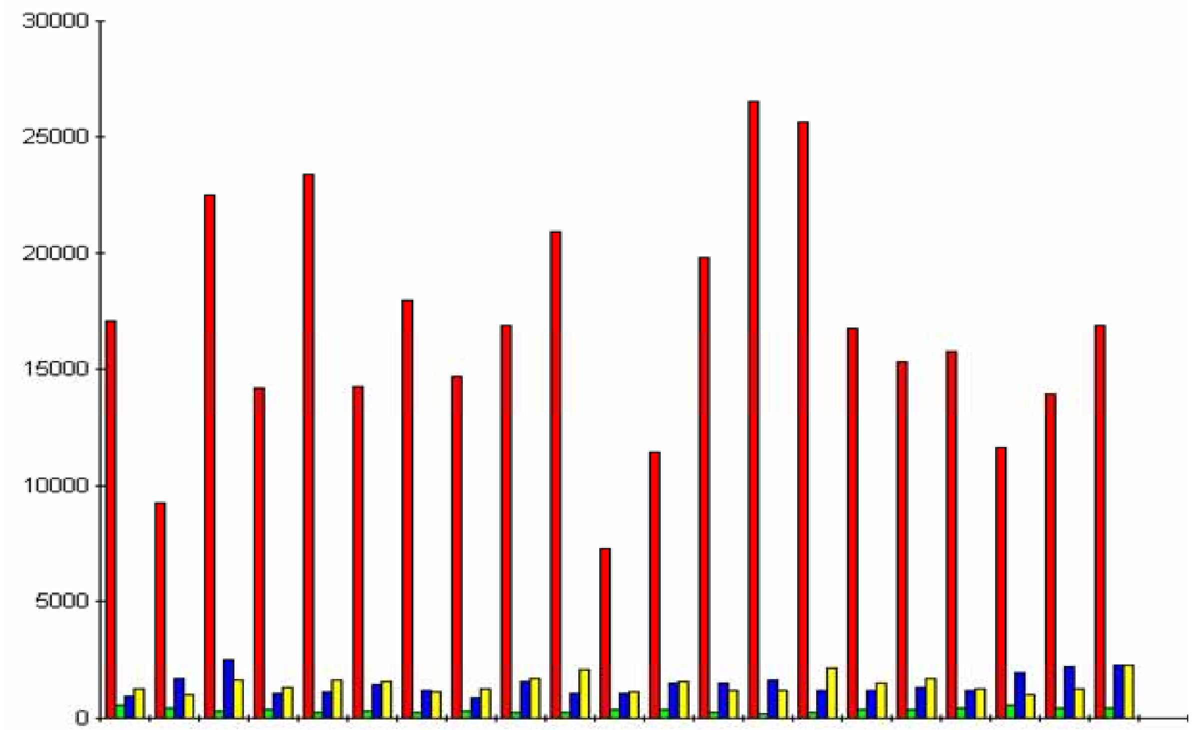
[157] *TE&BVA*, 26 September 1935.

[158] *Ibid.*, 11 March 1938.

[159] The first challenge to the Queensland system occurred when the Rockhampton Harbour Board challenged the right of the Peanut Board to compulsorily acquire the crop for the purposes of marketing interstate. Justice Webb of the High Court found the enabling legislation invalid because it deprived the growers of liberty to market their produce interstate, outside of the auspices of the Board if they so wished. *Commonwealth Law Reports,* Volume 48, p. 266

the Maize Marketing Board, and to leave the farmers without a certain sale and vulnerable to the predatory tactics of the merchants.

Production, Handling Charges, Prices and Rainfall 1924-1946



Handling charges (in cents) 1924-1945
Prices to growers (in cents) 1924-1945
Tonnage of maize produced 1924-1945
Rainfall (in millilitres) 1924 to 1945

Fig 3: Maize tonnage, price, handling charges, rainfall.
Tonnage of maize compared with rainfall (mls), prices to growers, and handling charges.
Source: Table of Comparative Costs in Fiftieth Annual Report of the Atherton Tableland Maize Board c. 1974; and Bureau of Meteorology data on Atherton rainfall, 1924 to 1945.

The Board responded to the possible threat by searching for means to preserve the attractions of single desk selling by extending the capacity to value add to the grain. The directors proposed to establish a maize by-products factory to manufacture glucose and starch from grain, and possibly paper from corn stalks. Since the British Government had allowed a preference of £3 14s 8d per ton on Dominion produced glucose worth £17 per ton, it was considered particularly attractive.[160] However, such a factory would cost ₤100 000,[161] and although the farmers were under no illusions about the fate of the industry without such value-adding processes, the factory never went ahead. The Board opted instead for a limited range of processed stock feeds under the brand name of "Athmaize" to be manufactured by a subsidiary known as the Athmaize Producers' Cooperative Association Limited.[162]

In spite of this initiative, and predictions that values would be kept high because of stabilised marketing, the value of farms continued to decline until World War Two. The plight of many of the farmers was graphically described by Harold Collins (M.L.A. Cook), in Parliament: '...[on the]... Atherton Tablelands... we see instances in which improvements which were once the pride and joy of the Farmer's heart have gradually slipped into a state of disrepair and ruin, and this is only because he has not received from his investment a return great enough to enable him to pay decent wages and keep the standard of his farm up...'.[163]

One of the results of the decline in farm values was that the hard working and frugal immigrant farmers were able to acquire more land, albeit run down, as the debt- ridden soldier settlers[164] and other farmers left the industry. By 1941, twelve families which had originated in northern Italy owned over 2000 acres of maize growing land.[165] Although a large number of them had been in the area for many years, their acquisition of land caused a great deal of resentment against Italians who were now referred to as 'aliens'.[166] Another cause of resentment during World War Two was the shortage of labour which was partly filled by Italian and Albanian seasonal workers who '...had the temerity to demand remuneration for their services far in excess of that which would normally apply, and have

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[160] *Tableland Examiner*, 13 January 1934.

[161] *Ibid.,* 19 September 1934.

[162] "Company History", Athmaize Producers' Cooperative Association Limited, Atherton, undated.

[163] *QPD*, H.H. Collins, Debate on Supply, Volume CLXXVIII, 13 November 1941, p. 1236.

[164] QSA Farm File Series, Box 8. The gradual take-over of Soldier Settler blocks by the Italian farmers caused a certain amount of anguish for the bureaucrats who resisted the transfers of land to them until they had established that no one else could be persuaded to take them.

[165] Department of Lands, Map of the Parish of Barron, County of Nares, 1941.

[166] *Tableland Examiner,* 20 May 1941; 9 September 1941.

commercialised the sacrifice many young men in the community have made because they have left behind a shortage on the labour market...'.[167] The local branch of the RSSAILA advocated the immediate rounding up, imprisonment, and forced labour of unnaturalised aliens in the district.[168] The internments took place, and in the period 1941-1943, a total of 362 'enemy aliens', both naturalised and unnaturalised, were removed from the district for the duration of the War.[169] Although many of these were taken from the Mareeba/Dimbulah areas, most would have been seasonal workers moving from the maize harvest to cane cutting, and thence to tobacco picking. The effect was immediate, and production dropped during the period 1940-1945, due to the difficulty of obtaining sufficient labour.

Despite the labour shortage, the War provided a boost to the agricultural economy of the Tablelands. Not only did the price of maize rise markedly from 1942 to 1945, due to its shortage,[170] but the presence of up to 60 000 troops significantly increased the demand for vegetables, milk, meat and poultry products. The pork industry expanded to meet the demand, and so therefore did the demand for feed for animals. The former State Farm at Kairi was reopened, and members of the Women's Land Army[171] were sent there to grow vegetables for the troops.[172] Perhaps the greatest benefit from the war situation was an intangible one. The presence of large numbers of people from the rest of Australia and, in particular, the USA,[173] together with the large-scale mechanisation of the Forces, produced an awareness of the possibilities of mechanisation and alternative production methods. After peace was declared, many of the farmers were able to buy surplus Army equipment and adapt them for their farming enterprises. Mechanical harvesting became generally accepted, although this was not without its hazards in the beginning. Some farmers lost limbs whilst attempting to clear masses of vegetation from the augers which tended to clog

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[167] *Tableland Examiner* , 9 September 1941.

[168] *Ibid,* 20 May 1941.

[169] QSA, A/12015 1942-1945, Aliens.

[170] Table of Comparative Costs, Annual Report of the Atherton Tableland Maize Board, 1973.

[171] *Tableland Examiner,* 17 May 1944.

[172] Skerman *et al, Guiding Queensland Agriculture*, p. 204.

[173] American farmers were experimenting with hybrid maize varieties in the 1930s. This knowledge was brought back to Queensland by Dr E.T. Edwards, who spent two years in USA studying the industry.

Tableland Examiner, 9 February 1940.

easily. Once the machinery was adapted to the conditions prevailing on the Tablelands, and as farmers became used to working with the equipment, safety standards increased.[174]

Therefore, by 1945, the maize industry itself was in a state of flux. Generational change and the impact of the War had introduced new ways of thinking, and mechanical aids to farming contributed to more efficient production methods. However, monocultural cropping had led to loss of the soil fertility which originally had been caused by nutrient recycling in the long-gone rain forest. It had also caused wide-spread erosion and thousands of tons of top-soil had been washing into the Barron River for decades.[175] Yields were dropping, and the soil was showing evidence of stress, in that ever--widening patches of soil were unproductive.[176] The prices received for grain were barely above the cost of production, and poverty and despair were the constant companions of the farmers and their families. Realising that action with regard to erosion had to be taken, farmers agreed to a compulsory levy of 1s. per ton on all maize produced in order to set up research projects on erosion and soil fertility, pest management, and weed control.[177] As a consequence, the State Farm at Kairi was redesignated as a Regional Research Station and reopened in 1946.[178] This action by the Government proved of enormous benefit to the maize farmers and the agricultural lands of the Atherton Tableland.

Government Regulation: Success or Failure?

It is not hard to reach the conclusion that, until the 1960s, the maize industry on the Atherton Tablelands was both a major victim and a minor beneficiary of government intervention. The principles which Theodore laid down in his speech to the farmers of Laidley in 1922 provide a yard stick by which to measure the success or otherwise of his grand vision for agriculture. His foundation principles were: cooperation; pools; advisory boards; agricultural education; main roads; extension of amenities to rural life; opening the land for settlement; and the promotion of export trade for primary products.

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[174] Interview with Ian Allen, June, 2002.

[175] Ian Crosthwaite, 'Maize Growing on the Atherton Tableland', *QAJ.* January-February 1983.

[176] This had been evident since 1928. *QAJ,* 1 August 1929, p. 163.

[177] *Tableland Examiner,* 24 March 1945.

So far as the early history of the Atherton Tablelands maize industry was concerned Theodore's scheme reached its goals, but did not provide prosperity for the farmers. Cooperation was engendered through the system of collective marketing, and systems put in place to ensure the orderly centralized handling and marketing of the crop. The pool system was effective as there were penalties for those who did not comply with the provisions of compulsory acquisition under the Act, but the spirit of independence in some farmers was not completely eliminated. Some tried to sell their grain on the private market and were prosecuted for it. However, the main difficulty with the Pool was the provision in the Australian Constitution allowing free trade between States. One State could not completely control all of the product coming onto the market, and so the Queensland farmers were still subject to competition from grain from southern States flooding the market in times of over-production.

The third plank in the programme, the Advisory Boards, had to be changed in significant aspects during the years 1923 to 1929 to make their operations more efficient. In 1926 the legislation was amended to become The Primary Producers' Organisation and Marketing Act. This organised the farmers into commodity groupings rather than geographic districts, and increased the ability of the farmers and the Government to coordinate a State wide policy for specific industries. It also gave the farmers highly effective opportunities to feed into the decision making process at government level. In the case of the Atherton maize farmers, it added to channels such as the RSSAILA, the Shire Council, and the Chamber of Commerce which they used to lobby the Government for relief.

Although the various governments placed agricultural education very high on their lists of priorities, the measures they took were of most benefit to southern areas. The opportunity to utilise the Kairi State Farm as an effective facility to educate the inexperienced farmers of the Atherton Tablelands was missed completely, to the detriment of the farmers, their sons, and the industry generally.

In the area of Main Roads, the Tablelands were not a priority. Many main roads, a State responsibility, remained in a poor state until the war years when attention to them became

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[178] Skerman *et al, Guiding Queensland Agriculture*, p. 204.

a strategic necessity.[179] Minor roads also suffered because the Shire Council, whose responsibility they were, could not afford to maintain them properly. However, the Government did put in place a system of railways which gave the Tablelands access to markets by both ship (through Cairns and Townsville), and rail to southern ports. In fact, rail transport was a contributing factor in the limited success of centralised marketing, as produce could be transported relatively quickly to the major population centres of the State and further.[180]

As for the social amenities of rural life, schools and hospitals were set up, but the poverty of the farmers did not allow them access to much more than the social networks they developed for themselves. The farming families appear to have been excluded from the social life of the town and their contacts there seem to have been limited to business. Until after World War Two, their living conditions were primitive, and their farming methods remained labour intensive. Child labour was used on many farms, and farm women performed hard and heavy physical labour. The policy of providing social amenities cannot be said to have been a great success.

Although opening the land for settlement was a major plank in Theodore's policy, the Labor Party persisted with the notion that a decent living could be won from farming a small piece of land.[181] This flawed policy simply led to poverty, monoculture, land degradation, and the proliferation of plant diseases. The ideology of the yeoman farmer,[182]

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[179] P.D.Wilson, *North Queensland: WWII 1942-1945*, Department of Geographic Information, Queensland, Australia, 1988, pp 23-4.

[180] The role of rail was pivotal to the development of the Tablelands. It allowed the fast and efficient means of export of commodities, and the easy transport of goods, peoplke and animals into the area. It follows that Cairns port facilities were also important to the farmers' ability to market their produce outside the local area.

[181] The policy of closer settlement was not confined to the ALP. In 1932 Arthur Fadden, who was later to become the Country Party Treasurer of Australia, was an advocate of closer settlement by British farmers. He wrote a paper suggesting that 5000 British and 5000 Australian farmers could be settled on forty acre blocks to produce tobacco in the Mareeba area. Arthur W. Fadden*, A Land Settlement Scheme*, A.W. Fadden, Townsville, 1932. Gilmore Family Papers.

[182] The concept of the yeoman farmer was not exclusive to the Labor Party. However, it was implicit in the implementation of Theodore's plan for agriculture.

sturdy, independent and self-sufficient with a clutch of rosy-cheeked children and a plump and happy wife did not eventuate on the Tablelands. The farmers had to endure years of poor prices, low yields, heavy debt levels, and debilitating physical work. Their children were denied a proper education because their labour was needed, and the parents could not afford secondary schooling for them. The wives were worn down with work and worry, and the everlasting grind of trying to provide enough food and clothing for the family.

Representation for the industry abroad was established, in the form of the Agent General's office in London. Although exports of maize were organised, the loss of British preference for Dominion produce meant that overseas prices remained low. Export was used only as a measure to deplete excess stocks of grain, and a regular market was not established.

Therefore, in terms of the principles established by Theodore, the Government policy of intervention in agriculture cannot be considered an outstanding success on the Atherton Tablelands. The system of organised marketing and pooling of the crop certainly gave the farmers some surety of income, but instead of eliminating the 'middle-man', it imposed another layer of bureaucracy, for which the farmers had to pay. However, surety of payment also led to over-supply onto a limited market and therefore low prices. The only action which could have been taken to alleviate this was voluntary reduction in production which the farmers refused to do. Theodore's essentially socialist organisation of agriculture in the development phase of the maize industry of the Atherton Tablelands resulted in poverty, misery, ignorance and land degradation.

Conclusion

The initial imperative to populate the north of Australia did succeed in establishing farms populated by 'white' settlers, and serviced by necessary infrastructure. However, the history of the first sixty-five years of the maize industry is a study in how not to set up an industry, particularly if the underlying ideology is based on an untried assumption, rather than sound economic principles. Government intervention caused misery to many of the people involved. It established a highly regulated industry which produced high levels of debt for the cooperative entity and local government, and an expectation of agrarian welfarism among the population. Whether or not the cost was too great may be judged only by those who paid it, and most of them now reside in the cemetery.

Chapter Four: The Dairy Industry 1885-1959

Case Study Two

Introduction

The dairy industry of the Atherton Tablelands is part of, and yet peripheral to, the Australian dairy industry. Its geographic location ensured that it had access to a small, but growing market for its produce. However, its early history was congruent with that of the industry in the rest of the country in that technology was not available to process fresh milk to transport over long distances. Therefore, apart from the purely localised sales of fresh milk, most of the production from the Tablelands was used for butter and some cheese until World War Two. Inevitably, production soon outstripped local demand, and the local industry was subjected to the same pressures of the export market as was the rest of the industry nationally.

The industry quickly divided its production into two segments, the production and export of butter and cheese, and the production of fresh milk for the domestic market. Since export commodities came under the control of the Commonwealth Government, that segment was subjected to regulation through national bodies, and also subject to the idiosyncrasies of international markets. On the other hand, fresh, or market, milk was regulated by State Governments which tried to balance the needs of the consumers for cheap food products against the needs of the farmers to make sufficient money from their enterprises to keep them producing. Consequently, the producers of market milk had an advantage over those farmers who supplied milk for manufacturing because of the price differential between the two.

A further complication was the uneven balance between market milk and processing milk within States and across the nation. The comparative advantage of climate and pastures enjoyed by Victorian farmers quickly led to that State becoming the major producer of butter and cheese, while only about 8% of milk was used for the market milk trade. Farmers in Northern New South Wales, close to the large population centre of Sydney became the principal suppliers of market milk. This disparity led to complicated, convoluted schemes to balance the prices paid to farmers, principally to keep the Victorian farmers from flooding the New South Wales market with cheap milk, as they were entitled to do under Section 92 of the Australian Constitution, as soon as the technology to ensure the freshness of the product became available.[1] Although the situation did not have a great impact on the Tablelands industry in the early history of its development and establishment, the possibility of similar difficulties for the farmers was always just under the surface. However, the settlers on the Atherton Tablelands had far more pressing problems to face than the possibility of competition from far away Victorian farmers in the first few decades of the dairy industry's history.

For one hundred years, the dairy industry of the Atherton Tablelands provided the economy of the area with a stable base. In the 1890s the contribution of fresh milk and butter to the mining communities was a welcome addition to an otherwise limited diet. Later, the opening up of thousands of hectares of 'scrub' land for the specific purpose of dairying led to the settlement of hundreds of professional farmers and their families. Service industries developed in the townships, and population growth was steady. Schools, hospitals, roads and other facilities followed, and gradually the environment was changed from one of dense rainforest to the rolling hills covered with improved pastures of today.

The journey from settlement to established industry was difficult, and there were many casualties along the way. In the development phase family labour was very important, and in many instances, the dairying was left to the women and children whilst the men went about the business of clearing the land and establishing pastures. The land proved to be less fertile than expected. Native pasture did not suit dairy cattle, and the high rainfall meant that erosion on cleared land was a problem. However, the main difficulty facing the settlers was distance from markets and the transport of the products. This would dog the Tablelands industry during its entire history, and although the farmers quickly adopted the most modern transport and processing infrastructure available, distance was the critical factor in the development of the industry. It was this factor which governments chose to ignore in the initial enthusiasm for settling white families in a northern outpost.

[1] Jan Todd, *More than Milk,* Hale & Iremonger Pty Ltd., Sydney, 2001, p. 15.

The available literature pertinent to the national dairy industry is vast, but that relating to the Tablelands' industry is confined to Anne Statham's *Cows in the Vine Scrub,*[2] Deborah Gordon's thesis, Hell or Paradise? A Social History of the Atherton Tablelands Dairy Industry,[3] Nancy Lanskey's unpublished manuscript,[4] and Ian Stewart's unpublished 'Dairying on the Atherton Tableland'.[5] Of these, Statham's work is the most comprehensive, and is the definitive history of dairying on the Tablelands. Although all of these secondary sources touch briefly on the consequences of government intervention in the dairy industry of the Atherton Tablelands, none of them addresses the issues in any great detail. *Dairy Farming in Australia,* Queensland Edition,[6] also provided an extensive overview of the development of the industry on a State basis, whilst Hale with Ashton[7] provided an overview of Federal policies relevant to the dairy industry. Todd's histories of the cooperative movement in New South Wales, and the response by Dairy Farmers' Cooperative to deregulation were most useful in providing an overview of the national industry.[8]

The early history of the Tableland dairy industry and its treatment by government provides an interesting comparison with the histories of both the maize and tobacco industries. As were the others, it was a product of the developmental phase of Queensland history, and emerged as a response to a local need. However, it soon became enmeshed in the trade policies of the Australian and British governments. This shaped and defined it, and ultimately would determine its viability. The study of such an industry is important to

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[2] Anne Statham, *Cows in the Vine Scrub*, Malanda Dairy Foods Limited, Malanda, 1998.

[3] Deborah Gordon, Hell or Paradise? A Social History of the Atherton Tablelands Dairy Industry with Special Reference to Women, Bachelor of Arts (Hons.) thesis, James Cook University of North Queensland, 1990.

[4] Nancy Lanskey, 'An Historical Geography of the Dairying Industry on the Atherton Tablelands', unpublished manuscript held by the Eacham Historical Society, 1994.

[5] Ian Stewart, 'Dairying on the Atherton Tablelands', unpublished manuscript held by the Eacham Historical Society, 1983.

[6] L.G.Ashton (Editor), *Dairy Farming in Australia*, Queensland Edition, compiled and circulated by the Commonwealth Department of Commerce and Agriculture, Halstead Press Pty Ltd, Sydney, 1951.

[7] Hale with Ashton*, A History of Commonwealth Departments of Agriculture,* 2002.

[8] Todd, *More than Milk*; and Jan Todd, *Milk for the Metropolis*, Hale & Iremonger, Sydney, 1994.

determine the common factors in the establishment, development, and later decline of any agricultural industryaffected by its status as an export staple.

Historical Context

Queensland's dairy industry was established early, but the colony was not self-sufficient in dairy produce for many years. In 1871 Queensland imported 15 015 lbs of cheese from Britain, and 400 231 lbs of butter from interstate.[9] The Government moved to protect the infant industry in 1870 by imposing a 2d per lb duty on cheese, and on butter in 1874.[10] By 1891 there were an estimated 120 000 milking cows in Queensland,[11] and by 1893 the State was self-sufficient in butter, and looking for a share of the British market.[12] However, the State was not self-sufficient in cheese, and 17 348 pounds were imported from the United Kingdom, New Zealand, Belgium, and other states of Australia in 1893.[13] The Government encouraged the establishment of dairy factories through the provisions of *The Meat and Dairy Produce Encouragement Act* of 1893. The Act taxed producers and the resulting funds were loaned to build and equip factories. This policy was not a success as funds were insufficient, and most factories remained in private ownership.[14] Later, *The Agricultural Bank Act* of 1901 was specifically enacted to assist would-be farmers to establish farms with buildings and sufficient stock, and to provide the latest in equipment.[15]

The land policies of the 1880s had made small blocks of land available to farmers. Wheat production had initially proved to be difficult, so the government instead encouraged dairying with its expanding market and assured returns.[16] Dairying spread in response, but

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[9] *Journals of the Queensland Legislative Council*, 1872, p. 490.

[10] J.C.R. Camm, 'Dairying on the Darling Downs 1890-1914: A Study of Agricultural Success', *Queensland Heritage*, Vol. 2, No. 10, 1969-74, pp. 15.

[11] Ashton, *Dairy Farming*, p. 2. Camm disputes these figures, but in the absence of more definitive data they are accepted for the purpose of this study.

[12] J.C.R. Camm, "The Development of the Geographic Pattern of Dairying in Queensland', *The Australian Geographer,* Vol. XI, No. 5, 1971, p. 475.

[13] *Statistics of Queensland,* 1893.

[14] Skerman *et al, Guiding Queensland Agriculture*, p. 76.

[15] QSA , AGS/N25, *Agricultural Bank Act,* 1901.

[16]Camm, 'Geographic Pattern of Dairying', p. 473.

it has to be said that the earliest farms were run on less than scientific lines. Having cleared the land and stocked it with cattle, generally nondescript, the farmers relied on the native pastures which did not provide a consistent year-round source of feed to sustain milk production. Many farmers milked once per day, and the facilities for milking were ramshackle.[17] However, dairying did offer many farmers a supplementary income, and was suitable for the exploitation of family labour,[18] essential to small farming after the exclusion of cheap black labour from Queensland. Despite the haphazard methods in use, Queensland dairies produced almost 6 000 000 lbs of butter in 1896. The advent of technology such as the Babcock Test for measuring butterfat content in milk, and hand separators to extract cream from the milk, improved the quality of butter produced, and made the transport and delivery systems more efficient.[19] The introduction of the use of tuberculin to eliminate tuberculosis in dairy cattle, although meeting with some resistance from farmers, assured consumers of the quality and safety of milk and its products.[20] Similarly, the introduction of pasteurisation added to the value of butter destined for export.[21] Farmers were also being encouraged to experiment with cheese varieties more exotic than the standard cheddar.[22] The introduction of the Travelling Dairies and the appointment of a Dairy Expert in 1888 demonstrated best practice in herd and milk production to farmers.[23]

Legislation designed to raise the quality of dairy produce included the *Dairy Produce Act* of 1903 which put in place standards of cleanliness for dairies and grading for cream delivered to creameries and factories.[24] This was amended in 1905 to set out specifications which would ensure hygienic handling and processing of milk and cream in butter factories. Regulations to improve quality further were introduced in 1907. These

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[17] Bolton, *A Thousand Miles Away*, p. 215.

[18] Camm, ‘The Development of Dairying’, p. 476.

[19] *QAJ,* 1 July 1898, p. 39;

Ashton, *Hiistory of the Dairy Industry*, p. 7.

[20] *QAJ,* 1 April 1901, p. 199.

[21] Ashton, *History of Dairy Industry*, p. 9.

[22] *QAJ*, 1 March 1901, p. 176-77.

[23] Ashton, *History of the Dairy Industry*, p. 10.

[24] *QPD*, Legislative Council, A. Thynne, Debate on the *Dairy Produce Bill*, Vol. XCIII , 1 December 1904, pp. 1054-58.

stopped the practice of 'pooling' in which a carter combined the cream produced on different farms, and thus prevented the testing of cream from individual farms. The same regulations also prevented the whey from the factories being delivered back to the farms in the same cans in which cream had been delivered. Cleanliness at all stages of the operation was required.[25] However, the provisions of the *Commerce Act* (Commonwealth), which provided for the grading of export butter, were more difficult to enforce. Queensland factories preferred to comply with the Queensland standards which were different from those of the Commonwealth. This situation was quickly reversed, and Queensland standards brought into line with those of the Commonwealth when Queensland butter was penalised with prices lower than those awarded to New Zealand butter on the British market.[26]

Therefore, at the end of the first decade of the nineteenth century, Queensland had in place land legislation which would allow the settlement of farmers on relatively small blocks of land, legislation designed to control the quality of dairy products, a system for the education and encouragement of farmers, and growing markets for dairy products. There was also the stated need to populate the north. All the elements required for expansion of the industry were in place.

The Development of the Atherton Tablelands Dairy Industry

The Atherton Tablelands' temperate climate was considered particularly suitable for settlement by white people[27] and its fertile soils and reliable rainfall made it ideal for the establishment of a dairy industry. Farm women had been making butter and cheese and selling it to their neighbours and further afield[28] almost from the opening of land for farming

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[25] *QAJ,* February 1907, p. 74.

[26] *Ibid.*, April 1908, pp. 156-8.

[27]Camm, 'Dairying on the Darling Downs', p. 300.

B.J. Dalton (Ed.), P.P. Courtenay, 'The White Man and the Australian Tropics', *Lectures on North Queensland History,* Second Series, History Department, James Cook University of North Queensland, 1975. Courtenay provides an interesting commentary on the 'scientific' basis for the wide-spread belief that the white race was unable to work in the tropics.

[28] Statham, *Cows in the Vine Scrub*, p. 16.

on the Evelyn Tableland in 1882.[29] By 1889, there were a number of farmers who designated themselves as 'dairymen', and there was an established milk run selling milk for 6d. per quart in Herberton.[30] At that stage, selectors were mixed farming, with fruit, vegetables, maize, beef, and hay production central to their operations. At the Herberton Mining, Pastoral and Agricultural Association's exhibition in 1889, prizes were awarded for farm produce and butter and cheese.[31] The breeds of cattle used for dairying were possibly not the optimum as the silver medal for the best dairy bull was awarded to a Hereford.[32] At the same exhibition a hand separator to extract cream from milk was demonstrated. However, dairying was not widely regarded as a stand alone farming activity for some years. Mary Hull and the Mazlin family on the Evelyn Tableland were some of the first to devote their farms entirely to dairying in the 1890s.[33] Both made early attempts to improve their herds. William Mazlin shipped dairy cattle from the south coast of New South Wales to Cairns, and then walked them over the range to his farm at Evelyn. Mary Hull's herd consisted of Jerseys and Ayrshires.[34] By 1889, at least three farmers were producing milk and butter commercially, and delivering their products to Herberton townspeople.[35]

As well as the problems inherent in clearing large areas of dense rainforest, the settlers were also faced with the problems created by the dispossession of the original owners of the land, the Aboriginal people. There are numerous reports[36] of Aborigines raiding camps and farms for food and many settlers claimed that fear of attacks from Aborigines prevented them from fulfilling the conditions of residence on their selections.[37] However,

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[29] *QGG,* 19 August, 23 September 1882. 123 350 acres were released for agricultural selection.

[30] *Wild River Times*, 1 March 1889.

[31] *Herberton Advertiser,* 26 April 1889.

[32] *Wild River Times*, 3 May 1889. Herefords are a British beef breed, unsuited to the tropics, subject to ticks, and poor milk producers.

[33] Statham, *Cows in the Vine Scrub*, pp. 16-7.

[34] Les Pearson, E*arly History of Evelyn District along Heritage Geraldton Road*, L.M. Pearson, Brindsmead, 2004, p. 45.

[35] *Wild River Times,* 1 March 1889.

[36] *The Wild River Times* consistently reported on the problems caused to whites by Aboriginal people who had been forced out of their traditional lands by settlement.

[37] *Wild River Times*, 13 July 1888.

the settlers did recognise that dispossession was the root cause of the problems for both whites and Aborigines, and as early as 1889 some were proposing that the government should provide land and training in farming and domestic duties to provide the Aboriginal people with an alternative means of sustenance.[38] This idea metamorphosed into harassment by the Native Police, and handouts of tea, sugar, tobacco and a bit of beef by the Police Magistrate who was authorised to spend ₤20 per month.[39] However, raids on farms and crops gradually diminished, and some settlers established good relations with Aboriginal people who provided a source of labour as they had for the maize farmers.[40]

Such was the growth of the industry that a small private factory to process cream was erected by W.C. Abbott in 1904 at Tumburumba, south of Atherton. This factory would have taken cream from the farms around Carrington, and in the immediate vicinity of Atherton. The farmers themselves were responding to the ideals of the cooperative movement, which many had experienced in northern New South Wales, and expressed interest in setting up a cooperative factory.[41] The first prospectus for the Atherton Tableland Cooperative Butter and Bacon Company Limited was issued in 1910, and Abbott's factory contracted to manufacture butter for the Cooperative. The Golden Grove factory was commissioned in 1912, beginning manufacture in 1913.[42] By 1914 there were 176 suppliers, resulting in the manufacture of 149 tons of butter.[43]

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[38] *Wild River Times,* 01 March 1889.

[39] *Ibid.*, 5 April 1889.

[40] Pearson, *The Hiistory of the Evelyn District*, pp. 2-7.

[41] Todd, *Milk for the Metropolis*, p. 23. The South Coast & West Camden Cooperative Co Ltd, supported by 800 farmers, was the first attempt to market cooperatively dairy products in Australia in about 1882.

[42] Margaret Kawald,'The Atherton Tableland Cooperative Dairy Association 1904-1986', Eacham Historical Society, D305, undated, p. 1.

[43] *Ibid.*

IMAGE REMOVED DUE TO COPYRIGHT RESTRICTIONS

Illustration 7: The Golden Grove butter Factory, Atherton, 1913.
Source: Cairns and Johnstone, *Early Tableland Days,* p. 18.

Pressure from would-be settlers, as well as the government policy of closer settlement, led to the opening of the lands around Malanda for group settlement in 1907. The blocks, generally of about 120 acres, were enthusiastically taken up by people with dreams of establishing a thriving dairy industry in the area. Many settlers came from the Northern Rivers district of New South Wales, and were either experienced dairy men or sons of dairy farmers. Land itself was relatively cheap at 2/6d per acre, in contrast to land in the south which was advertised at between £7 and 15s. per acre,[44] but the challenge lay in clearing the rainforest, and preparing the land to grow pastures suitable for the production of milk. In 1911 it was estimated that the cost of setting up a dairy would be at least £214. 11s. This did not include the cost of clearing or of living for the period the farm was not productive. Therefore, prospective settlers needed more than the first year's rent, axe, billy

[44] *Silverwood Gazette*, 20 June 1908.

can and tarpaulin many claimed as their capital.[45]As many were young and single, they faced loneliness and isolation as well as the temptations that came from trying to combat these. A study of the Dead Farm Files reveals the difficulties faced by the settlers, as well as the illusions many had acquired from the Government's advertising of the land.[46] Many also underestimated the cost of establishing a dairy farm, both in capital and physical effort.

For instance, Captain Richard Wellesley Benjamin Chambers selected Agricultural Farm 164 in November 1907 for £16. 15. 3d. rental paid in advance. He set about clearing the heavy timber by himself, and was killed by falling timber about 15 September 1908. His body was found some time later by a neighbour who buried him on the property. The farm was then considered to be forfeit and put up for reselection. The only capital Captain Chambers left consisted of a signet ring and war medals. Rent of £9. 5. 3d, paid in advance, was reimbursed to his widow in England.[47] He had run out of capital and was evidently living off the land when he died.

[45] The cost of living was about £2.5.0d. per week, and clearing thought to be approximately £2 to £4 per acre depending on the density of the forest. Therefore, a settler would have needed approximately £400-500 to set up a producing farm from uncleared land.

[46] QSA, Farm Files Series, LAN/DF, Boxes 15, 18, 49, 83, 62, 59.

[47] QSA, LAN/DF Box 15, AF 164.

IMAGE REMOVED DUE TO COPYRIGHT RESTRICTIONS

Illustration 8: A Pioneer's Home, c. 1910.
Source: Cairns and Johnstone, *Early Tableland Days*, p. 20.

Group Selection was also fraught with difficulties. The McMahon Group consisted of eleven *bona fide* farmers from the Richmond River area in Northern New South Wales. The leader, M.A. McMahon, had assembled the group under the assumption that each would be allotted an area of 320 acres. Some would-be settlers had sold farms in order to take up bigger blocks in the Johnstone River district, and were bitterly disappointed to learn that the maximum area allowable to each would be 160 acres. Such was the furore created by the extensive correspondence between the applicants and the Lands Department, that the group was eventually moved to the bottom of the list of applicants by the harassed public servant dealing with the claims.[48]

[48] QSA, LAN/AK, Group Settlement on Agricultural Farms, Box 83, Batch 294

Eventually the group was allocated twelve farms, but their problems did not end there. The Walker Brothers, who had come overland from Ryalstone with three teams of horses, were forced to cool their heels in Atherton for six months, steadily going through their capital. They complained that they had arrived at no expense to the government[49], had been forced to wait for their blocks, and each had had to pay McMahon ₤5 to defray his expenses incurred in organising the group. John McMahon grumbled to the Minister for Lands that the previous Minister had promised them 16 000 acres of land for fifty farmers. The Minister denied this, and the group had to be content with the areas they were allocated, but the bitterness remained.[50]

Loneliness took its toll of the younger settlers. Sylvester McMahon had been allocated his block on 13 November 1907. On 4 August 1908 the conditions of occupancy were suspended due to his illness. In December 1911 the Land Ranger reported that McMahon had not been in occupation of his farm and that he had been seen frequenting the Peeramon Hotel and its associated gambling school. After he was issued with a “show cause” notice to justify the continuation of the lease, his mother in the Richmond River district wrote to the Commissioner for Lands stating that she would move to her son’s farm in order to assist him to stay on the farm and fulfil the conditions of residence. Although McMahon tried to avoid this solution on the grounds of his mother’s ill health, Mary McMahon did move in with him and they worked Agricultural Farm 180 together. By 1912 Sylvester had acquired a wife and family, but was forced to earn cash by teaching at Malanda State School during the day. In 1914 he joined the army and the farm was transferred to another settler. Four more transfers took place before freehold was granted, to the Emmersons, in 1939.

[49] The Queensland Government was offering to pay the fares of would-be selectors to North Queensland.

[50] QSA, LAN/AK, Group Settlement on Agrricultural Farms. Box 83, Batch 294.

IMAGE REMOVED DUE TO COPYRIGHT RESTRICTIONS

Illustration 9: Dairy farmer family's first home, c. 1922.
Note the remnants of felled rainforest.
Source: Eacham Historical Society, *Millaa Millaa, a Pictorial Record from 1910*, Eacham Historical Society, Cairns, 1988, p. 4.

Many of the farmers could not make enough money to keep up their rental payments. Agricultural Farm 325 was sold to James Anderson in 1908. By 1911 he was in arrears of rent. He sold out to James Walmsley in 1917 for ₤920, who paid for it partly with a mortgage of ₤450 to the Bank of New South Wales. Walmsley too was in arrears of rent by 1929, and was struggling to make a living from eighty dairy cows and fifty pigs. He wrote to the Lands Commissioner in 1931. '…[there is] much illness in the family. The cattle are starving. I have had to buy corn and bran and a chaff cutter. Twenty-five per cent of the cream cheque goes to the Agricultural Bank, I owe Armstrong Ledlie and Stillman ₤10, Doust ₤1 and Palings ₤3.10.0d. There is nothing left and I have had to cancel orders. Can you [the Department] wait until next year for payment?'[51] In a report to the Commissioner, Ranger Bromfield reported that Walmsley's gross returns per annum were little more than ₤300 and the problem was due to the bad management of the farm. In 1938 Mrs Walmsley

[51] Armstrong Ledlie and Stillman was a firm of general merchants. It carried many of the farmers through a system of credit from one year to the next, as did many of the merchants on the Tablelands. The firm of A.S. Neil and Co eventually went into liquidation.

took control of the finances and by September 1938 all debts had been paid and the farm was granted freehold.[52]

Some farmers were able to manage rather better. George Waller bought Agricultural Farm 745 in the vicinity of Yungaburra in 1910. Working with his brother to clear the land, he received permission to take the timber free of royalty[53] and by 1915 the improvements to the farm were valued at £1058. However, by 1918 his mortgage was £900, and with cream at 8d. per pound he was having difficulty meeting his rental payments. He solved that problem by switching production to whole milk and some cream which he sold by contract to Cominos in Cairns, and by growing vegetables for sale. His gross returns were twice that of Walmsley, and in spite of personal illness and other family difficulties he was able to freehold the land in 1937 with improvements valued at £1822.10.0d.[54] He had the advantage of having a farm near the railway, so that he was able to transport milk and cream easily and quickly to Cairns on a regular basis.[55]

As the clearing of the rainforest proceeded, it became evident that the soil was not as fertile as the dense stands of timber seemed to indicate. The trees had created their own eco-system and were living off the deep leaf mould on the forest floor. Once the land was cleared, the rotting vegetation disappeared, and with it, much of the soil fertility. The cleared ground was subject to infestations of opportunistic weeds such as inkweed, milkweed, wild tobacco and stinking roger, none of which provided pasture suitable for dairy stock. The felling of heavy timber was followed by the back- and heart-breaking work of brushing and grubbing out the weeds, and establishing nutritious pastures, generally

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[52] QSA LAN/DF, Atherton, Box 36.

[53] Most farmers felled the trees and then sold the timber to contractors who removed them from the farm. In that case the government demanded royalty payments. However, if the farmer felled the trees and then was unable to have them removed from the farm and they had to be burned, royalties could be waived. This policy resulted in the waste of thousands of acres of valuable timber.

[54] QSA LAN/DF, Atherton, Box 59.

[55] The railway was pivotal to the development of the Tablelands. Not only did a reliable transport system enable the export of maize, dairy and other products to Cairns, but it facilitated the import of goods, people and animals to the area from 1903, when the line reached Atherton.
Bolton, *A Thousand Miles Away,* p. 390.

paspalum grass (*Paspalum dilatatum)* with Rhodes grass (*Chloris gayana)* as winter forage or hay.[56] The Kairi State Farm, established in 1912, was responsible for much of the experimental work on suitable pasture grasses.[57] It was also responsible for the education of the farmers about the best breeds of cattle for dairying, and was stocked with Ayreshires and Jerseys of very high quality for that purpose.[58] However, the Manager of the Farm was lamenting in 1914 that '…it was curious that such apathy regarding the improvements in dairy cattle still existed'.[59]

IMAGE REMOVED DUE TO COPYRIGHT RESTRICTIONS

Illustration 10: Prize dairy cattle from the Kairi State Farm, c. 1930.
Source: Cairns and Johnstone, *Early Tableland Days,* p. 19.

[56] Lanskey, 'Historical Geography', p. 21.

[57] *QPP,* Annual Report of the Department of Agriculture and Stock, Vol. 2, 1914, p. 635.

[58] QSA, AGS/N215, 13 April 1911, details of shipments of dairy cattle to the Kairi State Farm. The price of the cattle ranged from £84 to £31, at a period when dairy cattle were advertised for £3-£5 each*. The Silverwood Gazette,* 20 February 1911.

[59] *QPP,* Annual Report of the Department of Agriculture and Stock, Vol. 2, 1914, p. 635.

However, not all farmers were apathetic about improving their herds. When demand for milk, butter and cheese outstripped supply on the Tablelands, more farmers realised the potential for increasing their production through better breeds of cattle, and followed the example of the Mazlins by importing cattle from the south. In 1908 James Dalziel imported twenty-one heifers, consisting of Ayrshires and Holstein/Ayrshire crosses from a stud in Northern New South Wales.[60] The Purcell, English and Emmerson families also imported herds of Jersey cattle from that source.[61] Many of the imported cattle succumbed to tick fever, and inoculation against the disease was carried out by progressive farmers in spite of the risks associated with it.[62]

Tick fever was only a small part of the difficulties experienced by the farmers. When the land had been cleared, weeds dealt with, pastures established, and buildings, bails and cream houses built, the produce had to be transported to the nearest factory which was in Atherton. Although some of the farms were relatively close to the factory, many were up to thirty miles away, and roads were either non-existent or very boggy and rough. Initial low levels of production meant that the cream could not be produced in such quantities that a daily delivery was feasible, and therefore cream was saved in the cream houses for up to five days before being sent to the factory.[63] Although the cream houses were constructed to exclude vermin and maximise coolness, they were not refrigerated, and thus cream left there for an extended period was not fresh. Consequently, mature cream transported by pack horse often became butter before it arrived at the factory, and could not be said to be of the highest quality. As payment was based on cream quality, those farmers situated furthest from the factory were at a decided disadvantage. The solution of better transport systems and factories closer to the source of production were many years in the future.

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[60] *BVA*, 4 March 1908.

[61] *AN&BVA,* 23 May 1914.

[62] Inoculation against tick fever, a disease endemic in tropical Australia, was carried out by injecting cattle with the blood of previously infected calves. If the cattle were in the early stages of the disease death could ensue. Therefore farmers had to be particularly careful when administering the inoculants. *Silverwood Gazette*, 20 January 1911, p. 8.

[63] Personal communication with D.J. MacDonald, July, 2004. The MacDonald family was dairying in the Millaa Millaa area in the 1920s.

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Illustration 11: Drawing of carting cream by horse and sled.
Source: Eacham Historical Society.

One of the more curious factors relating to the establishment of the dairy industry on the Tablelands was the slow uptake of science and technology which would have made the tasks of milking, separating the cream from the milk, and preserving cream so much easier. Separators were available from the 1880s[64], but were regarded with some suspicion initially because it was thought that milk had to "sit" for some time before all the cream could be retrieved from it. Small refrigeration units were advertised from 1912,[65] but there is no record of on-farm installations on the Tablelands until after World WarTwo. Milking machines, worked by a small engine, were available from the early 1900s.[66] These were resisted on the grounds that the machines failed to strip out the last vestiges of milk from the cow, and therefore would lead to mastitis or reduced milk production.[67] According to Henry Tranter, milking machines were not used because the farmers were not mechanically minded, and they were not confident that the machines and the associated

[64] A De Laval Cream Separator was exhibited at the Herberton Show in 1889. *Wild River Times* , 26 April 1889.
[65] *Silverwood Gazette,* 23 May 1912.
[66] *Ibid.,* 20 July 1909.
[67] Personal communication with D.J. MacDonald, February 2005.

engine would be reliable, or that they would be able to maintain them correctly.[68] This was certainly true for new technology in other industries such as mining in far north Queensland.[69] However the suspicion remains that the cheap labour provided by wives and children probably inhibited the adoption of expensive mechanical alternatives. Herd recording was not regarded as a priority by the farmers, and the use of the Babcock Test for measuring the butter fat content of cream was virtually unknown on the farms.[70] Use of this simple test would have given the farmers knowledge of the quality of their cream, and possibly forestalled complaints about grading at the factory.

Therefore, the establishment of the Atherton Tableland dairy industry was not easy. The terrain was difficult. The vegetation was challenging and resistance by the indigenous landowners was strong. Infrastructure such as roads was primitive. The establishment of suitable herds faced problems of transport and disease. Although many of the settlers were experienced dairy men, many were young and without the support of wives, parents or children. For many it was all too hard, and they either forfeited their blocks, or just walked away. However, for those with the support of a family, and with sufficient capital to see them through the developmental phase, there were still the challenges posed by soil fertility, establishing pastures to suit the climate, and transport. That some stayed to see the industry established and progressing is a tribute to their tenacity and resourcefulness.

Establishment and Consolidation of the Dairy Industry 1915-1959

When the Atherton Tableland Cooperative Butter and Bacon Company Limited (ATCBBC) commenced operations in 1913, it had 110 suppliers. At that time, there were 16 079 farmers, 51 butter factories, 27 cheese factories, 5 bacon factories, and 5 condensed milk factories in Queensland, established as a direct result of government policy.[71] Therefore,

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[68] Personal communication with Henry Tranter, February 2005. Mr Tranter's father took up a dairy block at Millaa Millaa in the early 1920s.

[69] Janice Helen Wegner, Croydon: Technology transfer on a North Queensland goldfield, 1885-1915, PhD Thesis, James Cook University of North Queensland, 1995.

[70] *QAJ*, February 1907, p. 73. This article provides an example of herd testing records including the Babcock Test used for testing the Gatton College herd. In subsequent issues, farmers are urged to use the test for their own records, and to check against the results for their cream from the factory.

[71] *Statistics of Queensland*, Queensland Government Printer, 1910-1915.

the Tableland industry was a very small, peripheral part of the industry, and essentially filled local demand. Successive Queensland governments continued to regard the dairy industry as one of the few farm based enterprises which would guarantee settlement and provide export earnings.[72] The government continued to release land for settlement, and to encourage development with the provision of railways[73] including refrigerated cars for the transport of milk and cream.[74] By 1914, there were 176 suppliers on the Tablelands, and production of butter rose steadily until 1925.[75]

In 1916 the value of butter produced by the factory was £42 376, and the cost of production per pound of butter compared more than favourably with those of factories in the south.[76] In fact, the returns to farmers on the Tableland were consistently higher than those offered by southern companies.[77] Because of reduced production due to drought in 1915, the Tableland factory received 209s per hundredweight of butter in June 1915.[78] However, this situation was not allowed to last. Under war time control measures the Government issued an order under the *Control of Trade Act*, which fixed the price of butter to 149s per hundredweight.[79] The December pay to the Tableland farmers consequently dropped from 21d. per pound paid in June, to 12.5d. paid in December.[80] This represented

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[72] J.C.R. Camm, 'The Development of the Geographic Pattern of Dairying in Queensland, 1890-1915', *The Australian Geographer,* Vol. XI, No. 5, 1971, p. 473.

[73] *QPD*, Legislative Council, T. Johnson, Debate on the extension of the rail line from Tolga to the Johnstone River, Vol. CI, 14 April 1908, pp.758 - 760.

[74] Skerman et al, *Guiding Queensland Agriculture*, p. 164. Although this facility was provided elsewhere in Queensland dairying districts as early as 1920, refrigerated wagons did not appear on the Tablelands until much later.

[75] Record of production, ATCBC Ltd, 1974. Source: Ian Stewart, Farm Liaison Officer, Dairy Farmers, Malanda.

[76] Annual Report of the Atherton Tableland Cooperative Butter and Bacon Company Ltd. (ATCBBC Ltd), Table showing comparative costs of production, 1916.

[77] The comparative figures were published monthly by the *AN&BVA*. The Tableland farmers were better off than their southern counterparts because their factory was a Cooperative, and therefore all profits were returned to them. They were supplying the local domestic market in a situation of rising demand, and diminishing supply from southern suppliers.

[78] *AN&BVA,* 23 June 1915.

[79] *Ibid.,* 1 December 1915.

[80] *Ibid*., 23 June 1915, 22 December 1915.

a drop in income of 48.5%. At this time, the Australian Workers' Union lodged a log of claims for dairy hands which included a wage of 39s. per week plus keep, estimated at ₤1.10s. per week.[81] As the monthly payment to 162 of the 288 farmers was less than ₤25 per month,[82] the cost of ₤13.16s. per worker for the month would obviously be beyond the capacity of those farmers. In those cases the labour of women and children, rarely if ever taken into consideration at that time in estimates of the cost of production, would have been essential. An application to the Prices Commissioner for an increase in the price of butter was refused on the grounds that the cost of production for a 'well managed dairy' was 19d. per pound. The retail price of domestic butter was fixed at 25.5d per pound, and that of export butter 29d.[83] At the Commission hearings several producers gave evidence of poverty and inability to manage their farms without the unpaid labour of family members.[84] Paradoxically, the Commonwealth Government was at the same time committed to producing as much butter as possible for export to England under the same Imperial Preference Agreement[85] which kept the prices paid to farmers low.[86]

In 1916, pressure on the price of butter was increasing with a drought related shortage of butter in the southern States. The Queensland Government attempted to take advantage of the situation by seizing all butter in cold storage and sending it to the Melbourne market for auction, following the refusal of the Minister for Customs to issue an export licence for the 8 000 boxes of lower grade butter held in storage. The auction, having been preceded by extensive discussion about the poor quality of the butter being offered, only managed to sell a small part of the offering at a price 8% below that mandated by the Control Board. There were vigorous protests from the Victorian Government and southern dairy farmers

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[81] *AN&BVA* , 2 December 1916.

[82] *Ibid.,* 28 March 1917.

[83] *Ibid.,* 4 December 1920.

[84] *Ibid.,* 4, 15, 18, 23 December 1920.

[85] Hale with Ashton, *History of the Commonwealth Department of Agriculture*, p. 38.

[86] In 1907 Australia granted a preference for the import of manufactured goods from Britain. This took the form of a remittance of 33⅓% of the Australian tariff. Although this was not dependent on reciprocal generosity from Britain, Australia was granted a British preference for agricultural products over foreign imports. However, prices were pegged to the world parity prices, which were low when compared with Australian domestic produce. W. Stewart Wallace, 'Imperial Preference"' in the *Encyclopedia of Canada*, Vol. III, University Associates of Canada, Toronto, 1948, pp. 254-5.

at the action taken by Queensland, on the grounds that in a situation of shortage of a commodity, market forces i.e. higher prices, should be allowed to prevail as this would be to the advantage of the farmers as consumers would be less inclined to pay the higher prices for the better-class Victorian butter. The Queensland Government riposted by quoting from Section 92 of the Constitution which legitimated such action. The Minister for Customs then blamed a mysterious conspiracy on the part of unknown forces whose *modus operandi* was known only to the immediate members of a cartel for the failure to sell the butter at a higher price and in larger quantities.[87] The Tablelands farmers, now faced with having to sell at least some of their production on the export market, were drawn into the reality of the world butter market, further complicated by war, the policies of the federal and state governments, and the alleged machinations of mysterious cartels.

After 1918, the world butter market went through a period of extreme instability. Britain had stockpiled large quantities of butter during the War, and when it dumped the stocks on the European market, prices collapsed, and the Australian dairy industry was badly affected. The Commonwealth Government negotiated a bulk sale of the excess Australian butter to Britain at a discounted price. The Minister for Trade and Customs admitted, '…that unless we sold to Britain…we had no hope of getting rid of our surplus stock'[88] The situation in Queensland was exacerbated by the shortage of cold storage space in which to store the over-supply. However, the Government attempted to remedy this by building cold stores at Hamilton Wharf in Brisbane. The Queensland industry was also aggrieved by Victoria importing quantities of butter from New Zealand, which could produce butter more cheaply than Queensland could.[89] In spite of this situation, the Queensland Government continued with its policy of closer settlement, opening more land for dairying. This inevitably had an effect on the industry on the Tablelands.

An analysis of newspaper advertisements for 1919-1921 reveals that many of the farms in the flatter Atherton/Tolga/Kairi districts were converted from dairying to maize production.[90] The original settlers were ageing and tiring and a period of generational change took place

[87] *AN&BVA,* 29 July 1916.

[88] *CPD (H of R),* Mr. Greene, Vol. 92, 18 August 1920, pp. 3600-2.

[89] *QPP*, Report of the Department of Agriculture and Stock, Vol. II, 1921-22, p. 7.

[90] *AN&BVA,* advertisements for farms, 1919-1921.

in the district. Many farms were placed on the market, and notes about the causes of sale ranging from '…giving my sisters a rest from milking', '…retiring down south', and 'giving up dairying to grow corn'. Another factor may have been the non-return of some farmers' sons from War service to take over the family farm.

Another impetus to change may have been the introduction of the *Dairy Produce Act* of 1920, designed to upgrade standards of hygiene in dairies. Concrete floors in the bails areas, and the installation of other measures to keep milk and cream in a clean and fresh condition, were some of the requirements of the legislation. Inevitably, the cost to the farmers proved prohibitive in some cases, although the Government provided loans at 5% interest to carry out the required upgrades.[91] The subsequent change in land usage led to the transfer of manufacturing from Atherton to Malanda in 1922.[92] Initially, it had been planned to place a factory in Millaa Millaa, but as no one could agree on the most convenient site, the factory was built at Malanda instead.[93] This started operations in 1919, and for several years the two factories operated together. However, the Cooperative factory did have to face some competition from the Malanda Dairy Company which commenced operations in 1917.[94] The Atherton factory closed in about 1928, with the relocation of the headquarters of the Atherton Tableland Cooperative Butter Association to the Malanda factory site.

As the newly opened land extended further from Atherton and Malanda, the farmers of Peeramon[95] and Millaa Millaa began agitating for their own factories closer to the points of production. Obviously, the shorter the time cream took to arrive at the factory, the better its condition, and the higher the price.[96] However, the factory at Peeramon never eventuated, and the Millaa Millaa facility was not built until 1929. The Millaa Millaa district, including the newly opened Beatrice River area, benefited by the opening of the rail line there in

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[91] *AN&BVA* , 15 October 1921.

[92] *Ibid.,* 7 October 1922.

[93] Ian Stewart, 'Dairying on the Tableland' unpublished manuscript, 13 April 2002, held by the Eacham Historical Society.

[94] *AN&BVA*, 7 February 1917.

[95] The Peeramon farmers went so far as to form their own Cooperative Company, but this was wound up in 1921 because of the building of the Malanda factory. *AN&BVA*, 8 January 1921.

[96] *Ibid.,* 10 March 1917.

1922.[97] Some of the farmers supplemented their cream income by selling whole milk in Cairns (about 160 gallons per day) and local markets, and three small cheese factories produced about 28 tons of cheese per year.

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Illustration 12: Carting cream by horse and buggy.
Source: Cairns and Johnstone, *Early Tableland Days*, p. 17.

The farmers on the Evelyn Tableland also saw the need for a factory closer to the points of production. They had been supplying the dairy needs of Herberton since the 1890s, but when the railway line reached Turulka on the Evelyn Tableland in 1917, they also had the option of sending their cream to the Atherton factory for processing. In spite of organising storage and cartage of their cream, the time and distance from the factory usually translated into second class cream with lower returns to the farmers. They requested a factory at Ravenshoe but were refused, and so began planning for the establishment of a cooperative association to build a factory in Ravenshoe. It was eventually established in 1926, and allowed the expansion of the industry in that district.[98]

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[97] *AN&BVA,* 4 February 1922.

[98] Pearson, *Early History,* p. 47.

In spite of instability in butter prices caused by the end of the Empire Contract[99] with the United Kingdom in March 1921,[100] the Tableland dairy industry continued to expand until 1925. By 1918 there were 296 suppliers[101] and in the following year there were 305.[102] Production peaked at 1081 tons of butter in 1925.[103] Expansion was encouraged from 1921 by the formation of the Queensland Butter Pool (financed by farmer levies) which negotiated the sale of export butter to both the United Kingdom and southern States. The Pool was able to keep the price of butter at 154s. per hundredweight in spite of poor demand for Queensland butter.[104] The Tableland farmers, in need of additional income, saw pig farming as a way to increase the profitability of their operations.[105]

There were many false starts and difficulties associated with the establishment of a processing factory for pigs on the Tableland. A small private factory in Mareeba closed operations in 1922, and alternatives such as sending animals to the Biboohra Meatworks and setting up a curing division within the Butter Factory proved non-viable.[106] The number of pigs produced increased so rapidly that local demand was soon satisfied, and farmers were faced with a price reduction of 50% to 3d. per pound live weight. They responded by forming a Pig Pool, and eventually the large and modern North Queensland Cooperative Bacon Company was opened a couple of miles outside Mareeba in 1924. Pigs were railed to the site from all over the Tableland, and proved a valuable side-line for dairy farmers for

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[99] The cessation of the Empire Contract caused hardship for many of the primary industries of Australia. The dried fruit industry suddenly lost one of its larger markets, and as many of the farmers were Soldier Settlers, the impact was emotional as well as financial. Britain was widely regarded as having betrayed the white men who had fought for her in the recent War. National Archives of Australia (NAA), B325/1/2, Part One, Letter from the South Australian Rural Producers Association to the Prime Minister of England, undated.

[100] *AN&BVA*, 5 February 1921. After World War One, the war time measures adopted by Britain to ensure food supplies from the Dominions became redundant, and Britain reverted to a policy of free trade.

[101] *Ibid.,* 23 November 1918.

[102] *Ibid.,* 26 July 1919.

[103] Annual Report of the ATCBC Ltd, Table of Production, 1974.

[104] *AN&BVA*, 3 September 1921.

[105] Annual Report of the Land Commissioner, Atherton District, 1921, cited in *AN&BVA,* 5 November 1921.

[106] *AN&BVA*, 11 February 1922.

many years.[107] However, the operations of the plant were not without controversy. Many of the pigs were condemned as not being up to export standard, and therefore were not paid for by the factory. One farmer, John MacDonald of Millaa Millaa, was so incensed by this treatment that he travelled by train to Mareeba, hired a buckboard, and drove to the factory. He introduced himself to the Manager as a prospective client from Sydney and asked to be shown through the factory. The Manager proudly led the 'client' to the cold room where the export quality sides of bacon were kept. MacDonald identified his own pigs by the brand on the flanks of the carcasses. When challenged, the Manager claimed that a 'clerical error' had been made, and paid MacDonald his money. However, MacDonald decided to cease pig production from then on.[108] MacDonald's case was symptomatic of the unrest among farmers on the Tableland. The inconsistencies in grading pig carcasses led to suspicions of corruption on the part of factory staff, which undermined farmer confidence in the Pig Pool and the factory.

The cessation of the Imperial Contract, the removal of the war time price controls, and increases in production, all led to a decrease in the price paid to farmers for cream to a low of 8.5d per pound. The difficulties of the maize producers, particularly the soldier settlers, added an atmosphere of militancy to the farmer meetings reported on the Tablelands.[109] So great was the unrest that the Government sent newly-appointed Director of Marketing McGregor to 'talk sense' to the farmers, and to urge them to 'greater degrees of cooperation' which, he claimed, 'would lead to success in the future.'[110] It was not long before the farmers were lobbying the Government to take control of the dairy industry State-wide, and to institute a compulsory Pool with mandated maximum and minimum prices, the former to protect the consumer, and the latter to protect the farmers. As was the accepted ideology, the villains of the piece were perceived to be the 'middle-men' making extortionate profits at the expense of both producer and consumer.[111] There is some evidence that the Brisbane whole milk trade, in particular, was controlled by a cartel

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[107] Statham, *Cows in the Vine Scrub*, p. 132,

[108] Interview with D.J. MacDonald, 2004.

[109] The problems of the maize farmers are explored in previous chapters of this work. Meetings of the Maize Board, the Pig Board, and the Dairy Factory Board were reported in full by the newspapers.

[110] *AN&BVA*, 2 October 1922.

[111] *Ibid.,* 25 February 1922.

of vendors who set the profit margin for delivered milk at 128%,[112] which gave substance to the suspicions of farmers and housewives alike. In spite of all the problems faced by the farmers at that time, the Government opened a further 117 new selections on the Tablelands, consisting of 9945 acres suitable for dairying.[113]

The dire situation in which most of Queensland farmers found themselves, as well as a political imperative on the part of the Theodore Government to attract as much of the rural vote as possible[114] led Theodore to develop his policies for the organisation of agriculture in Queensland. Theodore recognised that farmers deserved remuneration for their work, and that the amenities of life in the regional districts must be made attractive to settlers if the population of the rural areas was to be increased.[115]

The Federal Government too, under the influence of Dr Earle Page, was determined to alleviate the problems of the farmers. A conference of dairymen, convened by the Victorian Farmers' Union, drew up a plan to stabilise the industry. This included the proposed establishment of The Federal Australian Dairy Produce Allotment and Realisation Association, which function was to manipulate the market by transferring butter from a State with over-supply to a State with a shortage of butter; and to establish a floor price scheme based on the domestic price, and not export parity (or the London price) as had been the case previously.[116] The Commonwealth Department of Markets and Migration was created in 1925 to develop and oversee orderly marketing arrangements for primary products through export commodity boards.[117] The Commonwealth Government also acted to improve the quality of export butter by legislating for the pasteurisation of all

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[112] *QPP*, Annual Report of the Commissioner for Prices, Vol. II, 1923, p. 1516.

[113] *AN&BVA.,* 11 March 1922.

[114] At that time, the Labor Government had a very slim majority and the establishment of the Country Party was threatening to diminish its vote in the farming areas. Theodore combined some of the structures he had used to establish the Amalgamated Workers' Association, and some of the policies of the nascent Country Party to develop his scheme for the organisation of agriculture.

[115] D.J. Murphy and R.B. Joyce, (Eds.), *Queensland Political Portraits,* University of Queensland Press, 1978, p. 330.

[116] *AN&BVA*, 3 May 1922.

[117] Hale with Ashton, *History of Commonwealth Departments of Agriculture,* p. 36.

cream and milk used in the manufacture of butter and cheese for export in 1924.[118] This did not affect the operations of either of the Tableland factories, as pasteurisation plants had been installed as early as 1918.[119]

The concern for the welfare of farmers expressed by the Federal Government did not prevent the Deputy Commissioner of Taxation from claiming 75% of the value of bonus shares paid by the ATCBBA Ltd to its members in 1919. This claim was made under the War Time Profits Tax Assessment. The board vigorously objected to the assessment, but ultimately was forced to ask for an extension of time to pay the tax.[120] At the same time, lobbying from the Millaa Millaa farmers for their own factory added to the financial pressure on the Board. It came up with a compromise to avoid the huge capital investment that the building of a new factory would entail. It started a rail motor service three times per week from Millaa Millaa to Malanda, picking up cream along the line so that it would be much fresher than the previous arrangements had allowed.[121] Although this was only a stop-gap measure, it was a vast improvement on the previous system of cream cans sitting on the siding for up to twenty-four hours before collection.

A compulsory State-wide Pool was instituted in 1923. The interests of the Atherton Tablelands farmers were represented by the election of a member from Division One, which covered all the dairy farms north and west of Gladstone, supplying a total of eleven factories, to the Dairy Pools Board. Therefore, the market for Queensland butter reverted to State control, albeit run by producer- controlled Boards. The export market declined as European farmers recovered from the problems caused by the War, and commodity prices for Australian butter went down dramatically. Since dairy production was perceived by State and Commonwealth governments as the best hope for their closer settlement policies, it was in the interest of governments to stabilise the price of butter. This proved to be a balancing act between the interests of the farmers, and those of the consumers who had the cheaper alternative of margarine if butter became too expensive. The commodity

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[118] Skerman *et al, Guiding Queensland Agriculture,* p. 164.

[119] Statham, *Cows in the Vine Scrub*, p. 117.

[120] *AN&BVA,* 22 November 1922.

[121] *Ibid.,* 6 December 1922.

boards were the ideal mechanism through which governments were able to control the prices to the farmers.

The Commonwealth Government's *Dairy Produce Export Control Act* gave an elected Board power to control the prices of surplus butter which had accumulated in London, by providing finance through the *Export Guarantee Act* to hold stocks and release them onto the market when the price had risen due to artificially contrived shortages. Although the finances were in the form of advances, to be repaid when the butter was sold, there is no record of interest payments, and it is therefore assumed that the Australian taxpayer was subsidising the exports of butter to Britain. In this way, both State and Federal Governments moved to protect the dairy industry from the exigencies of the world market in order to maintain the domestic policies of closer settlement and the White Australia ethos.

By the end of 1925, the dairying industry on the Atherton Tablelands was well established. Although there was much development to be done, there were two factories processing cream into butter and a developing system of transport to ensure that cream reached the factory in reasonable condition. As well, the Bacon Factory provided an outlet for pig production, which used skim milk remaining after cream extraction. At that stage, most of the product of the factories was sold on the domestic northern market, although price fixing was inherent in an industry becoming more and more subject to export parity pricing.

The release of more land for dairying, and the arrival of more settlers, particularly in the Millaa Millaa and Beatrice Creek areas, increased the pressure on existing facilities and made it necessary to build more factories to service the Millaa Millaa and Evelyn areas. Although the farmers were not using available technology to make their jobs easier, they were beginning to move towards better quality herds and planting pasture grasses more suited than the native grasses for the production of milk. However the simple Babcock Test to measure butter fat on farm was still not wide-spread.[122] Similarly, herd recording to

[122] Some farmers did use the Babcock Test for measuring butter fat content of cream. Records kept on farm could then be compared with the testing done at the factory. J. Grebert's farm accounts reveal the purchase of testing equipment in 1919. E.H.S., D802 (a), 'Farm expenses', extracts from the farm books of J.Grebert, Millaa Millaa, 1916-1939.

provide an objective measure of herd productivity was rarely practised. Therefore, the expanding industry was not optimally efficient, and although it could rely on supplying the local market, the time was fast approaching when the export market would have to be used for at least part of the production, at a period when competition from European farmers was beginning to bite. Interesting times were ahead.

In 1926 the Commonwealth replaced State stabilisation schemes with the Paterson Scheme which was designed to equalise the price of butter, whether sold on the domestic or export markets. This scheme imposed a levy on all butter which was used to pay a bounty on exported butter. The domestic price was then set at the export price plus the bounty.[123] Therefore, consumers were supporting the industry by paying the level of the bounty over the floor price established by the export price. Although not all manufacturers assisted in the implementation of the voluntary scheme, southern dairy farmers' returns were boosted by 10% to 17%, depending on the amount exported from their factory.[124] By 1932, Australia was exporting 42% of all butter produced, therefore, consumers were paying the equivalent of the bounty on 58% of production.[125] Just as the Tablelands farmers had been disadvantaged by war-time price controls, the new arrangements disadvantaged them because most of their product was sold on the local domestic market. Although they were paying the levy on all their production, they were receiving the bounty only on the amount exported. Because of a lack of competition from southern suppliers, the factory had been able to charge prices well above that paid in the south. The formation of a compulsory Statewide Butter Pool which mandated prices,[126]and the new arrangements meant that they now had to take their share of export values in order to prop up the exporting sector of the industry. The ATCBBA Ltd Board obviously did not care for these arrangements, and tried to mitigate the effects for the farmers by attempting to make arrangements to sell whole milk directly into the Cairns market. In order to do this they needed more cold room space and negotiated with the Cairns Harbour Board for the use of the now obsolete cold storage facilities at the Cairns wharves. However, the Harbour

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123 Hale with Ashton, *History of the Commonwealth Department of Agriculture*, p. 40.

124 *Ibid.*

125 In its lengthy description of the scheme, *The Queenslander* noted that '…consumers will have to pay 3.5d per pound more … to keep the scheme going. Housewives will not be in favour of the scheme."' *The Queenslander,* 2 January 1926.

126 *QAJ*, Vol. XXIV, July-December 1925, p. 548.

Board was not in favour of the move on the grounds that the facility had been financed to provide storage for butter awaiting export, and that the conditions of the loan were such that they could not apply the use of the facility to any other purpose. This was self-defeating, as the Butter Board mandated that all Tableland butter would be sold in the North, and not exported. Therefore there would be no butter awaiting export from Cairns, and unless the facility was put to some other use, the cold stores would be lying idle.

Tablelands farmers, never a group to take government actions to assist them at face value, particularly when their hip pockets were hurting, became extremely vociferous. Meeting after meeting was called, and much personal invective was directed at the Board members who took the brunt of the farmers' frustrations and dissatisfaction.[127] Threats to withdraw from the Compulsory Pool resulted in another visit from McGregor, Director of the Council of Agriculture. He addressed the farmers and with the help of graphs and complicated equations, tried to convince them that although the equalisation of the Paterson Scheme, and the State-wide fixing of butter prices had resulted in their receiving less per pound for their cream, they were better off because they may have been worse off without these measures. The farmers were not convinced and were blunt in their condemnation of the scheme.[128]

By 1927, northern butter factories were refusing to pay their equalisation levies on the grounds that their suppliers were not receiving a fair go from the Butter Board, and that they were subsidising the operations of the southern producers.[129] McGregor returned, retold the farmers how fortunate they were to have such a caring Government and urged them to show their appreciation by sticking to the arrangements. The farmers responded by suggesting the formation of a Commonwealth Pool, by-passing the State entirely. The Constitutional difficulties of such a course of action were pointed out.[130] The farmers made it quite clear to McGregor that the cream pay of 7.5d per pound of butter was inadequate, and well below the price of production.[131] However, as a sop to local sentiment the Government provided for the northern industry to be represented on the Butter Board by a

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[127] *AN&BVA*, 9 June 1926; 7 July 1926; 21 July 1926; 18 September 1926.

[128] *Ibid.,* 21 July 1926.

[129] *Ibid.*, 28 May 1927.

[130] *Ibid.,* 24 August 1927.

[131] *Ibid.*

Tablelands farmer, William Sloan.[132] From 1926 to 1931, a total of ₤152 098 was paid by the ATCBBA Ltd in Pool levies.[133] This was a huge investment which yielded questionable returns for the Tablelands farmers whose average earnings for 1930-31 were ₤359. 2. 4d., when the basic wage for an adult male butter maker in a dairy factory amounted to ₤257. 8. 0d. per annum.[134] After costs of production and fixed costs such as rates and land rental were taken out, there would not have been a great deal left to recompense family members for their work, and certainly not much to feed, clothe, educate them, and see to their basic health costs.[135]

As Hale and Ashton point out, the Paterson Scheme ultimately came to an end because the increased returns to some farmers encouraged increased production, and as a result a higher proportion of production had to be exported with a consequent rise in the levy and the domestic price in order to keep prices to farmers stable.[136] In a world which was then deep in economic depression, this was unsustainable for the industry and consumers. It would appear that the early attempts to manipulate markets through a system of levies, bounties, price fixing, compulsory pooling and equalisation schemes only imposed on the farmers additional costs in administration, advantaged some farmers at the expense of others, and caused higher costs for consumers.

With an urgent need to increase incomes through better quality product, the Evelyn farmers continued to press for their own factory, and in 1926, they were able to finance its building in Ravenshoe. The result was an immediate drop in production at the Malanda factory, from 1081 tons of butter in 1925, to 972 tons in 1926.[137] However, it did result in an improvement to the overall quality of the cream being delivered to both factories

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[132] *AN&BVA,* 24 August 1927.

[133] Annual Report of the ATCBBA Ltd., Results from Inception, 1931.

[134] *The Queensland Industrial Gazette,* Butter and Cheese Making Award – Northern Division, 7 October 1931, p. 509.

[135] Children rarely saw a dentist, bush remedies were used for minor ailments, and the nearest doctor was in Atherton, as was the hospital. When John MacDonald suffered a stroke in 1927, he had to ride a horse several miles to the Millaa Millaa rail station, catch the train to Atherton, and get himself to hospital from the station. He died. Personal communication with D.J. MacDonald, 2004.

[136] Hale with Ashton, *History of the Commonwealth Department of Agriculture*, p. 40.

[137] ATCBBA Ltd, Table of Production 1914-1974.

because of the shorter distance for delivery to the Ravenshoe factory for Evelyn farmers.[138] (See Fig. 5). According to Pearson[139] the opening and operations of the factory made a significant impact on the development of the district. It certainly added to the quality of the butter manufactured from the cream, and several times the Ravenshoe factory achieved 100% Kangaroo Brand grading for export.[140] However, because of limited production runs, the factory had a relatively high cost of manufacture, and was not able to pay the farmers more than 11d per pound initially, compared with 14d per pound paid to the suppliers of the Malanda factory.[141]

IMAGE REMOVED DUE TO COPYRIGHT RESTRICTIONS

Illustration 13: Millaa Millaa Butter Factory, c. 1955.
Source: Eacham Historical Society, *Millaa Millaa,* p. 27.

The Millaa Millaa farmers also eventually prevailed, and in 1929 they achieved their own factory as a branch of the Malanda factory. By 1930, there were factories at strategic points of the dairying district. No longer would cream have to wait for days to be manufactured into butter. Therefore, the proportion of cream graded first class increased,

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[138] *AN&BVA,* 24 August 1927.
[139] Pearson, *History of the Evelyn Tableland*, p. 46.
[140] Statham, *Cows in the Vine Scrub*, p. 152.
[141] *Ibid*.

with a consequent small rise in farmers' incomes. However, the prices paid were relatively constant, depending on quality, and there were no huge increases apart from the spike in 1921 caused by drought induced shortages in the south. (See Fig. 4). The number of farms steadily increased, from four in 1909, to about 450 in 1929.[142] However, this was still a very small proportion of the Queensland industry, representing about 2% of dairy farmers.[143]

The decade ended with the defeat of the McCormack Labor Government, and the election of the conservative Country-Progressive Nationalist Party Moore Government. A dairy farmer from the south, H.F. Walker, was appointed as Minister for Agriculture and Stock, and immediately began exhorting farmers to emulate their New Zealand cousins by utilising the most modern methods and up-to-date technology. This included herd testing and the use of milking machines.[144] The government lost no time in disposing of the State enterprises built up by Labor governments, but showed no inclination to remove the scaffolding of protection devices which had been put in place to prop up private agriculture in the State. It also provided for the restoration of free hold title, but few farmers on the Tablelands could afford to convert their holdings from perpetual lease to free hold at that stage.[145] The Moore Government, mired in the depths of the Depression, and believing that the only way out of the mess was to increase productivity by decreasing costs of production, extended concessions such as reduced land rentals to primary producers.[146] Moore's government failed to mitigate the terrible effects of the depression, and was defeated in the following election by the ALP, led by Forgan Smith.

The new government repealed Moore's legislation and reconstituted the Council of Agriculture. Land title reverted to perpetual lease, the Industrial Awards were restored, and

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[142] Again, arriving at a definitve number is difficult without access to documentation from all of the factories. However, analysis of newspaper reports, and reference to Statham and Pearson, would indicate the above numbers are substantially correct.

[143] *Statistics of Queensland* , Report of the Registrar- General on Agricultural Production for the Year 1930, p. 109.

[144] *QAJ,* Vol. XXXV, 1 April 1931, p. 210.

[145] The Dead Farm Files reveal that most of the dairy farms which achieved free-hold status did not do so until the end of the 1930s.

[146] Murphy and Joyce (Eds.), *Queensland Political Portraits,* p. 384.

personal taxes increased by between 6% and 7%.[147] However, Forgan Smith was committed to maintaining agriculture with organised marketing as the main driver of the economy. One of his first statements as Premier was: ' I take the view that…this State will continue for all time to be a primary producing State. It is desirable that it should be so.' [148] In 1934, the maximum advances to farmers by the Agricultural Bank were increased from £1 700 to £1 800. The Rural Assistance Board provided relief for farmers who were experiencing difficulties due to drought or other natural phenomena.[149]

The Commonwealth played its part in keeping the farmers productive by implementing a number of measures to assist them, and by increasing its role in overseas promotion of agricultural products. By 1930, Australia was exporting 49% of its butter production,[150] into an increasingly protectionist European environment.[151] The *Ottawa Agreement* of 1932 allowed Australia to export a range of agricultural produce to Britain under preferential terms in exchange for favourable tariffs on manufactured goods imported into Australia. However, Australia's access to the British market for dairy produce was somewhat limited by British trade deals with Denmark, in particular, which was able to land better quality butter into London without the high transport costs incurred by Australian exporters.[152]

[147] Lack, *Three Decades*, pp. 128-30.

[148] Murphy and Joyce (Eds.), *Queensland Political Portraits*, p. 403.

[149] Lack, *Three Decades*, p. 137.

[150] Hale with Ashton, *History of the Commnwealth Department of Agriculture*, p. 62.

[151] Maddock and McLean, (Eds.), *The Australian Economy*, p. 138.

[152] Hale with Ashton, *History of the Commonwealth Department of Agriculture*, p. 61.

Price in Pence 1914-1931

Fig. 4: Price in pence per pound of butterfat paid to farmers.

Source*: Atherton News and Barron Valley Advocate,* June, July, August, 1914-1931.[153]

Tableland Butter Production 1914-1930

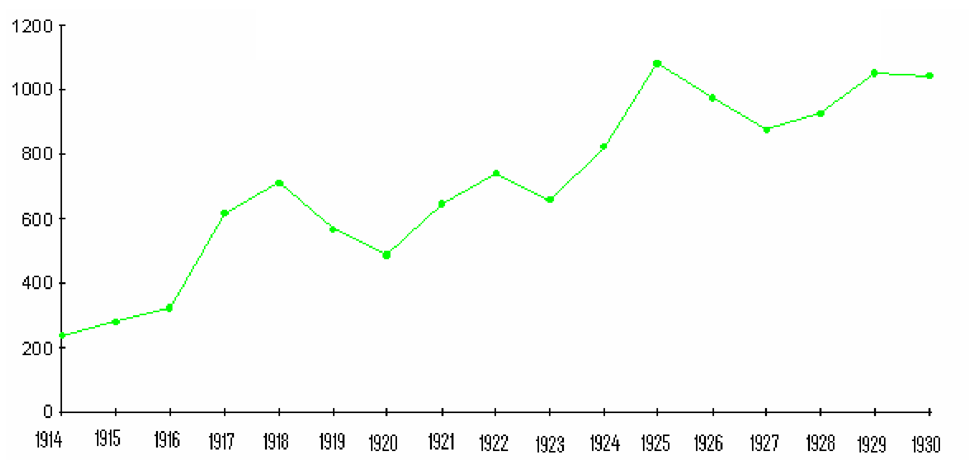

Fig. 5: Production at the ATCBBA Ltd 1914 to 1930, in tons of butter.

Source: ATCBBA LTD, Table of Production, 1914-1974.

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[153] In the absence of a complete set of Annual Reports of the ATCBBA Ltd., these figures have been taken from the reports of the monthly meetings of the Board of the ATCBBA Ltd. Therefore they are indicative of trends, and are not definitive.

In spite of organised marketing, the Paterson Scheme to equalise prices all over Australia, and a 6d per pound duty on imported butter, the market for butter was still subject to London prices, and was steadily moving downwards. By 1933 Australian butter was priced at A112s per hundredweight, or 12d. per pound on the London market. Farmers were receiving between 7d and 9d. per pound of butterfat for their cream, which was substantially less than the cost of production.[154] The Premier of Queensland made the point that in a time of financial crisis, economic nationalism was taking hold across the world, making it difficult for exporting states such as Queensland to maintain market share.[155]

The farmers on the Tableland coped as well as they could. The memoirs of J.C.M. Johnson[156] record that her family augmented its income from cream with sales of timber, and by growing ten acres of maize to feed their own cattle. They also had a large vegetable garden, and killed and salted their own beef. They made their own butter, and had milk from their herd. Mrs Johnson made all the family's clothes, many of them cut down from old clothes, and 'waggas' (bed coverings made from sugar bags) to keep them warm. She and the children also took their turn milking. Farm expenses were cut to the absolute essentials. For instance, Grebert's farm expenditure went from ₤85. 16.1d in 1930 to ₤44. 14.11d in 1931, and showed a steady decline to ₤18. 18s. in 1936. It is obvious that there was no infrastructure development on his farm for a six-year period, and that such sums would have barely paid for rates, rentals, and interest.[157] In 1933, the Farmers' Wives Association of Millaa Millaa wrote to the Federal Member for Kennedy, Mr Riordan, asking for help and advice from him to urge the Prime Minister to move quickly to

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[154] *CPD*, Earle Page, Marketing of Dairy Produce, Vol. 142, 16 November 1933, p. 4648. The cost of production in Queensland had been set at 19d per pound in 1920. It was very unlikely to have been reduced by 1933.

[155] *QAJ*, The Premier on Marketing Problems, Vol. XL, September 1933, p. 260.

[156] J.C.M. Johnson, 'The Diary of a Dairy Farmer', unpublished and undated manuscript, held by EHS.

[157] EHS, D802 (a), Farm Expenses of J. Grebert, Millaa Millaa, 1916 – 1939.

stabilise the industry because of the '…desperate need and acute distress owing to the prolonged parlous state of the industry…"'[158] As one farmer wrote to Mr Riordan,

> There is barely tucker in it. No margins to pay any wages, rent, interest etc. A lot of dairy farmers, after years of hard work, fourteen- hour days, are being pushed off their farms. No actual evictions yet, but the load of debt is increasing every day. There are a lot of farms for sale at gift prices. Farmers have been squeezed that hard that they are compelled to agree to a sale at any price.[159]

The factories, too, had to economise as much as possible. The Millaa Millaa factory switched its fuel supply to local forest timbers, and bought cheaper butter boxes. The Board also reduced the workforce, and reduced cream deliveries from three days per week to two. However, at that stage it was manufacturing less than the demand, and had the cream been available, could have sold two tons more butter per week.[160] The shareholders of the Ravenshoe Butter factory demanded that the Manager reduce the number of staff working at the factory.[161] The factories were also dealing with competition among themselves for suppliers, and rivalries were causing tensions which made efficiencies of scale difficult to address. After intervention from the Queensland Butter Marketing Board, the Boards of Directors of the three Tablelands factories agreed to form a combined marketing arm, the North Queensland Cooperative Dairy Produce Marketing Federation, (NQCDPMF) which commenced operations in 1936. Agreement was reached to market all butter as the 'Sunbeam' brand, apart from second grade butter which remained under the 'Nyleta' brand.[162]

One of the more inexplicable features of the Tableland industry at this time is that it continued to expand. In 1934 there were 585 dairy establishments, and in 1935, this number had increased to 596[163] at a period when the cream pay to farmers was 8d per

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158 *CPD*, W. Riordan, Debate on the Marketing of Dairy Produce, Vol. 142, 16 November 1932-33, p. 4058.

159 *Ibid.*

160 *Cairns Post*, 4 October 1933.

161 *TE&BVA,* 14 April 1934.

162 Statham, *Cows in the Vine Scrub*, p. 182.

163 *Statistics of Queensland,* 1936, Table Number 3, Return showing the results of the Dairy industry in the several petty sessions districts during the years 1934 and 1935.

pound at the Malanda and Millaa Millaa factories, and 6.5d at the Ravenshoe factory.[164] The answer lies partly in the adaptability of the farmers and partly in land prices. The median price of dairy farms per acre between 1920 and 1935 fell from £14. 15s per acre to £9 per acre.[165] (See Fig. 6). It is possible that some would-be farmers took advantage of the relatively cheap land. Some farmers switched to the whole milk trade, sold home-made butter to shop keepers, and grew vegetables and flowers for sale.[166] For instance between 1934 and 1935 in the Atherton and Herberton districts, whole milk sold directly from farms increased by 26%, and butter made on farms increased by 10%.[167] On the Evelyn Tableland, farmers turned to cropping, converting dairy land to the production of maize, peanuts, and potatoes.[168]

Land Prices 1820-1935

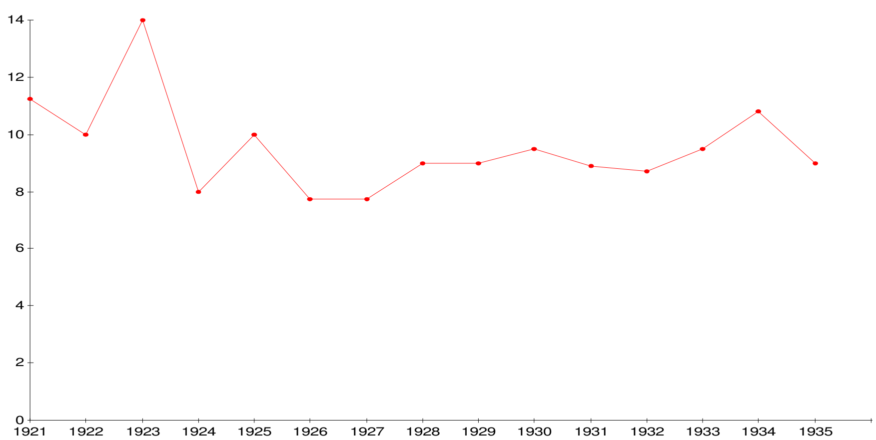

Fig. 6: Average prices of dairy farms offered for sale on a per acre basis, 1920-1935.
Source: Advertisements in Tablelands newspapers during the period 1920-1935.

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164 *TE&BVA,* 16 May 1934.

165 These figures are indicative, as they were arrived at by a random selection of advertised dairy farms during each year, then averaging the price per acre. Naturally, the price of an individual farm depended on the amount of standing timber, and the facilities erected on the farm, the carrying capacity of the land, and distance from transport and factory.

166 The Gelweiler family who had a farm near Kairi had a weekly contract to supply butter, eggs vegetables and flowers to a shop in Gordonvale.Personal communication with Freda Gilmore, 2005.

167 *Statistics of Queensland*, Table 3, 1934, 1935, pp. 174-6.

168 *TE&BVA*, 27 January 1934.

At a time when returns to farmers were at a historically low level both levels of Government continued to encourage increased production, particularly for exports. Australia had long been an importer of capital, most of it from Britain, and the devaluation of the Australian currency in 1931, along with the depressed world economy had led to a cessation of capital inflows.[169] In order to earn export income, preferably in sterling, and to repay the interest on loan monies, the Commonwealth had a vested interest in exporting as much as possible, even if it meant the imposition of higher prices on the Australian domestic consumers. It also meant that dairy farmers had to be kept in business, but not at a level which would cause consumers to switch to margarine instead of butter. The result was a state of penury for the farmers, and subsidisation of the British financiers and consumers by the Australian consumers.

In spite of the best efforts of farmers and factories to make their respective operations as cost effective as possible, it was clear that the position was unsustainable, and that action at government level was required urgently if the industry were to survive. The States recognised that the Paterson Scheme was failing owing to the growth in exports, and were planning ahead for its inevitable demise,[170] but the main impetus was the constitutional challenge to various State marketing arrangements as explored in Chapter One.[171] In November 1933, the State Premiers asked the Commonwealth to introduce complementary legislation to support the right of the Statutory Marketing Authorities to control interstate trade, and to stabilise the dairy industry throughout the Commonwealth.[172] The proposal was for each State to have a Stabilisation Board, with representation on a central Commonwealth Stabilisation Board. The function of the Boards was to establish production quotas for each State in respect of domestic requirements and exports. Each State would take a fair share of export parity, and each State would receive a fair share of domestic consumption. The Commonwealth legislation would not allow State surpluses to cross State borders without a permit from the Commonwealth Board.[173]

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[169] Maddock and McLean, *The Australian Economy,* p. 67.

[170] *QAJ*, The Stabilisation Scheme, Vol. XL, November 1933, p. 372.

[171] See Chapter One for an overview of the Constitutional barriers to the Australia-wide control of the dairy industry.

[172] *QAJ,* Stabilisation of the Dairy Industry, Vol. XL, November 1933, p. 26.

[173] *Cairns Post,* 11 October 1933.

The Queensland Government passed the *Dairy Products Stabilisation Bill* of 1933 as complementary legislation to the Commonwealth's *Dairy Produce Marketing Regulation Act* of 1934. A State Dairy Produce Stabilisation Board was established to oversee the operations of the Act. Much of the importance of both pieces of legislation was the allocation of quotas, defined as 'The proportion of dairy products manufactured by a manufacturer within the State, that he is permitted for the time being to sell in the course of his intrastate trade or commerce in that State.'[174] The Commonwealth also provided for a subsidy of up to ₤6 500 000, to be paid through the State Dairy Products Equalisation Committees. The legislation also adhered to the principle that farmers should not be paid less than the cost of production, provided that uniform conditions of employment were accepted throughout the country. To support this condition, a Dairy Industry Award was brought down by the Commonwealth Arbitration Court.[175] An attempt was made to determine the price of production by surveying thirty farms in each of the eastern States. The findings of this survey were used by the Prices Commissioner to recommend a price for butterfat to the Commonwealth.[176] Unfortunately, a cost of production figure established for the whole of Australia would be discriminatory in the case of a peripheral industry such as existed on the Tablelands, whose costs included transport of products long distances to major centres of population, and conversely, high transport costs for all farm inputs.

As well as high production costs, dairy farmers had to pay for the costs of government initiatives. The Queensland Government enacted the *Dairy Cattle Improvement Act* of 1932, in an attempt to improve the quality of the State herd. It was to be financed through a licensing fee for herd bulls, and became known as 'The Bull Tax'. It was so resisted by the dairymen that the government found it impossible to enforce.[177] It attempted to change the fee collection method from a registration fee to be paid by farmers to a levy of .5d per box of butter and per 100 lbs of cheese produced in the State, to be collected from the factories. In the parliamentary debate, the Leader of the Opposition stated that the factories already had to find ₤4000 per annum to fund the Council of Agriculture, and now would have to find an additional ₤4168 to fund the inspection of bulls. He claimed that

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[174] QSA, RS12386, Item 60, PRS A/33595, Dairy legislation.

[175] Maurice Cullity, *A History of Dairying in Western Australia*, University of Western Australia Press, Perth, 1979, p. 194.

[176] *Ibid.,* p. 195.

[177] *TE&BVA*, 31 March 1934.

'…on the present price of milk and cream…the dairy farmers are among the most poorly paid workers in the State, and they are not in a position to stand further taxation.'[178] The Government made no further attempt to enforce the Act, and it was repealed in 1959.[179] The Government continued to subsidise the purchase of approved bulls from cows entered in the Advanced Register for production.[180] It also continued with its efforts to upgrade the skills and knowledge of farmers by providing dairy research laboratories, herd testing facilities, and courses in milk and cream testing, grading, and dairy science. However, these were carried out at Gatton, and it was difficult if not impossible for the Tablelands farmers to access such courses. The closure of the State Farm at Kairi also reduced the opportunities for local farmers to upgrade their knowledge.[181] In order to overcome this difficulty, officers of the Department of Agriculture and Stock conducted one five-day Dairy Science School in the Malanda School of Arts.[182]

As the world economy began to improve from mid-1935, the butter fat price to farmers gradually went up. At the end of 1935, farmers were paid 14d. per pound for choicest grade, as compared with a low of 7d. per pound in some previous years.[183] The tight control over expenditure began to ease. In the years 1935 to 1939, Grebert's farm expenses slowly increased, indicating that he now had enough funds to undertake farm improvements. In 1939 he spent £185. 11. 2d., more than six times that of the previous year. Farmers became more interested in herd testing, and generally improving production through selective breeding.[184] However, the Tablelands farmers had additional worries. Erosion problems were also intensifying,[185] and an infestation of white grubs (the larvae of *Lepidota caudata*) caused serious deterioration of pastures. They were estimated to have spread to between 9000 and 10 000 acres and to have reduced the productive capacity of the land by two thirds.[186] The Minister appointed the White Grub Committee to investigate

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[178] *TE&BVA* , 10 February 1934.

[179] Skerman *et al, Guiding Queensland Agriculture*, p. 168.

[180] *Ibid*., p. 164.

[181] *TE&BVA*, 19 June 1935.

[182] Statham, *Cows in the Vine Scrub*, p. 172.

[183] *TE&BVA*, 16 October 1935.

[184] Statham, *Cows in the Vine Scrub*, p. 173.

[185] *TE&BVA,* 19 June 1935.

[186] *Ibid.*

the problem and to arrive at a solution. The Committee recommended modification to farming practice by using rotational cropping, and applying a mixture of lime and nitrogenous manure to spelled pastures, as well as fodder conservation.[187] For farmers stretched to the limit financially, this was a big investment.

The dairy farmers of the Atherton Tableland emerged from the 1930s Depression producing more milk and cream than ever. By utilising family labour, including children, and by delaying maintenance and improvements to their farms, they managed to see the bad times through. By 1939 there were at least 650 dairy farms supplying the Malanda and Millaa Millaa factories, plus approximately forty farms in the Evelyn district, and about 200 supplying the Julatten and Daintree factories in adjoining districts. The factories were producing well over 2000 tons of good quality butter per annum, and the Tablelands in general were supplying both butter and milk to consumers in Townsville and all points north. However, farmers found that they were being politically side-lined with the closure of the Local Producers' Associations which had previously effectively fed farmers' concerns directly to the Council of Agriculture and so to the Minister.[188] Although this was done with the intention of forming a new body to represent farmers, this intention was overtaken by the circumstances of World War Two, and was not enacted. When the farmers were confronted with the possibility of contributing to national insurance for employees, it was left to the North Queensland Cooperative Dairy Produce Marketing Federation to point out to the Minister, Mr Casey, that with an average income of ₤350 per annum, dairy farmers on the Tablelands would be hard pressed to afford any contributions to such a scheme.[189] However, the legislation was not enacted, and the farmers were spared that expense.[190]

War, and the Turning of the Tide

Just as the Tableland farmers were emerging from the effects of the Depression, the world was plunged into war. Of all the agricultural industries on the Tableland, the dairy industry was possibly the most profoundly affected because of the huge increase in the civilian and

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[187] *TE &BVA*., 2 November 1935.

[188] *Ibid.,* 6 January 1939.

[189] *Ibid.,* 24 January 1939.

military populations, and the loss of available labour. War was declared on 3 September 1939, and on 4 September recruiting for volunteers from North Queensland began. Among the volunteers were men and women from dairy farms on the Tableland.

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Illustration 14: Tablelands men and women, World War Two.

Many young men and women from the Tablelands joined the armed forces when World War Two was declared.

Top: Jack Street and Eric Wooley in the Middle East; Sister Elaine Daley, A.A.N.S.

Bottom: Privates Alice and Peggy Hudson, A.W.A.S.

Source: Eacham Historical Society, *Millaa Millaa*, p. 51.

The immediate effect was a fall in butter production, which continued to diminish from that time.[191] A reduction in production occurred in all states, and coincided with the cessation of the Imperial Contract, which when renegotiated, set the export price at the same level as the previous contract. Cream pay for that year was set at 14d. per pound.[192] One of the difficulties for Australian negotiators was a fall in butter consumption in Britain, caused

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[190] *The National Insurance Bill* was not enacted, leading to the resignation of R.G.Menzies from the Lyons Government.

[191] ATCBA Ltd, Annual Reports, Table of Production 1914-1974.

[192] ATCBA Ltd , Annual Report, 9 July 1940.

partly by rationing, and partly by the substantial increase in the consumption of far cheaper margarine.[193] Therefore, Tablelands farmers were faced with labour shortages, no increase in the price of their product, and increasing difficulties caused by shortages of spare parts, wire, fertiliser and fuel. Added to their costs were amendments to the Queensland *Dairy Produce* Act, which required them to install and use a steam steriliser on any dairy using a milking machine. At a cost of ₤20, this was a significant investment, and a disincentive to the installation of milking machines.[194]

The impact of the war became even more noticeable after Japan attacked Pearl Harbour on 7 December 1941.[195] There was a steady build-up of both Australian and United States personnel on the Tablelands, with a similar buildup in Cairns.[196] On 6 October 1942, the 19th Field Ambulance arrived at Rocky Creek to prepare the camp area for what was to become a major Army Hospital.[197] At the end of December 1942, the Atherton Tablelands Base Area was established, with facilities for up to 70 000 troops, both Australian and American.[198] The demand for all food products, including dairy, began to increase substantially. By the end of October, Townsville was experiencing the demands created by the presence of military personnel, and 6000 gallons of milk per day were being sent from Malanda.[199] This demand began the change from butter production to whole milk production which continued to escalate throughout the war period. As Thera Hennessy recalled, 'When the Americans arrived, they wanted milk, and lots of it…'[200]

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[193] *Cairns Post,* 27 July 1940.

[194] *TE&BVA*., 28 May 1940.

[195] Neilsen, *Diary of WWII,* p. 9.

[196] Dr Darryl McIntyre, "'The Impact of World War II on the Atherton Tableland', Part One, p. 2. EHS Bulletin No. 218.

[197] Neilsen, *Diary of WWII*, p. 57.

[198] *Ibid*., p. 66.

[199] *Ibid.,* p. 60.

[200] EHS, D1165, 'Recollections of Thera Hennessey, 1910-1996', undated.

IMAGE REMOVED DUE TO COPYRIGHT RESTRICTIONS

Illustration 15: The Rocky Creek Army Hospital, 1943.
Source: Eacham Historical Society, *Remembering Rocky Creek WWII,* Tableland Printing Service, 2003.

The demands of a vastly increased population on the Tablelands not only meant that the operations of the farmers and factories had to change, but the Shire Councils had to maintain the roads to cope with daily pick-ups of fresh milk.[201] However, the Councils had difficulties of their own. Because many of the ratepayers, including the farmers, had not been able to pay their rates during the Depression, the Councils were short of funds, and had to go begging to the Queensland Government for assistance.[202] This was not forthcoming, and therefore the roads did not have the attention they required, particularly after thousands of Army trucks had been using them.

As local men and women left the Tablelands to join the Forces, or to work in munitions factories, the shortage of workers became critical. It was estimated that 35%-40% more of

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[201] *TE&BVA*, 14 January 1941.

[202] *Ibid.,* 14 January 1941; 24 November 1942.

the eligible Tablelands men had joined up when compared with the rest of Australia.[203] Young women, always the backbone of the dairy industry, also joined the Forces, leaving the very young, and the older people to cope as best they could. Clearing sales of cattle began to be advertised on a regular basis. In response the Director of Manpower exempted from call-up workers engaged in certain rural industries, including dairying, but the lure of big money in the city-based factories continued the drain on the rural work force.[204] In addition to the stresses involved in attempting to produce under extreme difficulties, and to cope with a vastly increased population, mainly young men, the people of the Tableland were also faced with the tragedy of losing their own sons. One of the first of the men from the Tablelands to be killed in action was Kelvin Croker, aged eighteen, the son of the chairman of the Malanda factory.[205] Many more were mourned during the course of the War.

IMAGE REMOVED DUE TO COPYRIGHT RESTRICTIONS

Illustration 16: General Macarthur visited Atherton during the war in the Pacific.
At that stage there were up to 60 000 troops encamped on the Tablelands.
Source: Australian War Memorial Negative Number 053296

[203] *TE&BVA*, 4 August 1942.

[204] *Ibid.,* 30 June 1942. Munitions workers were paid £10 per week and enjoyed regular hours. The conditions under which dairy farmers and workers toiled proved to be no competition for factory work.

[205] *TE&BVA,* 10 April 1941.

One of the difficulties facing the farmers was the continuing low price they were receiving for their product. In 1931, the cost of production of butter had been determined at 16d. per pound, based on the Basic Wage with no allowance for time worked beyond the forty-four hour week. The average price received by the farmers had been 12.35d. per pound during the eleven year period to 1940.[206] An application for a rise of 1d. per pound was rejected by the Commissioner of Prices on the grounds that 'there was war on', and that as the dairy men had set their own price previously, they should not ask for an increase now.[207] However, the demand for workers on the farms increased the pressure on the Government to review the awards for rural workers. Faced with the need to pay more for almost non-existent labour, many farmers turned to beef fattening as an alternative to dairying, which impacted on the quantities of milk and cream produced.[208] In 1943 the Dairy Award Wage was set at £4.16s.0d. per week,[209] which amounted to £250 per annum, more than two thirds of the average income of a Tablelands dairy farmer. Once again, the women and children were used to do the milking, as the Minister for Agriculture acknowledged when he stated that: 'The Queensland dairying industry is largely dependent on child and female labour. The exploitation of country mothers and children of tender years to provide dairy produce for the services and the civilian population cannot be too strongly condemned...'.[210]

The Commonwealth Government tried to solve the problem by allocating £2 000 000 to the dairy industry. The primary objective was to prop up the industry so that consumers could buy butter and cheese at less than the cost of production. The second objective was to pay for losses sustained through exports under the Imperial Contract.[211] This amounted to a subsidy of 1.43d. per pound, which when added to the price being received for butter fat was still under the 1931 bench mark cost of production,[212] and was an admission that dairy farmers and their unpaid family workers were exploited in the name of the war effort. The Federal Government did attempt to determine the cost of production of butter fat through a

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[206] *TE&BVA,* 28 August 1942.

[207] *Ibid.*

[208] *Ibid.*, 4 August 1942.

[209] *Cairns Post,* 10 June 1943.

[210] *Ibid.,* 21 April 1943.

[211] *Ibid.,* 11 December 1942.

[212] *Ibid.,* 20 October 1942.

nation- wide survey conducted by the Joint Dairying Industry Advisory Committee. For the first time the terms of reference included an allowance for farmer and family labour based on the Dairy Industry Award, with an allowance for time worked beyond fifty-six hours per week to be paid at the normal hourly rate.[213] The following Table 1 clearly shows that even with family labour factored into the cost of production, the prices received by dairymen on the Tablelands precluded actual payments for labour, family or otherwise.

Table 1: Cost of production vs Average cream pay

Year	U. K. Long-term Contract Price Pence per pound	Cost of Production Pence per pound	Average Cream Pay to Tableland Farmers Pence per pound
1939-40	14.7d	16.65	13.5
1940-41	14.7d	16.65	14.4
1941-42	14.7	16.65	14.8
1942-43	15.3	18.05	17.15
1943-44	15.3	19.3	18.75
1944-45	19.8	23.25	19.23
1945-46	19.8	23.25	24.0
1946-47	27.25	25.5	20.2
1948-49	31.27	29.5	25.3
1949-50	33.6	31.2	26.0
1950-51	36.4	33.3	28.5

Comparison between the United Kingdom Long-term Contract Price, the Cost of Production, and the average Cream Pay to Tableland Farmers.
Source: Adapted from statistics published in Ashton, *Dairy Farming in Australia*, pp. 23-40; and Annual Reports of the ATCDA Ltd. and MMCTCBA Ltd.

The war was the trigger for a centralisation of power from the State governments to the Commonwealth. *The National Security Act* (first enacted in 1939, but subject to

[213] Ashton (Ed.), *Dairy Farming in Australia*, p. 26.

amendments throughout the course of the war) enabled federal control over production, marketing, manpower, supply of essential materials, and almost every other aspect of farm life. Although the marketing powers were challenged in the High Court in *Andrews v. Howell*, the majority decision of the sitting judges held, Section 92 of the Constitution notwithstanding, that once a reasonable connection between economic and social organisation and the conduct of the War was demonstrated, then the measure was not one for judicial decision.[214] The resulting price control denied the dairy farmers access to a free market in a time of increasing demand. As Arthur Fadden pointed out, if the farmers had been allowed to take advantage of market forces during and immediately after the War, their returns would have been twice or three times the fixed price.[215] Once again, the Tableland farmers in particular were denied the opportunity to profit from the unique circumstances occasioned by the War, although the switch in production from butter manufacture to whole milk did provide a small measure of prosperity.

The factories, too, faced major challenges. The American Army demanded that milk be pasteurised before being supplied to their canteens.[216] This required conversion from the type of pasteurisation plant suitable for cream, to the more expensive type required for the pasteurisation of whole milk. However, the shortage of such machinery militated against factories upgrading, and the American Army was forced eventually to modify its demands. Transport was a formidable challenge. Fresh milk had to delivered to the consumer as quickly as possible, which meant that twice daily pick-ups had to be organised, so that the factories could pasteurise and cool the milk. It then had to be transported to Cairns, Townsville and the Army camps. All of this had to achieved within twenty-four hours. Spare parts for trucks were almost impossible to get, petrol was short, and the roads were bad.

The operations of the carters became absolutely critical. One carter remembers that on occasion, his truck was so badly bogged that it had to be pulled out by a bullock team.[217] His wife remembers that she always knew when he was coming home because his truck only had one light as the other one could not be replaced.[218] With ingenuity, adaptability,

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[214] Sawer, *Australian Federal Politics and Law 1929-1949,* p. 153.

[215] *Cairns Post,* 18 June 1948.

[216] *TE&BVA*, 19 June 1942.

[217] EHS, D1374, 'Memoirs of Jack Hennessey'.

[218] EHS, D1165, 'Memoirs of Thera Hennessey'.

and a willingness to work impossibly long hours, the farmers, carters and factory workers managed to deliver regular supplies of milk to their customers. However, by 1944, the Malanda Chamber of Commerce was sufficiently concerned about the future of the industry to write to the Minister and the Director of the Department of Agriculture and Stock pointing out that the decrease in productivity due to low yields from the declining fertility of the soils would result in the slow death of the industry within thirty years.[219] As well, buffalo fly infestations were causing such distress to stock that production was compromised.[220] The entire industry had to cope with reorganisation at a production and distribution level which was to change the profile of production for the next sixty years.

The far-sighted leaders of the industry realised that the future lay not in butter production, but in the diversification of their production to whole milk, with only excess milk manufactured into cheese and some butter. To achieve this, they had to convince the farmers that their best interests lay in the amalgamation of the factories, and allocations of markets.[221] This took some time. By the end of the war, the factories were cooperating in the allocation of markets for whole milk, although amalgamation of the three Associations was still some time away.[222] The switch to whole milk production during the War had been worth the struggle for the farmers. Average farm incomes almost doubled, and when supplies of building materials, tractors, wire and other farming essentials became available, many farmers took the opportunity to upgrade their facilities to the high standard required.[223] Better roads ensured that delivery from farm to factory was carried out smoothly, and delivery from factory to retail outlets was facilitated by the use of cans sent in insulated rail wagons.[224] Milking machines were installed on most of the farms, releasing farmers and their families from the drudgery of hand milking.[225] The introduction of the insecticide DDT to control buffalo fly infestations relieved milking herds of a source of

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[219] *TE&BVA*, 24 June 1944.

[220] *Tableland Examiner* (*TE)*, 9 February 1943.

[221] *Cairns Post,* 22 May 1945.

[222] Statham *Cows in the Vine Scrub*, pp. 218-224. For a complete history of the struggles of the dairy industry during the War, see Statham. It is beyond the scope of this study to go into such detail.

[223] Stewart, 'History of Dairying on the Atherton Tablelands', p. 7.

[224] *Ibid*.

[225] Personal communication, Henry Tranter, March 2005.

distress and increased yield per cow.[226] The War had proved to be the making of the Tableland dairying industry, but nationally, there were fresh challenges ahead.

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Illustration 17: Manufacturing butter at Millaa Millaa.
Source: Eacham Historical Society, *Millaa Millaa*, p. 24.

Post-War Diversification and Prosperity 1946-1959

The loss of the Local Producer Associations in 1939 had left the dairy farmers without effective political representation at an industry level. However, an independent State organisation was generated to replace the Associations. The Queensland Dairymen's Organisation (QDO) quickly became the lobbying vehicle for Queensland farmers, and it was adopted enthusiastically on the Tablelands, with branches formed in every dairying district. At the Annual Conference of the organisation at Millaa Millaa in 1945, delegates moved that the Federal Government provide stability to the industry by purchasing all

[226] *TE&BVA*, 23 September 1944.

butter produced at cost of production plus 4% profit for the period of the War, and for five years thereafter; and that the Government conduct a survey to discover the real cost of production. Until this occurred the price of butter to the producers should be not less than 2/- per pound.[227] This was revolutionary thinking on the part of the QDO. The concept of profit made from farmers' production had not hereto been considered. However, the Chifley Government was renegotiating the butter contract with Britain, and the farmers were doomed to disappointment.

The structure of the war time Commodity Boards had divested control of sales of produce to the Commonwealth Minister. It was his responsibility to negotiate sales for export without necessarily referring the price to the relevant Board for consideration.[228] In this way, the Government had been able to negotiate a price which was below the cost of production with Britain, but to enhance it with a subsidy, enabled by the *Dairying Industry Assistance Acts* of 1942 and 1943,[229] to the butter factories. After agreeing in 1948 to set up a Committee to establish the cost of production, and contrary to its recommendation of 25.5d. per pound of butter fat, the Government offered the farmers 24d. per pound for five years. This was justified on the grounds that the recommended price would have given the farmers 4.5% interest on equity, whereas the interest on Commonwealth bonds was 3.25%.[230] This, the Minister concluded, was generous, and guaranteed the stability of the industry. This view was challenged by the Country Party member Arthur Fadden, who pointed out that the small number of farms surveyed and their position as middle ranking producers, did not produce a correct assessment of the actual cost of production. He observed that no provision had been made for unpaid family labour, and that if this were to be taken into account, then 66% of Queensland farms would actually be running at a loss.[231] The Government agreed to review the price paid to farmers by increasing it according to rises in the Basic Wage, and to provide £250 000 annually for five years to

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[227] *TE,* 9 June 1945.

[228] *CPD*, *(H of R),* John McEwen, Debate on the *Meat and Dairy Produce Act*, Vol. 196, 11 March 1948, p. 550,

[229] Sawer, *Australian Federal Politics and Law 1929-1949*, p. 133.

[230] *CPD (H of R),* R.T. Pollard, Debate on the function of the Australian Dairy Board, Vol. 196, 12 March 1948, p. 6.

[231] *CPD (H of R)*, A. Fadden, Debate on Assistance to the Dairy Industry, Vol. 197, 15 November 1948, p. 2018,.

improve efficiency and increase output per farm.[232] As can be seen from Table 2, the Tableland farmers were paid below the official Cost of Production for every year of this period other than 1945-46.

This certainly did not encourage the Tableland industry to persevere with butter production after the War, as it had benefited to some degree by the switch to whole milk production, and the removal of price controls on whole milk in 1947. As can be seen from the following graphs (see Figs. 7 and 8), the downward trend of butter production was in inverse proportion to the production of whole milk for the following twelve years. However, the number of suppliers to the Malanda and Millaa Millaa factories declined overall by about 100 during this period. These farmers were mainly from the marginal areas around Danbulla who had continued to supply cream for butter during and immediately after the war. This area was completely flooded by the Tinaroo Dam from the end of the 1950s.[233]

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[232] *CPD (H of R),* Mr Barnard, Assistance to the Dairy Industry, Vol.197, 23 December 1948, p. 1849.

[233] EHS, D1063, Ray Byrnes, 'Danbulla, the Birth, Life and Death of a Small Rural Community"' unpublished and undated manuscript.

Butter Production 1948-1961

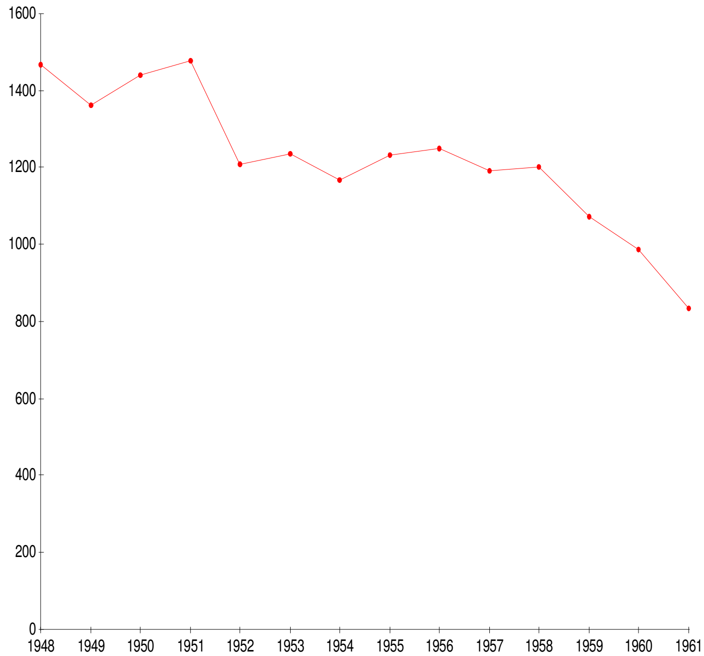

Fig. 7: Butter production (tons) 1948-1961.

Source: Table of production ATCDA Ltd.

Milk Production 1948-1961

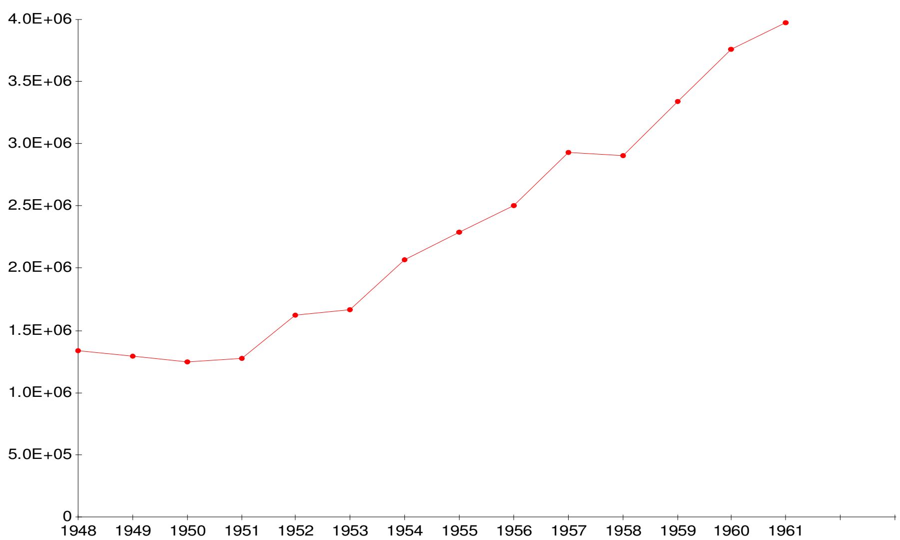

Fig. 8: Milk production (gallons) 1948-1961.

Source: ATCDA, Table of Production 1974.

As milk production increased across the State, tensions arose because of differential pricing of whole milk in the various districts, and particularly price cutting in the Brisbane market. The QDO advocated uniform prices based on the cost of production throughout the State to eliminate competition within the industry.[234] For farmers who had been producing milk and butter according to the principles of cooperation for fifty years, the concept of competition was foreign and alarming. The fact that any calculation of cost of production inevitably advantaged the larger production units at the expense of smaller farms situated at a distance from markets appeared to be beyond their understanding. However, as far as the Tablelands were concerned, the distance from the Brisbane markets was an advantage. The population of the north of the State could be supplied more cheaply from Malanda farms than it could be from the more efficient areas in the south because of the costs of transport. As long as the costs of transport to the north were greater than the differential costs of production in the south, the dairy farmers of the Tablelands had access to a guaranteed and expanding market. In order to maintain market advantage in whole milk production the Tablelands industry had to continue to achieve efficiencies in every area of production, manufacture, marketing, and transport systems. Fortunately, the industry had within its ranks people who were capable of such foresight, and who were able to carry the day with the rank and file of the farmers.

In 1949 the Chifley Government was defeated and the Liberal-Country Party under Menzies formed the Government. John McEwen, as Minister for Agriculture, and later, Commerce and Trade, immediately moved to improve the lot of the dairy farmers. He granted a price increase of 2.5d. per pound for butter fat plus a further subsidy of 3d. per pound, and flagged the concept of a 'reasonable profit' for farmers.[235] Later that year, butter rationing and the ban on the sale of cream were lifted. The Government commenced the Free Milk Scheme for school children in 1953 under the National Health

[234] *Cairns Post*, 26 June 1948.

[235] *CPD (H of R),* J. McEwen, Joint Dairy Industry Advisory Committee, Vol. 206, 1950, p. 97.

Scheme.[236] At the same time, the British Government increased the ration of butter in Britain from 4 ounces per person per week to 5 ounces,[237] which gave Australian producers further access to the British market. However, alarm bells started ringing for the QDO when the Commonwealth suggested that it leave the cost finding and price fixing function to an appointed tribunal.[238] The QDO feared that such a tribunal would provide a barrier between the producers and the government. Of course, the QDO was right. It was to the advantage of the Government to delegate the responsibility for pricing to a third party to avoid being held accountable by consumers and producers.

On the Atherton Tablelands the industry quietly went about diversifying and refining the product base. Transport became more efficient with the introduction of bulk milk deliveries into Cairns, and by 1951 the Norgate Transport Company was moving a total of 665 000 gallons of milk to Townsville per annum.[239] The Cooperative factories extended their services to provide retail hardware outlets with substantial rebates to the shareholders.[240] The three factories, through the combined marketing federation, now sold all their butter under the 'Sunbeam' brand. Further steps towards amalgamating the operations of the three factories were resisted for some time by the farmers, but eventually the benefits of economies of scale plus tanker pick-ups and deliveries, improved roads, and the wide-scale use of refrigeration convinced them that it was the only sensible option. In 1952 there were seventy-five suppliers to the Ravenshoe factory, but these declined over the next few years as the farmers turned to beef production and vegetable growing. By 1955 there were fifty-eight suppliers and the factory was fast becoming unviable.[241] After much heated discussion it was eventually decided to join with the ATCDA. At the end of 1957, the factory at Ravenshoe closed, and the remaining thirty farmers transferred their milk supply to the Malanda factory.

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[236] *CPD (H of R)*, J. McEwen, National Health Scheme, Vol. 207, 1950, p. 3071; Vol. 208 , 1950, p. 3712.

[237] *CPD (H of R)*, J. McEwen, Vol. 207, 1950, p. 3071.

[238] *Cairns Post,* 4 September 1950.

[239] Stewart, 'Dairying on the Atherton Tablelands', p. 8.

[240] *The Tablelander,* 3 November 1954.

[241] *Ibid.,* 9 November 1955.

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Illustration 18: Bulk milk tanker.

Source: Eacham Historical Society, *Millaa Millaa,* p. 27.

Millaa Millaa farmers continued to support their own Association, and extended their milk market into Darwin. The Millaa Millaa Cooperative purchased the government- owned Silkwood factory, previously supplied from the Palmerston area, and closed it down. Processed milk was sent to expanded facilities in Innisfail. This, and the Free Milk Scheme increased sales of whole milk. Whole milk values outstripped those of butter production for the first time in 1958.[242] The Boards of the Cooperatives, through the QDO, began to lobby the Queensland Government for an increase in the price of milk. The States had assumed the price fixing function of the Federal Prices Commissioner in 1947, and the price of Tablelands milk was fixed at 4d lower than the southern price on the grounds that the transport of the product to the consumer cost less than it did for southern producers.[243] This was a peculiar determination on the part of the government, as it was obvious that it had not taken into account the higher transport costs of farm inputs, most of which had to be sourced from the south. The election of local farmer Charles English as the ALP Member for Mulgrave in 1953 gave a voice in government to the dairymen, and by the end of the year, the price of milk at farmgate had been increased to 34d. per gallon.[244]

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[242] Stewart, 'Dairying on the Atherton Tablelands', p. 9.

[243] *The Tablelander*, 25 June 1953.

[244] *Ibid.,* 8 October 1953.

Another blow to butter production occurred in 1954 when the Queensland Government lifted the quotas imposed on margarine manufacturers. This was interpreted as a direct injustice to dairy farmers who could not compete with ‘Importation of oils produced by cheap labour to the north of Australia’ as the President of the QDO, Otto Madsen, claimed. ‘Without the subsidy of 10.75d per pound [from the Commonwealth Government], consumers could not afford butter, and margarine was the alternative.’[245] Tied to price fixing at under the cost of production, the farmers had no control over escalating costs or the price they could command for their product.

However, the general improvement in the Australian economy resulted in an increasing demand for butter, and all Tablelands butter could now be sold on the domestic market.[246] Since McEwen had insisted that factories pass on the full subsidy to producers, many of the farmers began to feel more secure and were prepared to invest in better dairies and facilities. As the Chairman of the ATCBA Ltd remarked at the Annual General Meeting, ‘If we can maintain the present level of stability we will be doing very well’.[247] The average annual payment to farmers was £1128, including subsidies.[248] The shareholders of the Associations were also receiving a 5% dividend from the profits made by the factories and benefiting from the rebates offered by the retail outlets.

Tablelands farmers were relatively insulated from the world market. Butter exported to the United Kingdom was selling for less than the contract price of 392s 6d. per hundred weight, and in Queensland overall the number of farmers fell by 400 in 1955. Tableland milk had an expanded local market, north and west of Townsville, as far as Darwin. Competition from margarine was growing, but the butter produced on the Tableland was of such quality that the demand in the north was greater than the supply. However, the farmers were not about to rest on their laurels. The old problem of diminishing productivity could at last be addressed. Pasture Improvement Committees were formed in all of the Tableland districts, and trials of pasture grasses and legumes were conducted with regular

[245] *The Tablelander,* 20 May 1954.
[246] *Ibid.,* 20 October 1954.
[247] *Ibid.,* 6 October 1954.
[248] *Ibid.,* 3 November 1954.

field days.[249] Committees to promote artificial insemination were formed in 1958. Later, a qualified inseminator was employed, and Friesian and Guernsey semen was brought to the Tablelands from studs in New South Wales.[250] The North Queensland Dairy Extension Advisory Committee's survey conducted in 1959 found that more farmers were adopting seasonal calving, sire control, record keeping and supplementary feeding, and in consequence, achieving higher levels of production.[251]

The Associations were also looking to position themselves to the best advantage for future population growth. A report commissioned in 1957 recommended that the Malanda factory process all the milk and cream produced on the Tablelands, and that the factory at Millaa Millaa close. It also recommended that marketing expand into areas not fully exploited to prevent entry by southern suppliers. Milk in excess of whole milk requirements should be converted into cheese to supply the local market.[252]These recommendations would place the Tablelands farmers and factories in a virtual monopoly position for the supply of milk, cream, butter and cheese in the northern markets. If all production could be sold on the domestic market, under such conditions, the exigencies of the export market with its associated framework of equalisation, subsidies, controls and inspections could be avoided. The recommendations were ultimately accepted by the shareholders of all of the Associations, and the Tablelands dairy industry was at last in a position to experience a measure of prosperity and stability. The peripheral position of the industry, both geographic and economic, was now working in its favour.

Conclusion

The first sixty years of the Atherton Tableland dairy industry were characterised first by the traditional pioneering developmental phase of all Australian agricultural industries, and second by the establishment phase, which due to circumstances of global economics and

[249] EHS, Minute Book of the Millaa Millaa Pasture Improvement Committee, 8 December 1955; and 8 March 1956.

[250] EHS, D346, Minutes of General Meeting of dairymen, Malanda, 14 April 1958; and 23 May 1958.

[251] *QPP,* Annual Report of the Department of Agriculture and Stock, Dairying Division, Vol. 2, Part 2, 1958-59, p. 24.

[252] EHS, D124, 'A Survey of the Dairying Industry on the Tablelands', North Queensland Cooperative Dairy Produce Marketing Federation Limited, Malanda, 1956.

World Wars, was not completed until the end of the 1950s. In terms of the environment, it was expensive and wasteful of the vast timber resources that existed for thousands of years before white settlement. For the people, first the Aboriginal population, then the settlers, the developmental phase was both tragic and extraordinarily difficult. The combination of the drive to settle the north and distance from markets resulted in the exploitation of human labour, adult and child, in the name of xenophobia officially enacted in the ‘White Australia Policy’. Had it not been for this, with the continuing demand for the settlement of the north of Australia, successive governments may not have seen the need to open vast tracts of land covered with virgin rainforest, to develop an industry for which there was, initially, a limited market. Lingering notions of obligation to support Britain, sentimentally referred to as “Home” in some circles, led to further exploitation in the form of contracts which tied the farmers to markets which paid less for their butter and cheese than it cost them to produce.

Had it not been for the advent of World War Two, the Tablelands industry may have been mired in the export markets for butter and cheese for far longer. It was only the foresight and opportunism of the leaders of the industry which enabled it to take advantage of the whole milk trade, and ultimately to confine butter and cheese production to the demands of the local population. Advances in technology, combined with scientific farming methods enabled farmers to optimise efficiency so that profits were within their grasp. The Tableland dairy industry provides a case study of an agricultural industry, in a geographically and economically peripheral area, which was able to turn these factors to advantage in spite of adverse global conditions and government policies which forced the entire industry into a position of over-supply for the available markets.

Chapter Five: The Tobacco Industry 1929-1960

Case Study Three

Introduction

Tobacco growing in the Mareeba/Dimbulah district of Far North Queensland had a life of 75 years. The industry's beginning came from a confluence of government policy to settle the North with self-sufficient farmers, and the needs of tobacco manufacturers who were looking for an alternative to imported tobacco. Its gestation period from 1928 to 1931 was a time of intense investigation to establish the most appropriate soils and conditions for its cultivation. By the time it began in 1931, tobacco was hailed as the wonder crop that would populate the North, and establish it as an El Dorado attracting settlers from all over Australia.

Commonwealth and State governments acted within their jurisdictions to encourage new farmers to grow tobacco, and the principal manufacturer, the British American Tobacco Company (BATC), contributed large sums of money for ongoing research. Men, many of them with no experience of farming, and their families took up land and started the back-breaking work of clearing it by hand, building the necessary infrastructure, and planting their first crop. The Commonwealth Government used its powers to impose tariffs and an excise to encourage the manufacturers to buy the locally produced tobacco, whilst the manufacturers manipulated the issue of quality embedded in the complex grades and prices schedule to minimise prices to the growers and maximise rebates on tariffs.

Tobacco did not prove the answer to anyone's needs. Many farmers were forced to walk away from their investments, and those who stuck it out through sheer desperation or pig-headedness, did not see any real returns on their financial, physical or emotional investment for many years. They struggled through the Depression and World War Two. They fought the manufacturers and various governments through the economic booms of the 1950s and 1960s. It was not until 1965 that some measure of stability and financial rewards were achieved.

This chapter traces the history of the journey to the complete regulation of the Australian tobacco industry, using the North Queensland experience as an example. It is important to the study because an understanding of the regulatory process will provide insights into the operational principles used by governments when implementing policy for an industry established for import replacement

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The literature dealing specifically with the history of tobacco growing in North Queensland is confined to one Honours thesis by Elizabeth Manning,[1] written in 1996, and Edgar Short's autobiography.[2] In her thesis, Manning relates its social history, but does not address the essential political and economic issues which drove the industry. However, her work is important as a record of the people and their struggle to improve their lives. Short, on the other hand, relates his own turbulent history within the industry, and thus sheds light on some of the more interesting political aspects. Another work which is a guide to the growing of tobacco in the general sense was Tonnelo and Gilbert's *Tobacco Growing in North Queensland.*[3]

On a general level, the literature dealing with the global tobacco trade is vast, but Ian Tyrrell's *Deadly Enemies: Tobacco and its Opponents in Australia* was particularly helpful in establishing an understanding of the early history of Australian tobacco growing and its opponents. Akehurst,[4] in his seminal work on the world tobacco growing industry provides an overview of the global industry. However, works specifically tracing the regulatory process of the industry proved difficult to discover. Therefore, most of the information for this study was gleaned from primary material sourced from the records of Queensland Tobacco Marketing (QTM), The North Queensland Tobacco Growers' Cooperative Association Limited (NQTGCA), private correspondence and diaries, government reports and archives, newspapers and interviews with industry leaders, both past and present, and politicians who were active participants in both the regulatory and deregulatory process.

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[1] Elizabeth Manning, The Gambler's Crop, Bachelor of Arts, (Hons), James Cook University, 1993.

[2] E.H. Short, *My Affair with Tobacco,* E.H. Short, Dimbulah, undated.

[3] P.E.A.Tonello and E.J.Gilbert, *Tobacco Growing in Australia*, Queensland Department of Primary Industries, Regional Series RQM90002, Mareeba, 1990.

[4] B.C. Akehurst, *Tobacco,* Longmans, London, 1968.

Historical Context

Tobacco is one of the most wide-spread and widely used narcotics in the world. Although there are over fifty species of tobacco, only one, *Nicotiana tabacum*, not now found in the wild, has been consistently cultivated since its use was introduced into Europe in the late fifteenth century.[5] It belongs to the family *Solanaceae,* one of the largest in the natural world, and which includes potatoes, tomatoes, capsicum and deadly nightshade. The alkaloid, nicotine, is the most important nitrogenous compound in tobacco and in the smoke. It is the nicotine which is addictive and which produces the physiological changes in the body.[6] Tobacco is one of the most difficult crops to grow, and has specific agronomic requirements. Production of good quality tobacco needs sandy, well drained soil which is low in organic matter. It also needs high humidity during the growing season, with an annual rainfall of about 35 inches.[7] Although bad tobacco may be produced almost anywhere, the specific requirements of good quality leaf, acceptable to smokers, dictates that most commercial production was confined to the southern states of America, Brazil, parts of the Mediterranean area, southern China, northern Africa, and in Australia, the tropical highlands of North Queensland and parts of Victoria.

The tobacco growing industry in Australia must be seen in the context of a global industry dominated by a few multi-national companies, and regarded by successive governments as both an import substitution crop and a revenue raising opportunity. The Australian industry grew out of the demand for tobacco products by the early settlers, and to some extent, Aborigines. It arrived in Australia with the First Fleet, the members of which came from a society in which tobacco use, and the taxing of it, was well established.[8] Aborigines had been chewing the leaves of a native variety for the nicotine effect long before white settlement, and they readily took to chewing and smoking the cured leaf of *Nicotiana tabacum* introduced with white settlement.[9] Tobacco quickly became one of a number of

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[5] B.C. Akehurst, *Tobacco,* Longmans, London, 1968, p. 14.

[6] Jordan Goodman, *Tobacco in History, The culture of dependence*, Routledge, London, 1993, pp. 3-4.

[7] Tonello and Gilbert, *Tobacco Growing in Australia*, pp. 1-4.

[8] Ian Tyrrell*, Deadly Enemies, Tobacco and its opponents in Australia*, UNSW Press, Sydney, 1999, p. 4.

[9] *Ibid.,* p.8.

de facto currencies of the colony, and it was included in rations issued to members of the settlement.[10] Women also used tobacco, the lower orders in pipes, and more genteel ladies in the form of snuff.[11] Tobacco use throughout the colony was endemic, and most men and some women took comfort from their pipes and snuff boxes.

The difficulty in maintaining regular supplies of tobacco from Brazil and America led the colonial authorities to experiment with local production although it was not until the mid-nineteenth century that appreciable quantities of usable leaf were produced. However, the growing of tobacco in Australia was always torn between the dualism of small production on small farms[12] by farmers forced into peasantry, and large manufacturing enterprises with political influence. It was this dualism which had the most profound effect on the industry in Australia, and specifically on the tobacco growing industry of the Atherton Tablelands. Although tobacco was one of the first crops grown in the new settlement, it was accepted by the population only in times of a shortage of the imported product when it was able to attract prices of up to 10s. per pound.[13] Difficulties associated with unsuitable soils, infestations of pests, and inappropriate cultivation made the local crop unattractive to farmers and consumers alike.[14] The reduction of duty on imported tobacco from 4s. per pound to 1s. per pound in 1825 made the use of the inferior local leaf even less preferable to the American and Brazilian product.[15]

The discovery of gold led to an influx of miners who demanded tobacco as one of the few luxuries available in their harsh life at the diggings. However, supplies were often inadequate, and some miners began growing a few plants for their own consumption.[16] The American Civil War interrupted imports of tobacco for a little time, and this enabled the

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[10] T. Muir, 'Tobacco in Early Australia', *Australian Tobacco Growers' Journal*, (ATGJ), No. 15, 1969.

[11] Tyrrell, *Deadly Enemies*, p. 6.

[12] The Parliament of the Commonwealth of Australia, *Report of the Select Committee on the Tobacco Growing Industry in Australia*, Government Printer, Canberra, 1 July 1930, p. xxxix.

[13] T. Muir, 'Tobacco in Early Australia—Part 2,' *ATGJ,* No.16, 1969.

[14] *Ibid.*

[15] *Ibid.*

[16] Tyrrell, *Deadly Enemies*, p. 12.

Australian industry to establish itself in many districts, although locally produced leaf did not equate to the quality of leaf imported from the Americas.[17]

Development of the North Queensland Tobacco Growing Industry

In North Queensland there were experimental plantings in the Lower Herbert district in 1872-3[18], and there is evidence that Chinese miners also grew tobacco.[19] In 1905-6 there were 933 acres under cultivation of tobacco in Queensland, but this gradually declined until 1926, when only 96 acres were planted. By 1927, the main tobacco growing area in Queensland was Texas in southern Queensland where the growers were mainly Chinese who worked on a share-farming basis for white land-holders.[20] Most of this was used for pipe tobacco, although a small amount of cigar leaf was produced in the Bowen area, and other pockets of land, in North Queensland prior to 1900.[21] Although the Australian production of tobacco leaf was less than 2 000 000 lb in 1929, the total requirement was 23 000 000 lbs per annum. The Tariff Board reported in 1932 that 'It is, of course, highly desirable that as much of the leaf required for the manufacture in Australia of tobacco for smoking should be produced locally.'[22] Added to this was the Queensland Government's policy of closer settlement which sought to accelerate the development of the northern areas of the State through the *Lands Amendment Act of 1927*.[23]

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[17] Bolton, *A Thousand Miles Away,* p. 74.

[18] *Ibid.*

[19] Parliament of the Commonwealth of Australia (PCA),. *Report of the Select Committee on the Tobacco Growing Industry in Australia*, Q. 3146.

May, *Topsawyers,* pp. 21, 127. T.V.Gilmore, one of the pioneer tobacco growers in the Mareeba area, was able to gather seeds of tobacco plants growing in abandoned Chinese gardens in Irvinebank and Herberton, in 1949.

[20] Author unknown, 'History of Tobacco Production in Queensland', pamphlett printed by G.H.O'Donnell, Mareeba, undated. Gilmore Family Papers.

[21] The Government of Queensland, *Our First Half-Century*, p. 123.

[22] PCA, *Tariff Board's Report and Recommendation on Tobacco,* Government Printer, Canberra, February 1932, p. 6.

[23] Bernays, *Queensland- Our Seventh Political Decade, 1920-1930,* p. 184.

The tobacco growing industry had long attracted people with little capital but with a tremendous will to work hard. The Chinese in Texas (Queensland) were a case in point. In the Mareeba/Dimbulah district, many of the farms abandoned by the first wave of settlers were taken over by Italian and other southern European immigrants, many of whom had left Europe in the early 1920s seeking a stable life with more opportunities for their families. They were prepared to use their own work as capital, to improvise, do without, and live in dreadful conditions if they could see a future which was better than they could expect in Europe.

There was also a presence in the tobacco growing industry which had, and was to have, a continued influence on the development and decline of the industry in the Mareeba district. It was the British American Tobacco Company (BATC).[24] By 1903, the BATC had absorbed virtually all of the small manufacturers of tobacco products, and was, in 1929, '...able to control practically the whole of the tobacco trade in Australia'.[25] The company made a substantial contribution to the Australian Tobacco Investigation, set up by the Commonwealth and State Governments, which established an experimental farm near Mareeba in 1927. Its brief was to investigate the production of a light and bright type of flue-cured tobacco.[26] This type of tobacco was more in tune with the emerging taste for manufactured cigarettes rather than the heavy and dark air-cured varieties used in plug and pipe tobacco. The company claimed that the unavailability of suitable locally grown tobacco accounted for the decline of Australian grown tobacco in manufacture from 13.79% in 1915-16 to 5.11% in 1928-29, in spite of an increase in demand of 6.5 m. pounds.[27] The projected increase of protection for American tobacco growers through the

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[24] For reasons which will become obvious, this Company was universally known in the industry as 'The bloody BAT'.

[25] PCA*, Report of the Select Committee on Tobacco Growing,* p. xliii.

[26] Air-cured tobacco was hung up in a dry airy place and left for some months until it had dried out. The flue-curing of tobacco leaf requires more skill on the part of the farmer, as well as an investment in a drying kiln which has to be built to certain specifications. While the tobacco is in the process of being cured, it has to be watched constantly to maintain the correct degrees of temperature and humidity. Badly cured leaf is practically unsaleable.

[27] PCA, *Report of the Select Committe on Tobacco Growing*, p. xliv.

application of *The Agricultural Adjustment Act of 1933*,[28] which effectively would transfer profits from the manufacturers of tobacco products to the growers of tobacco[29] was an incentive for the company to encourage the production of Australian tobacco.

Therefore, the combination of State government policy on closer settlement, the requirement of the Tariff Board to ensure that as much locally grown product as possible was used by Australian consumers, and the needs of the monopoly manufacturer, meant that the time was right for the development of large-scale tobacco growing. Research showed that the Mareeba district was ideal and by 1932-33, 800 farms on 5 600 acres of Crown Land around Mareeba had been opened for selection,[30] twenty-five of them set aside for the transfer of the poverty-stricken soldier settler maize farmers from the Atherton area.[31]

Although there was legislation in place to give some protection to the farmers,[32] they chose not to take advantage of it until the entire industry was almost on its knees in 1948. The growing industry was protected by the Commonwealth from imported tobacco by a tariff of 2s. per pound from 1921-28. The tariff was then raised, in a series of incremental steps, to 5s. 2d. in 1932 which ensured a return to Australian tobacco growers of 3s. per pound. These increases in prices caused an increase in acreage planted to tobacco from 3 500 acres in 1930-31 to approximately 25 000 acres Australia wide in 1932.[33] At the same time, prices for wool and wheat declined markedly, and many of those farmers turned to

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[28] *The Agricultural Adjustment Act,* May 1933, 73 Congress, Public No.10, Congress of the United States of America.

[29] Harold B. Rowe, *Tobacco under the AAA,* The Brookings Institute, Washington D.C., 1935, p. 247,

[30] Industry Commission, *The Tobacco Growing and Manufacturing Industries* Report No. 39, AGPS, June 1994, p. 6.

[31] *Tableland Examiner*, 25 July 1931.

[32] The Queensland Government enacted *The Primary Producers' Cooperative and Marketing Acts* in 1926. Under the provisions of this Act, farmers could have their product declared a 'commodity', and therefore be subject to compulsory acquisition by a duly constituted Marketing Board with powers to sell the product on behalf of the growers.

[33] PCA, *Tariff Board's Recommendations on Tobacco*, 1932, p. 5.

tobacco cultivation as an alternative. However, much of the land used was unsuitable, and crops were of poor quality.

The Select Committee on the Tobacco Growing Industry in Australia found that growers could make a living from 2s. per pound of leaf produced, and recommended that the tariff be reduced to 3s. per pound.[34] In 1932, the Tariff Board, acting on the findings, lifted the embargo on the amount of tobacco which manufacturers could import. This was done deliberately to curtail the rapid expansion of local production, particularly in unsuitable areas. The strategy worked, and many farmers were unable to sell the greater proportion of their crops in 1932.[35] The failure of the 1932 crop in the Mareeba area was compounded by an infestation of a disease known as 'frog eye leaf spot' (*Cercospore nicotianae*) which had the effect of killing leaf tissue and making the tobacco unusable and unsaleable.[36] Many tobacco farmers were forced off their land and the industry almost died, practically at birth.

The Queensland Minister for Agriculture and Stock protested at the action by the Tariff Board, and also instituted the *Tobacco Industry Protection Bill* 1933 under which the Department of Agriculture and Stock produced and provided to growers, at a subsidised rate, pure tobacco seed in an attempt to control fungal infestations which were thought to be carried in the seed.[37] However, worthy as this initiative was, it did not help the farmers who were faced with losing their investments which averaged £360 each. In the middle of the Depression, with very little prospect of employment elsewhere, their plight was indeed pitiful. After representations by the Queensland Minister for Agriculture, the farmers were able to access sustenance payments at 75% of that given to other workers. This was increased to the general rate of £1 per week for a single man, and £1.10s for a married man after vigorous protests from the local Member of Parliament, J.C. Kenny.[38]

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[34] PCA, *Tariff Board's Recommendations on Tobacco*, 1932, p. 18.

[35] *Northern Herald,* 16 February 1933.

[36] Short, *My Affair with Tobacco*, p. 2.

[37] D.J.Murphy, 'Agriculture:1932-57' , in Murphy, Joyce and Hughes, (Eds.), *Labor in Power*, p. 201.

[38] *Northern Herald,* 9 June 1934.

In 1932 the Commonwealth instituted a Committee of Inquiry which was to report on the costs of production in the tobacco growing areas of North Queensland; the reasons for excess costs of production (if any) over the normal costs of efficient production; the allegations that the tobacco manufacturers were paying unfair prices for good leaf; and the obstacles to the efficient production of tobacco in North Queensland.[39] The Committee estimated that the cost of production of tobacco from seed to sale was £61 per acre for a ten acre crop, or 2s. 2½d. per pound.[40] A previous Inquiry in 1930 had found that the cost of production would be £35 per acre with clearing costs of perhaps £7 per acre for the first year.[41] The Committee also found that the estimates for the cost of establishing a tobacco farm had been severely underestimated, and the debt level of many of the farmers was a major contributing factor to their distress.[42] Therefore, most new farmers had had to invest far more than they had expected, in most cases with borrowed money, and had received far less than they had anticipated for their crop.

Fungus infections such as Frog's Eye Spot and Blue Mould (*Peronospora tabacina*); nematodes (*Heterodera marioi*), cut worms (*Euxoa radians*); bud worm (*Heliothis armigera*.); leaf miner (*Gnorimoschema operculella*); green loopers (*Phytometra argentifera* and *chalites*); and stem borer (*Gnorimoschema heliopa*),[43] can all cause a dramatic drop in the quality of cured leaf. Resulting crop losses were a significant factor in the collapse of the infant industry.[44] The Committee also found that the charge against the BATC was unfounded, although it did note that more than 1 000 bales of tobacco were left unsold. However, it also found that Mareeba farmers had produced a higher proportion of high quality leaf than anywhere else in Australia.[45]

Many of the farmers abandoned their farms and sought work elsewhere. For instance, Tom, John and Joseph Gilmore had bought a farm on Emerald Creek in 1931. The farm

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[39] PCA, *Report of the Tobacco Inquiry Committee 1933*, CGP, Canberra, 1933, p. 3.

[40] *Ibid*., p. 19.

[41] PCA*, Report of the Select Committee on the Tobacco Growing Industry, 1930*, p. 191.

[42] PCA, *Report of the Tobacco Inquiry Committee 1933*, p. 43.

[43] The Department of Agriculture and Stock, *The Queensland Agricultural and Pastoral Handbook,* Vol. iii, Government Printer, Brisbane, 1951, pp. 324-330.

[44] PCA, *Report of the Tobacco Inquiry Committee 1933,* p. 15.

[45] *Ibid*., p. 45-6.

had previously been Crown land, and was auctioned by the State Government as part of the tobacco growing scheme. They paid £1240 for it,[46] in the belief that it would provide them with a good income, but found that the farm could not support three, so Tom took over the debt on the farm. He then left the farm and returned to his job as an ambulance bearer in Gordonvale to accumulate enough capital to grow another crop.[47] The Mullins family who had transferred to a tobacco farm in Dimbulah from a Soldier Settler maize block at Tolga found conditions worse and the children of the family suffered dreadfully.[48] Other farmers simply accepted their losses and walked off. All who remained faced great hardship and poverty. The wife of a farmer in the Dimbulah area died from the effects of malnutrition,[49] and the wife of another farmer, pregnant with her third child, was forced to have her baby adopted out because the family could not afford another mouth to feed.[50] A letter to the Editor of the *Northern Herald* from a woman on a Dimbulah farm paints a picture of poverty, poor living conditions, inadequate diet, and dependence on welfare.[51] Many hungry families in that area owed their lives to the generosity of the mailman, Bill Hambling, who would quietly leave a box of groceries on doorsteps when they were most needed.[52]

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Illustration 19: Tobacco barns and sheds built in 1932, Emerald Creek, Mareeba.
Source: Gilmore family collection.

[46] Personal communication with Tom Gilmore (Snr), 1992.

[47] *Ibid.*

[48] Interview with Vince Mullins, June 2002.

[49] Personal communication with Tom Gilmore (Snr), 1992.

[50] Personal communication with Mrs. (name with-held), Brisbane, sister of the adopted child, July, 1998.

[51] *Northern Herald,* 6 October 1934.

[52] Short, *My Affair with Tobacco*, p. 52.

The desperation of those pioneers engendered a long-lived distrust of the manufacturers, a distrust which would ultimately lead to the selling of the crop being organised by a central Marketing Board so that the growers would have some control over their produce. The farmers also had to learn the hard lesson that they were not only at the mercy of the buyers, but that their crop was a pawn in the global tobacco trade, and as such, was subject to manipulation by government and the multi-national manufacturers. It was also regarded as a potent source of government revenue when more money could be generated from excise than from tariffs which may have assisted the Australian farmers. From 1933, the lines of conflict were drawn between the farmers, the manufacturers, and the Commonwealth Government, with various State Governments playing their parts as the industry waxed and waned, until the manufacturers delivered the *coup de grace* in 2001. The farmers truly were little Davids pitted against the Goliath of multi-national companies which naturally acted in their own commercial interests, and governments seized with sometimes conflicting ideologies, all having huge impacts on the fortunes of the industry.

The Beginning of Cooperation

The farmers quickly realised that the only way they could deal with the multitude of threats to their livelihoods was by banding together to present a united voice to government. The Northern Tobacco Growers' Association (The Association), and the Dimbulah Tobacco Growers' Association were formed, and sought registration under the provisions of Section 30 of *The Primary Producers' Organisation and Marketing Act*s in 1932.[53] According to *The Australian Tobacco Growers Journal* there were many Growers' Associations at that time, extending from south of Brisbane to Bowen.[54] One of the proposed powers of the Association was to 'effect the stabilisation of the price of tobacco for the purpose of ensuring to the grower a fair return for his labour and capital investment.'[55] This was to be the aim of the farmers throughout the history of the industry. The Association set up retail

[53] *Northern Herald*, 9 July 1932.

[54] *The Australian Tobacco Growers Journal*, Vol. 1, No. 12, November 1932.

[55] *Ibid.*

outlets to sell farming requisites to its members, and also set up a grading and distribution operation in opposition to the private companies providing this service.

The grading of the cured leaf was sometimes contentious, because the buyers, although using only fifteen grades of leaf in manufacture, demanded more and more fine divisions of grades of leaf presented on the sales floors until the total reached almost 150.[56] This was regarded by the farmers as a ploy to depress the prices paid, because the fine gradations between leaf positions on the plant demanded by the buyers were purely subjective, and well and truly open to contestation.[57] The centralised grading initiative of the Association saved the farmers ¾d. per pound on the cost of grading the leaf, which was reduced to 2¾d. per pound.[58] The Association was also able to lodge a successful objection to a proposal to place tobacco graders under the Tobacco Manufacturers Award.[59] These provisions would have added to the cost burdens of the farmers,[60] because the time taken to divide leaf into as many as 150 grades was much longer than that taken to divide the leaf into fifteen grades, as was done in the factories. In time, grading was to be taken over by the farmers and their wives, with some paid supervised labour, and proved more satisfactory than the central grading arrangements previously used.[61]

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[56] Short, *My Affair with Tobacco*, p. 176.

[57] Leaf position on the tobacco plant determines its quality and therefore value. The bottom leaves are generally small and papery, and are known as 'lugs'. The next leaves up the plant were the most valuable and are known as 'cutters'. The next position has 'leaf' and the 'tips' are generally dark and heavy. The leaves are graded into these four positional classifications, and then sorted into grades of quality depending on texture, colour and, to some degree, aroma. Therefore, a grade schedule of 150 requires great experience and skill to detect the fine differences between leaf.

[58] *Northern Herald,* 14 November 1936.

[59] *Ibid.*, 14 January 1933.

[60] *Ibid.* See also *Queensland Industrial Gazette,* Tobacco Manufacturing and Grading Award, Vol. 17, 24 December 1932, pp. 468-470.

[61] *Northern Herald,* 2 July 1934.

IMAGE REMOVED DUE TO COPYRIGHT RESTRICTIONS

Illustration 20: Mature tobacco plant showing plant position of leaves.
Source: Gilmore family collection.

The crop of 1934 was a reasonable one, and some good prices were paid, although the average continued to be just above the cost of production. Pests continued to be a problem, and control methods such as the application of arsenate of lead and copper sulphate were advocated by the Department of Agriculture and Stock. Unless a farmer was very careful about rates and times of application, these highly toxic substances left a residue on the cured leaf to which buyers, quite rightly, objected. Therefore samples from each farm had to tested for residue before being submitted for sale.[62] Again, this proved to be expensive for the farmers whose margins were extremely tight.

The demands by the manufacturers were encouraged by the tariff regime, and the lack of restrictions on the importation of foreign leaf. There was simply no incentive for the manufacturers to buy local leaf. The Select Committee on the Tobacco Growing Industry in

[62] *Northern Herald*, 23 June 1934.

1930 had recommended that it was inappropriate for the BATC to continue to support the Experimental Farm at Mareeba financially, and that those activities should be transferred to the Commonwealth and State. This was done, but in 1934 the Commonwealth moved to have the farm closed, and to make £100 000 available over five years to the State Government to assist with '...research, instructional, and demonstrational work.'[63] The Association declared the closure of the farm unacceptable, but as a compromise asked that Bob Howell, a tobacco expert who had conducted many trials of tobacco growing in the Mareeba District, be transferred to the State Department of Agriculture and Stock in an advisory capacity to growers.[64] This was done, and Howell spent many years advising the farmers, particularly on the techniques of curing tobacco leaf in drying kilns, or 'barns' as they were known locally.

Through the Association, farmers were invited to invest in a tobacco products manufacturing company, based in Mareeba, for the purpose of using locally grown leaf.[65] This particular venture did not materialise, but the idea of having a farmer-owned manufacturing company to provide competition to the BATC continued to have its appeal, though it did not come to fruition for some years.

Farmers, some of whom had come from the bare-knuckle struggles of the mining unions,[66] were beginning to realise that unless they organised the entire growing industry to their own advantage, they would lose everything. From the inception of the Association, the Directors used it as a political tool to get a better deal for the farmers. Their aim was to initiate a State-wide organisation, and ultimately, an Australian Association of tobacco farmers to ensure that farmers spoke with one voice both to Government, and in negotiations with manufacturers. The Dimbulah Association sought the support of Harry Bruce, Minister for Works in the Queensland Government, who advised the farmers to organise themselves along the lines of the Australian Workers' Union, and if they did so, would receive every support from the Government.[67]

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63 *Northern Herald*, 11July 1936.

64 *Ibid.,* 23 June 1934.

65 *Ibid.,* 2 September 1933.

66 Short, *My Affair with Tobacco*, p. 45.

67 *Northern Herald,* 1 August 1936.

The tobacco growers had much to be concerned about. The reduction in the tariff rate from 5s.2d. per pound to 3s. per pound had resulted in a drop of 3 000 growers from the 6 000 in 1932. Some areas such as Tamworth in N.S.W. had gone out of production altogether, and the remaining farmers were hanging on by using family labour and living on as little as possible.[68] However the Commonwealth Government did allow a decrease in excise of 8d. per pound in manufactured tobacco which used 100% Australian tobacco. As only 2% of the Australian tobacco crop was used to produce the only wholly Australian product on the market, it was not of much assistance to the industry.[69] Conditions deteriorated to the point where, in 1936, the Commonwealth Government was forced to change policy, and imposed a rate of 5s. per pound on imported tobacco, with a differential rate of 3s.6d. for manufacturers who used at least 13% of Australian tobacco in their blended products. For cigarettes, a rate of 6s.7d. was imposed, with a differential rate of 5s. 2d. for imported tobacco used in a blend including at least 2 ½% of Australian leaf.[70] This action led the Federal Minister without portfolio, J. A. Hunter, to declare that '...the Queensland industry was at last stabilised.'[71] This was perhaps overstating the case, as prices paid by the manufacturers continued at a level barely above the price of production. However, it did give a bonus to the manufacturers of 1s.5d. per pound on 97½% of the tobacco used in their blends.

Initially, tobacco was sold by individual farmers to manufacturers or their agents on-farm by private treaty. This concerned the BATC, which claimed that this system caused them great inconvenience and expense.[72] After sales floors in Brisbane and Mareeba were set up by private brokers the BATC insisted that most of the tobacco produced in the Mareeba area be sent to Brisbane to be sold, and restricted their attendance at northern sales centres to one sale per year. This resulted in smaller amounts of tobacco being offered in Mareeba, with the subsequent threat of closure of the local floors. Prices obtained were often better on the Brisbane floors, as there was more competition. However, the cost of transport was borne by the farmers, and the loss to Mareeba businesses was estimated to

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68 *Northern Herald,* 22 May 1937.

69 *Ibid.*

70 Letter to T.V.Gilmore from J. McEwen, Minister for Commerce and Agriculture, 14 December 1955. Gilmore Family Papers.

71 *Northern Herald,* 29 May 1936.

72 PCA, *Report on Tobacco Growing*, p. xlvi.

be about £30 per ton.[73] The average price of 22.5d. per pound to the grower was below the estimated cost of production of 26.5d. per pound.[74]

Establishment and Consolidation of the Tobacco Industry 1938-1965

The perception by the farmers of intransigence on the part of the manufacturers, led by the BATC, encouraged the farmers to take the next step in the organisation of their industry, and in 1938, they petitioned the Queensland Government to declare tobacco a commodity under the *Primary Producers' Organisation and Marketing Acts*. However, they did not propose to take advantage of the full provisions of the Act, and take control of the marketing of the crop.[75] It appeared that the free spirits in the industry were opposed to handing over total control of the growing industry to a properly constituted Marketing Board with the powers to acquire and market the entire crop compulsorily. The declaration did, though, give the industry recognition on the Council of Agriculture, and provided another forum for lobbying government. The Commonwealth Government instituted the Federal Advisory Tobacco Committee (FATC), and Edward Atherton of Mareeba was elected Chairman.[76]

Representations made to the Commonwealth by this body resulted in a rise in the percentage of Australian leaf used in tobacco manufacturing to 15% for tobacco products, and 3% for cigarettes in 1938.[77] The manufacturers took full advantage of this, and were actually using 30% of Australian leaf in their blends of tobacco products. By manipulating the grade and price schedules, which reduced the average price of Australian leaf to 19½d. per pound, and by taking advantage of the rebates on tariff of 48d. per pound on imported tobacco, the manufacturers were able to buy the Australian crop for nothing, and enjoy a subsidy from the Commonwealth Government estimated at £400 000.[78] At the

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[73] *Northern Herald,* 26 August 1939.

[74] *Ibid.,* 15 July 1939.

[75] *Ibid.,* 16 July 1938.

[76] *Ibid.*, 30 July 1938. Edward Atherton was the son of John Atherton, the original selector. He was the Member for Chillagoe and the Minister for Mines 1929-1932.

[77] Letter to T.V.Gilmore from J. McEwen, Minister for Commerce and Agriculture, 14 December 1955, Gilmore Family Papers.

[78] Short, *My Affair with Tobacco,* p. 61.

same time, excise on all tobacco was increased by 8d. per pound, which gave the Commonwealth Government an income from manufactured tobacco of £10m per annum.[79] It seemed that no matter which way the Government jumped, the returns to growers were comparatively small, and the manufacturers and treasury were better off.

In 1938, the area of tobacco planted in Queensland dropped from 3973 acres in 1937 to 3545 acres, but production increased by 5.3% due to a good season with little disease and insect damage. However, imports of foreign tobacco continued to rise and in 1938/39 exceeded 22m. pounds, whilst locally grown tobacco used in production was less than 4.5m. pounds.[80] The farmers used their new-found representation on the FATC to lobby the Prime Minister for an increase in tariffs for imported tobacco, because '...in Australia the growers were striving to grow tobacco under a White Australia Policy and with the highest standard of living in the world.'[81] Prime Minister Lyons replied that the Government had already done much to encourage the industry, but he would investigate further. He stated that there never should have been 950 inexperienced farmers attempting to grow tobacco in the Mareeba/Dimbulah district but that one day there would be 950 successful farmers if present progress in growing methods was maintained.[82] However, the Annual Report of the Director of Agriculture indicated that progress was slow owing to difficulties with disease control and the management of the crop in the paddocks. It appears that if the weather was not too wet, it was too dry; farm hygiene, or the lack of it, resulted in a build up of all the pests common to tobacco; and the move to on-farm grading of leaf did not please the manufacturers who complained of shoddy standards.[83]

The War Years

By the beginning of World War Two, the farmers were still being exploited by the manufacturers, and although tobacco consumption was steadily rising, the use of Australian tobacco was not rising at the same rate. The manufacturers, principally the

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[79] *Northern Herald,* 8 October 1938.

[80] Internal document, Queensland Tobacco Leaf Marketing Board, c. 1955, original held in the records of QTM, Mareeba.

[81] *Northern Herald,* 30 July 1938.

[82] *Ibid.*

[83] *Ibid.*, 15 October 1938.

BATC, were claiming that although they were willing to buy good quality Australian tobacco at a suitable price, Australian consumers would not accept a change to their blends of tobaccos in cigarettes.[84] The grading of the leaf continued to be a contentious issue, and in 1940 the Government requested that the Tariff Board investigate prices paid to farmers; whether the grading system demanded by the manufacturers was reasonable; and if an increase in the differential tariff rate should be extended to include tobacco which was manufactured with an Australian leaf content of 50% or more. The Tariff Board concluded that the range of grades was reasonable; that prices paid to the farmers were reasonable; and that altering the differential rate of excise would have no effect on the industry.[85] This was at a time when over 50% of farmers had a net income of under £100 per annum[86] and the estimated cost of feeding a family of five was £1. 19s 6d. per week.[87] Even Mr Micawber would have found that difficult.

IMAGE REMOVED DUE TO COPYRIGHT RESTRICTIONS

Illustration 21: Grading tobacco, Mareeba c. 1940.
Source: Short, *My Affair with Tobacco,* p. 210

The farmers realised that, in spite of attempts to organise their industry, they still did not enjoy the political muscle of the manufacturers, and more action needed to be taken.[88] The farmers knew from experience that dry land farming was not conducive to high prices, and

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[84] *Northern Herald*, 9 September 1939.

[85] The Tariff Board, *Report on Tobacco and Tobacco Manufacturers*, Commonwealth of Australia, 13 September 1940, p. 21.

[86] *Ibid.,* p. 7.

[87] *Cairns Post,* 5 September 1940.

[88] Short, *My Affair with Tobacco,* p. 62.

that irrigation was necessary to ensure a crop of consistent quality.[89] Control of pests and diseases, with the exception of blue mould in seed beds,[90] was no further ahead than it had been in 1929 and more virulent diseases, such as the mosaic virus, were threatening to wipe out the industry. Farmers and their families were still living and working in primitive conditions,[91] and women and children were being used as labour on the farms. Conditions were about to become worse.

IMAGE REMOVED DUE TO COPYRIGHT RESTRICTIONS

Illustration 22: First home of a tobacco farmer, Emerald Creek, Mareeba, 1932.
Source: Gilmore family collection.

There are no records available to illustrate the numbers of farms worked by immigrants at the outbreak of war, but most of the tobacco grown in the district was produced by Italians,

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[89] *Ibid.*

[90] Dr Angel, working with the C.S.I.R., had discovered that blue mould in seed beds could be prevented by fumigating the beds with benzol. Although this work was done in 1934, the practice was not widely adopted by the farmers for some years. The Minister for Agriculture was advocating its use in 1936. *Northern Herald*, 11 January 1936.

[91] For instance, Tom and Anne Gilmore's first house consisted of a corrugated iron and white-washed hessian humpy constructed around bush poles. It had a packed ant-bed (termite mound) floor. There was no running water, no electricity, and lighting consisted of one hurricane lamp. Theirs was one of the better houses in the Emerald Creek area. Food came from a vegetable garden, the fowl house, and fish from the creek. Only flour, sugar, salt, and the occasional piece of beef came from the store.
Personal communication with Tom Gilmore (Snr), 1992.

Albanians and Yugoslavs.[92] The hysteria surrounding "aliens" in the community caused many of the farmers, the workers, and the share-farmers to be rounded up and drafted into internment camps.[93] Those who were placed in work gangs were not sent back to their place of origin, but forced to work in other industries. The internment of many of these men right in the middle of the 1942 tobacco harvest left the women and children to struggle on trying to bring in the crop on their own.[94] Some farmers joined the Forces, leaving their farms for the duration of the War. In 1941, at least twelve farms were idle.[95] Access to labour continued to be a problem for the duration of the war. Some army trainees were allocated to the area, and town people, including girls, volunteered to help with the harvest on the weekends.[96] The production of tobacco in Queensland dropped from a high point of 2 884 000 pounds for the 1941-42 crop to 1 314 208 pounds for the 1944-45 crop. Production did not return to pre-war levels until 1949-50.[97] Shortages of tobacco began to impact on the manufacturers, and they suddenly discovered that Australian tobacco was not of such poor quality as they had previously claimed and that consumers were not so resistant to its use.

The Government created an Australian Tobacco Board to control the production and importation of leaf, with a mandate to increase production of Australian leaf, and to reduce imports. One motive was to conserve the dollar exchange which was required to purchase munitions from the United States of America.[98] A trade agreement with Rhodesia was signed, allowing tobacco leaf to be imported into Australia in exchange for machinery and

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[92] An examination of the published sales results show that Italian and Yugoslav names predominate.

[93] Internments of aliens occurred all over Australia, but the effect on agricultural production was particularly pronounced in North Queensland. See B.J. Dalton (Ed.), Diane Menghetti, 'Their Country, Not Mine', *Lectures on North Queensland History No. 4,* History Department, James Cook University of North Queensland. See also Gilmore, Faith, Hope and Charity, 2002.

[94] *Northern Herald,* 20 October 1944. During 1942, 328 men from the Mareeba/Dimbulah district were interned. Q.S.A. A/12015, 1942-45 Aliens Lists 1, C.1, 2, 5A, 16A, 17A, 18, 31.

[95] *Northern Herald*, 6 September 1941.

[96] *Cairns Post,* 9 March 1944.

[97] Letter to T.V.Gilmore from J.McEwen, Minister for Commerce and Agriculture, 14 December 1955, Gilmore Family Papers.

[98] *Cairns Post,* 12 April 1941.

other imported goods. Since Rhodesia was part of the sterling exchange area, this move proved more palatable to the Government because it preserved dollar reserves.[99]

IMAGE REMOVED DUE TO COPYRIGHT RESTRICTIONS

Illustration 23: An advertising photograph of an early tobacco planter.
Although these were available from 1934, they did not come into general use until the 1950s.
Source: Mary Thompson and Lorraine Townsend, *1991 Historical Calendar,* St. Thomas' School, 1991.

Early in the War, it was decided to abandon the auction system and to adopt an appraisal system in its place. At a conference convened to establish the principles by which the sale of the crop would be negotiated, it was agreed that the 1941 crop would be sold at 1939 prices plus 25%, but the growers' representatives were defeated on their proposal for a minimum average price of 28d. for the whole of the crop. The manufacturers claimed that this would only encourage the production of a poor type of leaf. This arrangement was

[99] *Cairns Post*, 9 January 1941.

then legislated under the *National Security Act*.[100] Representatives from the broking firms were appointed to appraise the crop on behalf of the growers. The farmers objected strenuously to this move, claiming that they would not be fairly represented. The Government subsequently allowed a growers' observer to oversee the appraisal process, and the Chairman of the Dimbulah Tobacco Growers' Association, Mr Mesh, was appointed.[101] Later, W.J. Henderson, a highly respected grower from Emerald Creek, near Mareeba, was appointed as the northern farmers' representative on the Australian Tobacco Board.[102]The manufacturers also found themselves in conflict with the Government over proposed increases in excise duty which the Prices Commissioner would not allow to be passed on to consumers. In retaliation, they threatened to leave imported tobacco in bond until such time as could be manufactured, to avoid paying the duty until they were forced to do so. Under the threat of confiscation of their stocks, the manufacturers agreed to proceed as normal.[103] At the tobacco appraisals later that year, for the first time, no lots were appraised as unsuitable for manufacture.[104]

The average price of Queensland tobacco remained almost static throughout the War years, under the control of the Prices Commissioner and the Australian Tobacco Board. Many of the farmers were required to grow vegetables for the troops stationed on the Tableland, and for the civilian population north of Townsville.[105] The shortage of tobacco also provided an opportunity for some farmers to set up an illegal 'chop-chop'[106] operation which enabled them to sell fairly roughly manufactured tobacco on the black market. This tobacco could sell for up to 3s. per pound to middlemen who on-sold it for about £1 per pound, but of course the authorities took a very dim view of the practice because the excise of 10s. 3d. per pound had not been paid. [107]

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[100] *Cairns Post,* 2 April 1941.

[101] *Ibid.,* 24 October 1941.

[102] *Ibid.,* 4 October 1945.

[103] *Ibid.*, 7 November 1941.

[104] *Ibid*., 14 November 1941.

[105] *Ibid.*, 7 June 1943.

[106] 'Chop-chop' is tobacco which has been finely cut up ready for use, on the farm. Generally it contains no additives apart from (very occasionally) some rum or molasses. The sale of this tobacco product is illegal because excise has not been paid on it.

[107] *Cairns Post,* 12 June 1946.

In 1944, farmers in the Armed Forces were being sent back to their farms and gradually, by diversifying and taking advantage of Army disposal machinery, conditions began to become a little easier. However, horses continued to be used for cultivation until the end of the 1940s. A farm advertised for sale in the Dimbulah area listed in 1948 '...five barns, two bulksheds, irrigation plant, three horses and all implements...'.[108] Planting was done by hand; although a machine to assist had been available since at least 1933, very few farmers could afford to buy one. [109] The harvesting of the leaf, known as'picking', was also done by hand, as was the removal of suckers, 'suckering', and removal of the flowering tip, 'topping'. Picked leaf continued to be 'strung' along sticks to be placed in the barns for curing. Such labour intensive cultivation and processing meant that farmers without able and willing wives and children were forced to pay wages for the necessary labour. Stringing was almost always done by women and children, and coming as it did in the December-January period, was a valuable source of extra funds for Christmas for the 'stringers'. A gun stringer could do well over a hundred sticks per day, and at 3d. per stick, meant that pay of 25s per day was not uncommon. As the price of crop was based on the the estimated average cost of production, which did not include the cost of the farmer's, or his family's labour, individual farmers often found themselves out of pocket after the tobacco had been sold.

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[108] *Cairns Post,* 14 May 1948.

[109] *Northern Herald,* 21 January 1933.

IMAGE REMOVED DUE TO COPYRIGHT RESTRICTIONS

Illustration 24: Tobacco leaves 'strung' onto sticks. These are ready to go into the barn for drying. *Source: Gilmore family collection.'*

Post-war Challenges and Conflict with Communists

By 1948, the troops had all disappeared, the market for vegetables was over-supplied, and the farmers once again found themselves in difficulties. On a visit to the tobacco growing areas Tom Aikens, the State Member for Mundingburra, expressed shock and outrage at the conditions under which the tobacco farmers were operating. He said '...the whole of Australia would be shocked to know that despite the severe shortage of tobacco in the Commonwealth and the spending of precious dollars on imports, experienced farmers were walking off their farms, and those who were remaining were living a life of inconceivable hardship....[with] women and children in a virtually slave condition.'[110] The message was again reinforced that their only hope of survival was unity and a grower-run marketing scheme.

The farmers had commenced combined meetings of the Dimbulah and Mareeba Associations from 1945, and found that by speaking with a combined voice they had more political clout. They succeeded in obtaining a 10% subsidy from the Government, and

[110] *Cairns Post*, 29 May 1948.

initiated a move towards the establishment of standard grades for the entire industry.[111] After a great deal of soul-searching, the Mareeba growers acquiesced to the amalgamation of the Dimbulah and North Queensland Tobacco Growers' Associations. This was formalised in November 1947, and the new entity was named North Queensland Tobacco Growers Cooperative Limited (NQTGCA). Ralph Leinster was appointed as the first Manager. Leinster was a man of high ideals, great passion, and an ardent Communist. The Communist Party was very active in North Queensland at that time, and contested State and Federal elections. Conditions in the cane fields were a breeding ground for grievances and dissent, and the Communist Party had made cane cutters a target for their ideology.[112] As many tobacco farmers had worked in cane gangs their political beliefs were transferred to the tobacco industry. Most were idealistic men who wanted a better deal for those whom they considered oppressed by the capitalist system which had manifestly failed them during the 1930s Depression.[113] Ernie DeLacy, Jim Tomasich and Jack Erceg, and later, Phillip Shroj, all elected to the Board of the Association, were very active members of the Party.[114]

Therefore, with the Manager and some of the Board members committed to the Communist way of thinking, conditions were created for Communist domination of the tobacco growing, and later, the local manufacturing industry. However, they were opposed by a significant section of the farmers, who whilst they were members of either the Australian Labor Party or the Country Party, were all dedicated agrarian socialists who could not see that Communist ideology would necessarily lead to better conditions for any of them. The scene was set for a major confrontation within the industry, which was still suffering from war time control by the government, and the tyranny of one major buyer of their product.

In 1948, the farmers applied under the *Primary Producers' and Marketing Acts* to form a Marketing Board which would control the sale of the Queensland leaf. Tom Gilmore and Edgar Short, who were already on the Board of the Association, were nominated as the

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[111] *Cairns Post,* 4 October 1945.

[112] Diane Menghetti, *The Red North*, Studies in North Queensland History No. 3, History Department, James Cook University of North Queensland, 1981, pp. 45-50.

[113] Interview with Keith DeLacy, son of Ernie DeLacy, 11 August 2003, Cairns.

[114] Short, *My Affair with Tobacco,* p. 108-9.

northern representatives. Both of these men passionately believed that only by farmers taking control of production and marketing would they be placed in a position of strength to negotiate with both government and manufacturers. Gilmore was a long-term member of the Country Party, and Short a dedicated member of the Australian Labor Party. Both had come from mining backgrounds, and neither was a stranger to hard times and poverty. Gilmore always said that he knew that the farmers' battle for a fair go would be won when the women and children were no longer required in the paddocks, and the farmers received enough for their product to pay workers a decent wage. He wondered at a system which gave large profits to the manufacturers but kept farmers in poverty.[115] Short also had only managed to hold onto his farm by long and hard work, much of it off-farm, to raise cash,[116] and by using his family as a source of labour.[117] Both were fighters, ready to take radical action if necessary, and were a formidable team, but as it later transpired, both naively underestimated the economic power of the manufacturers.

The achievement by the Queensland Tobacco Leaf Marketing Board (QTLMB) was to have the sale of tobacco removed from the control of the Australian Tobacco Board, operating under the National Security Regulations. The Tobacco Manufacturers' Committee, which had not known of the farmers' decision to form a Marketing Board until the notice appeared in the *Cairns Post,* wrote to Minister Collins, requesting that they be included in prior discussions to develop a marketing scheme 'satisfactory to all parties'.[118] The Acting Minister, D.A. Gladson, replied that in future the Board would be responsible for sales policy, and that the manufacturers' suggestions would be forwarded to it.[119] QTLMB then proceeded to draw up its own sales policy without reference to the manufacturers, and in September wrote to the Manufacturers' Committee setting out the terms and conditions of future sales. The appraisal scheme was to be abandoned, and replaced by auctions. Appraisers would establish a reserve price before the auction, and buyers would not have access to the names of sellers until after purchase. The

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[115] Personal Communication with Tom Gilmore, 1992.

[116] Short, *My Affair with Tobacco*, p. 56.

[117] *Ibid.,* p. 70.

[118] Letter from the Secretary, Tobacco Manufacturers' Committee to the Honourable H.H.Collins, Minister for Agriculture and Stock, Queensland, 4 May 1948, held in the records of QTM.

[119] Letter from the Acting Minister for Agriculture and Stock to The Secretary, Tobacco Manufacturers' Committee, 14 May 1948, held in the records of QT M.

Association was appointed to handle the sales of leaf in North Queensland, and LeafCo Pty. Ltd. would manage the sales in South Queensland. Appraisers would ensure that every Board member was kept informed of the reserve prices and average price on a daily basis.[120] The first sales held in August of that year were held in Mareeba, and resulted in a doubling of the price paid for leaf by the manufacturers. The Board adjusted the delivery system so that every farmer would have the opportunity to sell early in the sale period, and thus have access to cash.[121]

In retaliation, the manufacturers entered into a voluntary marketing agreement with the Victorian tobacco farmers to ensure that they had access to the requisite amount of local tobacco, and declined to bid or negotiate on the Queensland crop offered at the next sale.[122] The Directors of QTLMB were forced back into line, and called a conference of Board members and manufacturers to discuss a future marketing scheme.[123] At the same time, the Board requested the Government to decrease the excise on Australian leaf used in manufacture, so that the Australian growers would '...get a reasonable price without increasing the cost to the consumers.'[124] The Minister for Customs stated that it was not his position to ensure the livelihoods of the farmers, but to oversee the tariff regime.[125]The differential rate remained as it was until 1953.[126] However, the devaluation of the Australian pound from $US3.25 to $US2.25 in September 1949[127] resulted in American

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[120] Letter to the Secretary, Tobacco Manufacturers' Committee, from the Secretary, QTLMB, 24 September 1948, copy held in the records of QTM.

[121] *Cairns Post,* 24 June 1948.

[122] Internal memo, 24 October 1949, held in the records of QTM, and
Short, *My Affair with Tobacco*, p. 111.

[123] Letter from the Secretary of QTLMB to all manufacturers, 27 September 1948, held in the records of QTM.

[124] Letter from the Secretary of QTLMB to the Honourable H.A. Bruce, Minister for Education, Brisbane, 29 September 1948, held in the records of QTM.

[125] *Cairns Post*, 13 August 1949.

[126] Letter to T.V.Gilmore from J. McEwen, Minister for Commerce and Agriculture, 14 December 1955, Gilmore Family Papers.

[127] *Cairns Post*, 20 September 1949.

leaf becoming more expensive, and at the November sales, leaf previously passed in was purchased at a price satisfactory to growers.[128]

The dream of setting up a farmer controlled manufacturing operation, designed to counter '...the control of the monopolies...'[129] was turned into reality in 1949. The Directors of NQTGCA set up a factory to manufacture a range of tobacco products using only locally grown leaf. The object of the operation was not only to provide competition on the sales floors, but to provide growers with a local market for their tobacco. Bruce Andrews was appointed manager of the new factory, and given authority to purchase leaf at auction from the Mareeba/Dimbulah area only. The Board was clearly concerned about Andrew's experience and suitability for the position, and after many months of negotiation and advertising for a more experienced person, settled for a five-year contract with a clause intimating that should a more suitable applicant be found, Andrews would become the Assistant Manager.[130] However, conflict soon arose between the Board and the administrative staff, particularly Leinster, Andrews, and Walker, all of whom belonged to the Communist Party. Leinster's[131], and his associates', somewhat fanatical adherence to Communist principles existed mainly as rhetoric, and as an attempt to enhance the rates of pay of the workers at the expense of the farmers. It served to cloud the main issue which was one of administrative incompetence.

The Chairman, Edgar Short, was increasingly concerned that Leinster was becoming a law unto himself. He made a number of decisions, without reference to the Board, that made perfect sense to a dedicated Communist, but were commercially questionable and added to the cost burden of the members of the Association.[132]

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[128] *Cairns Post*, 3 December 1949.

[129] Motion of Gilmore, seconded Del Fabbro, Minutes of a special General Meeting of members of the Association, Mareeba, 28 February 1953, held in the records of Tobacco Growers Trading (TGT), Mareeba.

[130] Minutes of Directors' Meetings, NQTGCA, from February 1949 to February 1955, held in the records of TGT, Mareeba.

[131] Leinster was the Communist candidate for the federal seat of Leichhardt in the 1949 election. The seat was won by T.V. Gilmore (Country Party).

[132] Short, *My Affair with Tobacco,* pp. 111-13.

In an effort to curb the power of the administration staff, Short proposed that the Chairman of the Board should be appointed Managing Director with oversight of the whole operation. This was defeated by the growers who were swayed by the Communist supporters amongst them, and by the passionate address of Leinster who stated that this move would be a vote of no confidence in his administration. Short resigned, but was later reinstated. W.J. Henderson then became Chairman.[133] A man of total honesty and integrity, he was unable to see the threat to the industry by the machinations of Leinster and his followers. He supported his manager to the hilt in spite of the misgivings of many of the farmers, including Short and Gilmore.[134]

The tobacco manufacturing business did not prove a bonanza to the growers, although the presence of its buyer on the auction floor did provide some competition, particularly for the lower grades. The manufacturers claimed that the presence of a buyer from the NQTGCA factory cost them £20 000 in increased prices.[135] The farmers became more and more concerned that the business was not going well, and that Leinster was giving preference in employment to fellow Communists. He had decided that the new factory would be built by day labour, and the cost blew out from the lowest tender of £27 000 to £52 000. He also decided that the workers should be paid a premium on the award rates. Expensive machinery imported from England proved to be unworkable, and at one time worker unrest was blamed for sabotage at the factory after the Board reduced their wages to the award rate.[136] There was almost constant tension between the factory manager and the Board over bad management decisions in regard to both staff and the operation of the factory. Andrews proved to be unsatisfactory as factory manager, but, according to Edgar Short, was sacked by Leinster when he resigned from the Communist Party in protest over the Chinese invasion of Tibet.[137] Consequently, the Association was drawn into a very costly legal dispute which ultimately cost £3 500 in legal costs alone.[138] Moreover, the minutes of

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[133] Minutes of the Annual General Meeting of NQTGCA, 4 February 1950, held in the records of TGT, Mareeba.

[134] Short, *My Affair with Tobacco,* p.125.

[135] *Cairns Post*, 2 October 1949.

[136] Short, *My Affair with Tobacco*, pp. 126-28.

[137] *Ibid.,* p. 109.

[138] Minutes of the Board of Directors, NQTGCA, Mareeba, 14 October 1953.

Board meetings from that period shows that the factory was not performing well, and that losses were likely to become greater, not smaller.

By 1953-4, the farmers faced increasing difficulties with the tobacco factory and the unilateral decisions of Leinster. Among other things, the factory was using low-grade leaf specifically for Aborigines under the 'Corroboree' brand. Much of the product was contaminated with mould.[139] The target market understandably objected to this on the grounds that they wanted a decent smoke just as much as white men did. The management was not as sensitive to the issue of arsenic contamination as were the large manufacturers until complaints forced the government to insist on a testing regime.[140]

In 1953 Tom Gilmore was elected as Chairman of the NQTGCA. Acting on the complaints and uneasiness on the part of many farmers and the Directors of both the Association and the Marketing Board, he immediately instituted an investigation into the affairs of NQTGCA. It found that there were serious deficiencies in the management of the business, and particularly that of the tobacco factory. His diary records laconically 'Leinster sacked.'[141]

However the Communist faction was not about to give up easily, and at a growers' meeting in July, Phillip Srhoj moved, and Ernie DeLacy seconded a motion to remove the Board stating '…Directors Gilmore, Short, Studt, Bertoldo, Cibau, Henderson and DeLacy no longer have the confidence of the members'. The motion was lost on a secret ballot. The Board then set about arranging for necessary repairs to the factory floor which had allowed the seepage of moisture into stored tobacco resulting in significant losses from mould. The machinery which had never worked satisfactorily was replaced by German designed and built machines, and a German engineer was recruited to install and run them.[142] The factory was re-arranged for more efficient through-put of product, and several

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[139] Minutes of meeting of the Board, NQTGCA, Factory Sub-Committee, 21 August 1951, held in the records of TGT.

[140] Minutes of meeting of Directors, NQTGCA 11 August 1952, held in the records of TGT.

[141] Diary note by T.V.Gilmore, 19 May 1953, Gilmore Family Papers.

[142] Minutes of meeting of Directors of NQTGCA., 6 April 1954, Mareeba, held in the records of TGT.

workers were made redundant.[143] Cost-benefit analyses determined that the reasons for falling sales were caused by lack of aroma and quality; looseness of the ends of the cigarettes; plain instead of cork tips; and an unattractive pack. The Board decided that expansion of the factory was not warranted in view of lack of demand for the product.[144] A proposal that a small amount of American tobacco be purchased for blending to improve the aroma and burning qualities of the cigarettes was rejected by the growers.[145]

The continuing difficulties of NQTGCA's manufacturing enterprise were partly to blame for lack of competition on the sales floor, the very situation the enterprise had been set up to ameliorate. It had proved difficult to build an efficient factory, and costs were significantly outrunning profits. In fact, the factory made a loss of £26 050 in 1956. Demand for the "N.Q." brand was declining, and many retailers refused to stock the products. With the resulting decline in capacity to bid on leaf at auction, and the lack of sales, the factory was losing its original purpose of providing competition on the auction floor, and providing an outlet for local tobacco. The growers' refusal to allow imported tobacco into the blends had resulted in the product not keeping pace with the increasing sophistication of consumers, and thus diminishing the market. The members of NQTGCA asked the Board to continue operations for the time being, but it must have been obvious to everyone that the factory was unable to compete with the large manufacturers, and particularly with their advertising budgets.[146] Later in that year the Board decided to cease operations, and to pass the manufacturing over to Rothmans which carried on manufacturing the 'N.Q.' brand products for some time. The machinery was sold to Rothmans at depreciated prices. The accumulated loss on the factory during its nine years of operations was £60 000.[147] Thus ended an enterprise built on emotional investment as well as scarce financial capital, and which foundered on the rocks of poor management and organisation, decisions based on

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[143] Minutes of NQTGCA Board meetings, April to December 1953, Mareeba, held in the records of TGT.

[144] Minutes of the Meeting of Members of NQTGCA, 14 November 1953, Mareeba, held in the records of TGT.

[145] Short, *My Affair with Tobacco*, p. 165.

[146] Minutes of the Quarterly Meeting of Members of the NQTGCA , 27 April 1957 Mareeba, held in the records of TGT.

[147] Minutes of the Adjourned Quarterly Meeting of the NQTGCA , Mareeba,10 August 1957, held in the records of TGT.

ideology rather than market reality, distance from a critical mass of consumers, and a lack of understanding of the changing requirements of consumers.

Political Alliances

In 1949 Tom Gilmore (Country Party), a Mareeba tobacco grower, was elected to the House of Representatives for the new seat of Leichhardt. His campaign was based on the development of North Queensland and the expansion of the tobacco industry under stabilised conditions to benefit the farmers.[148] During his short term in the Federal Parliament he was able to put the plight of the tobacco growers very forcefully to the Coalition Government. Although he lost the seat at the double dissolution election of 1951 to the experienced Labor candidate Harry Bruce,[149] he continued to communicate directly with senior politicians and bureaucrats on behalf of the tobacco growers for many years.[150] Gilmore became the liaison for the industry with Conservative political leaders in Canberra and Brisbane. This, combined with Edgar Short's influence in the ALP at State level, gave the industry a voice in both State and Commonwealth spheres of influence.

By 1953 farmers were so incensed by low prices that the QTLMB stopped the sales when, out of an offering of 114 tons, less than 9 tons was sold, 42½ tons passed in below the reserve, and more than 60 tons received no bid. The Chairman of QTLMB, Edgar Short, reported that the manufacturers were willing to buy inferior imported leaf from Rhodesia in order '... to break grower-control of the industry and prevent expansion, to protect their overseas interests.'[151] The Board sent Tom Gilmore to Canberra to put the farmers' case directly to Prime Minister Menzies. He went on to Melbourne and met with McEwen who was very sympathetic to the farmers' need for a more stable basis for their industry. The Minister did suggest that the growers attempt further negotiations with the manufacturers, and in particular with BATC. The mandated requirement to use Australian leaf in order for the manufacturers to qualify for the differential tariff rate was increased to 6% for

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[148] *Cairns P*ost, 5 November 1949.

[149] Commonwealth of Australia, *Parliamentary Handbook and Record of Elections,* Eleventh Edition 1945 to 1953, C.G.P., Canberra, p. 412.

[150] Personal diaries and correspondence of T.V.Gilmore, 1948-1994, Gilmore Family Papers.

[151] Report by the Chairman of the Board to Tobacco Growers, 9 February 1953, held in the records of QTM, Mareeba.

cigarettes, and 10% for tobacco in April of that year. The growers also agreed that the grade price schedule would be adjusted (again) to go some way towards meeting the needs of the manufacturers.

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Illustration 25: Dried tobacco leaves after removal from the barn.
Source: Tobacco Institute of Australia, *Tobacco in Australia*, p. 15.

The farmers were not very impressed with this small increase in the percentage and in November 1953 sent a petition to Prime Minister Menzies expressing lack of confidence in the future of the industry, and pleading for a stabilization scheme. They suggested that the Government raise the percentage of Australian leaf to be used in manufactured blends to enable the manufacturers to claim the differential tariff on imported tobacco; impose a temporary embargo on the importation of tobacco until current stocks of unsold Australian leaf were absorbed; restrict imports of foreign leaf under a license system; and curtail the import of cigarettes.[152] According to Short, McEwen found it difficult to convince Cabinet that the farmers' plight warranted the use of the "big stick" to bring the manufacturers into

[152] Petition to the Right Honourable R.G.Menzies, C.H., Q.C., Prime Minister of Australia, from the Tobacco Growers of Australia, 30 November 1953, held in the records of QTM, Mareeba.

line. He decided instead that an increase in competition for Australian leaf would at least go part way to solving the problem of making Australian tobacco more attractive to the buyers.[153] Consequently, McEwen arranged to have Phillip Morris, a large American manufacturer, set up business in Australia.[154] This did serve to increase prices to the farmers in the short term,[155] and the Government developed a policy of expansion of the growing side of the industry.

The farmers were encouraged to increase their production through increased acreage, and also through better cultivation and crop management practices. In order to achieve this, the Commonwealth Government extended the Tobacco Leaf Production Grant for a further five years, with an increase in funding from £10 000 per annum to £15 000 per annum provided that the States[156] matched this amount pound for pound.

Therefore, during this period, the farmers were caught between several conflicting conditions. Their attempt to set up a manufacturing industry of their own to provide competition to the big manufacturers was not as simple or as effective as they had hoped. Prices and clearances of leaf were not really enough to ensure a stable future for the industry, but the Government had put in place a policy of expansion. Many of the farmers were relying on seasonal rains to grow their crops. This had proved unreliable, and tended to produce an inferior type of tobacco. The manufacturers had been able to produce cigarettes and tobacco products of an acceptable quality using Australian leaf during the War, but as soon as the unimpeded flow of tobacco from Rhodesia and America resumed, they claimed that Australian leaf did not meet their quality standards. There were constant disputes over the grade-price schedule, with the farmers trying to maintain some continuity of grades, and the manufacturers trying to down-grade lots on the schedule. There were also the rivalries among the manufacturers themselves which resulted in sometimes

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[153] Short, *My Affair with Tobacco,* p. 131.

[154] *Cairns Post*, 8 January 1954.

[155] The material conditions of some of the farmers improved at this time. Tom Gilmore's diary records that he bought a stove for £77 10s., a sink for £7s 6d., and a septic tank for £9 3s 11d. Electricity and telephone had been connected to the farm in 1949.

[156] 'Tobacco Production and Marketing, Summary of Departmental Policy,' Department of Commerce and Agriculture, Canberra, 11 December 1953, confidential memo held in the records of QTM, Mareeba.

intense competition for some grades in an attempt by the larger companies to force the smaller firms out of business.[157] There were tensions within the tobacco growing industry with constant sniping from the various factions over almost every decision made by the Directors of either QTLMB or NQTGCA.[158] On one notable occasion, after a particularly acrimonious meeting of growers chaired by Tom Gilmore, and resolved by secret ballot, the School of Arts in which the meeting was held and in which the ballot boxes were stored, burnt down. Much suspicion was directed at the Communist faction which had lost the ballot, but nothing of an incriminatory nature was ever proved.[159]

The farmers felt that there was an immediate need for the Federal government to act to protect their livelihoods, but the government also needed to consider other, sometimes conflicting, interests. It needed to safe-guard its own sources of revenue through excise and tariffs, and to ensure that the available dollar reserves were expended as judiciously as possible. The interests of manufacturers who were providing employment in the cities had to be regarded as important to the nation's economy. The interests of consumers had to be protected, although it has to be said that these were usually the last to be considered. The Chairman of Directors of BATC firmly placed all the difficulties inherent in the business at the feet of the growers when he reported to the Annual General Meeting of the BATC that

'The key to the problem lies in the term 'usable leaf', ... some growers have continued to offer at auction quantities of leaf of a quality which... is not acceptable to the Australian smoker... The only available source of leaf in such quantities is the dollar area covering the U.S.A. and Canada.'[160]

At the May 1954 sales, the value of the Mareeba-Dimbulah crop passed the £1 000 000 mark, and the top price received was 207d. per pound paid by the BATC. The average price was 147.5d. per pound with a high level of clearance.[161] The directors of QTLMB were aware that such prices were probably unsustainable, and that unplanned expansion

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[157] Short, *My Affair with Tobacco,* p. 169.

[158] Minutes of the QTLMB and NQTCCA., 1953-54, held in the records of QTM and TGT respectively, Mareeba.

[159] Interview with Don Hastie, 29 September 2003, Mareeba.

[160] *Cairns Post,* 15 February 1954.

[161] *Ibid.,* 18 May 1954.

of the industry would inevitably cause over-production, particularly of the lower grades of leaf.[162] As Edgar Short made clear, the need for the industry to be stabilised with production controls in place was in the best interests of everyone involved. This included the smaller manufacturers of tobacco products which found themselves under pressure from the larger manufacturers. They felt that they were also disadvantaged by the high rates of excise imposed by the Government, notwithstanding the rebate for the use of Australian leaf. They outlined their case for a reduction in excise duties In a letter to the Minister for Trade and Customs, stating that many would be forced into liquidation if the present situation was not reversed.[163] At the same time, another threat to the viability of the industry emerged. The Federal Trade Commission of the USA asked the American tobacco manufacturers to cease advertising their products as beneficial to health because of 'recent scientific developments with regards to cigarette smoking'.[164]

Water, and Expansion of the Industry

For many years, the farmers had realised that the production of consistently good tobacco would depend on stored water for irrigation. In 1946, Edgar Short, one of the most far-sighted men in the industry, took advantage of his position on the Committee of Direction of Marketing to lobby Government members to set up the Irrigation and Water Supply Commission (IWS). [165] Short and another farmer, Vince Woods, had already done a feasibility study for a major dam on the Barron River, with a system of channels to provide water to the hitherto dry farms of the district. After the establishment of IWS the district was visited by the Minister for Lands, the Commissioner, and the Chief Engineer. They assured the farmers that a scheme would be implemented as soon as it became feasible, subject to the availability of surveyors and engineers, and the development of a comprehensive plan for the scheme.[166] After continual lobbying by the Member for Tablelands and Minister for Agriculture, H. H. Collins, the huge Tinaroo Dam was

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[162] *Cairns Post,* 9 June 1954.

[163] Letter to the Minister for Trade and Customs from seventeen small manufacturers, 20 July 1954, held in the records of QTM.

[164] *Cairns Post*, 18 September 1954.

[165]Short, *My Affair withTobacco,* p. 65.

[166] *Cairns Post*, 19 May 1948.

completed in 1955 at a cost of nearly £4 000 000.[167] It provided water for the Mareeba/Dimbulah Irrigation Area (MDIA) from that time on. The water which so freely flowed from the dam caused a massive increase in the area of land planted to tobacco, with many new farms being developed, and established farmers investing in plant and equipment to boost their production.

IMAGE REMOVED DUE TO COPYRIGHT RESTRICTIONS

Illustration 26: Tinaroo Dam in full flood, 2002.
Water from the dam is carried by channels to the Mareeba/Dimbulah Irrigation Area.
Source: www.mckinnon.edu.vic/tinaroodam

In 1955 the percentage of Australian leaf in tobacco products was raised to 17.5%, and in cigarettes to 7.5%. The disparity was explained by the Minister for Trade and Customs as caused by the addition of sweeteners and spices to the manufactured tobacco, which permitted this product to absorb more leaf of the type produced in Australia.[168] This led to an immediate protest by the BATC as the company spokesman claimed that Australian cigarette quality leaf was in such short supply that it would not be able to obtain the

[167] *QPP,* Annual Report of the Irrigation and Water Supply Commission (IWS), Vol. 2, Part 1, 1955, p. 528.

[168] Letter to T.V.Gilmore from Senator Neil O'Sullivan, Minister for Trade and Customs, 7 March 1955, Gilmore Family Papers.

statutory percentage from the 1955 crop.[169] The result for the growers was highly satisfactory. The increased percentage, and the entry into the market of Phillip Morris and Rothmans, pushed prices up to record levels, with clearances in excess of 90%.

The need to produce tobacco more suitable for the manufacture of cigarettes led to the establishment of the Tobacco Industry Trust Account, with funds obtained from the growers, the manufacturers and State and Commonwealth governments. The Trust Account provided funds for the research needed to enable the farmers to produce leaf of more acceptable quality.[170] McEwen stressed that the expansion of the industry was in the best interests of Australia as it offered closer settlement of otherwise unproductive areas, and that some of those areas like North Queensland were of strategic importance. Further, tobacco was one of the few crops which was dollar saving, thereby releasing dollars for the purchase of more strategic imports.[171] He also noted that the area under production had jumped from 6 000 acres in 1950-1 to 9 380 acres in 1954-5, and that although yields had increased to 890 pounds per acre, this was well below the American average of 1 300 pounds per acre. He expressed the hope that the Trust Account would provide the research funds to increase both yields and quality.

The prices at the early 1955 sales were not sustainable, and at the end of that year, some 364 tons were left unsold. The BATC applied to the Government for a reduction in the percentage. This brought the farmers out fighting, and Short, as Chairman of QTLMB informed the Government that

> This the Board feels is conclusive evidence that the BATC did not and does not intend to purchase more Australian leaf than they are forced to and it feels that this tendency is confirmed by the fact that once they have acquired their requirements of Australian leaf from a season's crop they become more stringent in their grading and pick flaws in bales of leaf they would accept without question at earlier sales. This is in spite of their declared intention to purchase ALL usable leaf.

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[169] *QPP,* Report of the Director of Marketing, Annual Report of the Department of Agriculture and Stock, Vol. 2, Part 2, 1955, p. 30.

[170] Right Honourable J. McEwen, Second Reading Speech, *Tobacco Industry Bill*, House of Representatives, 1955, Gilmore Family Papers.

[171] *Ibid.,* p. 2.

Short claimed that the virtual monopoly held by the BATC which still controlled 78% of the manufactured tobacco market was extremely unhealthy for the rest of the players in the market. He advised the Government to curtail the importation of manufacturing tobacco by the BATC.[172] The BATC responded to this by producing their grade-price schedule which would result in an average price of 110d per pound, subject to auction conditions. The company claimed that the use of their schedule 'would be a major contribution towards engendering a feeling of security amongst growers in respect of the bulk of their production.'[173]

The Board of NQTGCA found this unacceptable, and once again sent Tom Gilmore to Sydney and Canberra to lobby Government Ministers. Gilmore's report to the Board indicated that the profits of the BATC had risen by 30% and 40% respectively in the previous two years, and that McEwen had assured him in no uncertain terms that there would be an Australian tobacco industry with justice for all.[174] Consequently, the Board of QTLMB was confident enough of the outcomes of their lobbying to cancel the forthcoming sales until they were provided with a new basis for a schedule of prices which allowed the sales to proceed without of tons of unsold leaf piling up.[175] In his letter to the BATC, Short made it clear that the farmers found the proposal by the BATC completely unacceptable, and that furthermore, all the troubles in the growing side of the industry could be laid directly at the door of the BATC.[176]

In spite of Short's confident assertion that the Government would lift the percentage of Australian leaf in manufacture, the Minister for Agriculture, William McMahon, a Liberal, was not as sympathetic to the farmers as McEwen had been, and the percentages stayed

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[172] The Tobacco Leaf Marketing Board, 'Report on unsold leaf", 5 December 1955, p. 7, held in the records of QTM, Mareeba.

[173] Letter to the Secretary, Tobacco Leaf Marketing Board, from R.A. Lewin, Director, British-Australasian Tobacco Company Pty Ltd, 16 January 1956, p. 3, held in the records of QTM, Mareeba.

[174] Letter to the Chairman and Directors, NQTGCA., 25 February 1956, from T.V.Gilmore, held in the records of QTM, Mareeba.

[175] Letter to F.W. Brown, BATC, from Edgar Short, QTLMB, 30 April 1956, held in the records of QTM, Mareeba.

[176] *Ibid.*

static until the following year.[177] After delaying the sales for three months, the QTLMB was forced by the farmers' need for cash to go ahead with them. Short claimed that the delay had depreciated the value of the crop to the farmers by £100 000. The Board again petitioned McMahon to use the Government's powers to force the BATC to buy more of the crop at a higher price.[178] The Board provided statistics to show that less Australian leaf was being purchased by the manufacturers in 1955 than had been bought in 1935 (see Fig. 10), in spite of huge increases in production and quality. (See Fig. 11). At the same time, imports of tobacco leaf had more than doubled from 19.5 million pounds to 43.5 million pounds. It was also demonstrated that the price to farmers had risen from 19.32d per pound to 156d per pound, not adjusted for inflation. Although the price had risen substantially, the manufacturers were allowed a rebate of 122.4d per pound on every pound of imported leaf, (see Fig. 9), which meant that the actual cost of the Australian leaf to the manufacturer was 33.6d per pound.[179] The farmers argued that although the actual price of Australian tobacco to the manufacturers had risen 50% over the twenty year period, the cost of tobacco products to consumers had risen almost 290% thereby increasing the manufacturers' profit levels exponentially.[180]

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[177] Confidential Memo to Board Members and Secretary of QTLMB from E. Short (Chairman), 2 May 1956, held in the records of QTM, Mareeba.

[178] Letter to The Honourable W. McMahon, Minister for Primary Industry, from the Manager/Secretary of QTLMB, 23 July 1956, held in the records of QTM, Mareeba.

[179] Addendum to letter to McMahon from the Manager/Secretary of QTLMB, 23 July 1956, held in the records of QTM, Mareeba.

[180] Commonwealth Government, *Labour Report: No 44*-1955 and 1956, AGPS,Canberra, 1956, p. 27.

Comparison Between Price Paid for Australian Tobacco and Rebates for Imported Tobacco 1936-1955

Fig. 9: Australian tobacco price vs rebates.

Comparison between price paid for Australian tobacco and rebates paid to manufacturers (pence per pound) 1936-1955.

Source: Internal document of the QTLMB, c. 1956, held in the records of QTM.

Quantity of Australian Tobacco Compared with Imports in Manufacture 1936-1955

Fig. 10: Imported vs Australian tobacco.

Comparison between quantity of tobacco imported and quantity of Australian tobacco purchased (millions of pounds).

Source: Internal document of QTMB, c.1956, held in the records of QTM.

In an attempt to boost production by controlling pests and diseases, the Queensland Government provided research and extension facilities, and advice from officers of the Department of Agriculture and Stock resulted in better standards of grading and presentation of leaf at the auctions. In 1958-59 Queensland production was 6 350 000 pounds from 7 800 acres, up from 6 800 acres the year before. Most of the crop was produced in the Mareeba/Dimbulah Irrigation Area (MDIA), as less suitable areas in Queensland phased out tobacco growing.[181] The statutory percentage of Australian leaf to

[181] *QPP,* 'Annual Report of the Department of Agriculture and Stock, Vol. 2, Part 2, 1958-59, pp. 4 and 36.

be used in manufacture continued to rise, as did consumption of tobacco products, along with imports from Rhodesia, Canada and USA.[182] Increased Queensland production led to a fall in the average price of tobacco from 124d in 1958 to 112d. in 1962.[183] Clearances at auctions also fell by 2 000 000 pounds between 1959 and 1962. The farmers had grounds for becoming more militant in their demands for higher prices, but only within the parameters of a highly regulated and subsidised industry. Government intervention to that date had kept the farmers on their farms more or less in a state of poverty, but had also led to the expectation that the Government would continue to support their right to grow tobacco, and that the manufacturers had an obligation to pay them at prices which would enable the farmers to continue farming, and in a good year, to make a profit and pay off some of their debts. Many of the farmers in the MDIA had expanded production and had gone into further debt to do so, believing that the building of the Tinaroo Dam by the Government signalled further State support for their industry.

The Government responded to the plight of the farmers by gradually increasing the percentage of Australian leaf until it reached 43% for manufactured tobacco, and 40% for cigarettes in 1962.[184] It also helped to form the Federated Australian Tobacco Growers' Organisation (FATGO) through which it hoped to unite the various geographic sections of the growing industry, and so that it would be able to deal with one representative organisation, and not several State Marketing Boards and Cooperative Associations. However, disputes between this body and the BATC appeared to become the normal course of events with most centred on the price/grade schedule. Although the auction system was still in place, the farmers insisted on prior agreement to the grade schedule. The BATC, as the major buyer, called the tune, and offered a price to which was added a 'secret premium' in the event of lack of competition.[185] FATGO proposed that, as there was very little competition to make the auction system worthwhile, a tender system should be

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[182] Commonwealth Bureau of Census and Statistics*, Overseas Trade Statistics*, Clearances of Tobacco (S.I. 819) for the Year 1958-59, CGPS, Canberra, 1959.

[183] Annual Report of the Australian Tobacco Board, 31 December 1968, Appendix 1.

[184] Letter from J. McEwen to T.V.Gilmore 14 December 1954, addendum sourced from *Statistics of Queensland,* Gilmore Family Papers.

[185] Letter to the Acting Secretary, Federated Australian Tobacco Growers' Organisation, from Brian Piper, Director, BATC, 8 February 1957, held in the records of QTM, Mareeba.

put in place.[186] This move was not supported by the smaller manufacturers who claimed that such a move would advantage BATC only.

In 1959 the farmers began to activate their long-held ambition to achieve stability in the industry through a Stabilisation Plan. The Board of QTLMB appointed a Stabilisation Sub-Committee to investigate thoroughly all aspects of the industry.[187] The Committee was advised by a position paper developed by the Stabilisation and Marketing Division of the Commonwealth Department of Primary Industry which concluded:

> The psychology of a stabilisation scheme is probably every bit as important as its arithmetic even though it is appreciated that the arithmetic may contribute significantly to the psychology. If the farmer has confidence in his industry because of a scheme which is in operation; and if, at the same time, the industry is providing decent and sustainable standards of living for producers with due regard both to market prospects and efficient production; then in this combination lies the real success of a stabilisation scheme.

It also pointed out that constitutionally, control and administration of production was, and is, a State matter. It also identified volume of production, volume of sales, and prices, as the three main factors to be considered in any scheme.[188]

The Sub-Committee squarely faced the fact that the percentage scheme was now working against the interests of the growers. This was because the higher the percentage of Australian leaf in their blends, the less imported tobacco would be required, the amount rebatable to the manufacturers would be less, raising the actual cost of Australian tobacco. (See Figs. 9 and 10). Therefore there was no incentive for manufacturers to buy Australian leaf once their percentage requirements had been filled. The members of the Sub-Committee suggested that the statutory percentage remain the same, but that the rebate

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[186] Addendum to letter to Cooperative Associations and Board Members of QTLMB from Manager/ Secretary FATGO, 3 January 1957, held in the records of QTM, Mareeba.

[187] Memo to Board Members and Branch Secretary re: Stabilisation, from Manager/Secretary QTLMB, undated, held in the records of QTM, Mareeba.

[188] Marketing and Stabilisation Division, 'Stabilisation Plans for Agricultural Industries in Australia"' Department of Primary Industry, Commonwealth Government, Canberra, September 1958, held in the records of QTM, Mareeba.

on tariff for imported leaf be abandoned. This would raise the price of imported leaf above that of domestic leaf and therefore provide a price differential which would encourage the purchase of the Australian leaf. The argument against that proposal was that the price of domestic leaf would then be tied to imported leaf, and a reduction in the price of the imported leaf could lead to a reduction in the price of the local tobacco. The committee was also aware that the price to the consumer could be raised leading to a lessening of demand.[189] As tobacco was always a discretionary product, this was of minor concern.

By the end of 1960, acreage in the MDIA had risen by 31%, (see Fig. 13), and production by 45%.[190] This trend towards rapid expansion caused the growers great anxiety, and the Board of QTLM foresaw that farmers in the more marginal tobacco growing areas would soon be forced out of the industry.[191] Tom Gilmore, as Chairman of the QTLMB, proposed a scheme to curtail uncontrolled expansion based on the sugar industry model of allocated acreages and a farm production peak.[192] Gilmore recognised that unless acreages were limited by allocation, more efficient farming practices and the use of technology would soon increase the tonnage of leaf per acre, and the problem of over-production would re-emerge. He was later proved to be right in his assertions. Other models based on limiting

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[189] Memo to Board Members and Branch Secretary re: Stabilisation, from Manager/Secretary, 26 November 1958, held in the records of QTM, Mareeba.

[190] *QPP,* Annual Report of the Department of Agriculture and Stock, Plant Division, Vol. 2, Part 2, 1960, p. 16.

[191] T.V.Gilmore, Chairman, QTLMB, 'Tobacco Expansion and How It Could Affect You', *The Australian Tobacco Journal*, Volume 2, March 1961, pp. 4 and 33.

[192] The sugar industry, arguably the most profitable of farming enterprises at that time, was regarded by farmers as the model for industry organisation. However, tobacco farmers ultimately rejected the model with its allocated acreages. This led to the downfall of the Stabilisation Plan.

The history of the sugar industry in Queensland has been well documented. Some useful texts are: Adrian Graves, *Cane and Labour: the political economy of the Queensland Suar Industry 1862-1906*, Edinburgh University Press, Edinburgh, 1993; Harry T. Easterby, *The Queensland Sugar Industry: an historical review*, Queensland Bureau of Sugar Experiment Stations, undated; Bianca Balanzategui, *Gentlemen of the Flashing Blade*, Department of History and Politics, James Cook University, Townssville, 1990; P.D.Griggs, *Plantation to Small Farm: a historical geography of the lower Burdekin sugar industry, 1880-1930*, University of Queensland Press, Brisbane, 1992.

the amount of irrigation water to farmers, or the use of excise power by the Commonwealth Government, were explored.[193]

[193]T.V.Gilmore, 'Tobacco expansion', *The Australian Tobacco Journal*, Volume 2, March 1961, pp. 4 and 33.

Increase in Tobacco Production 1951-1962

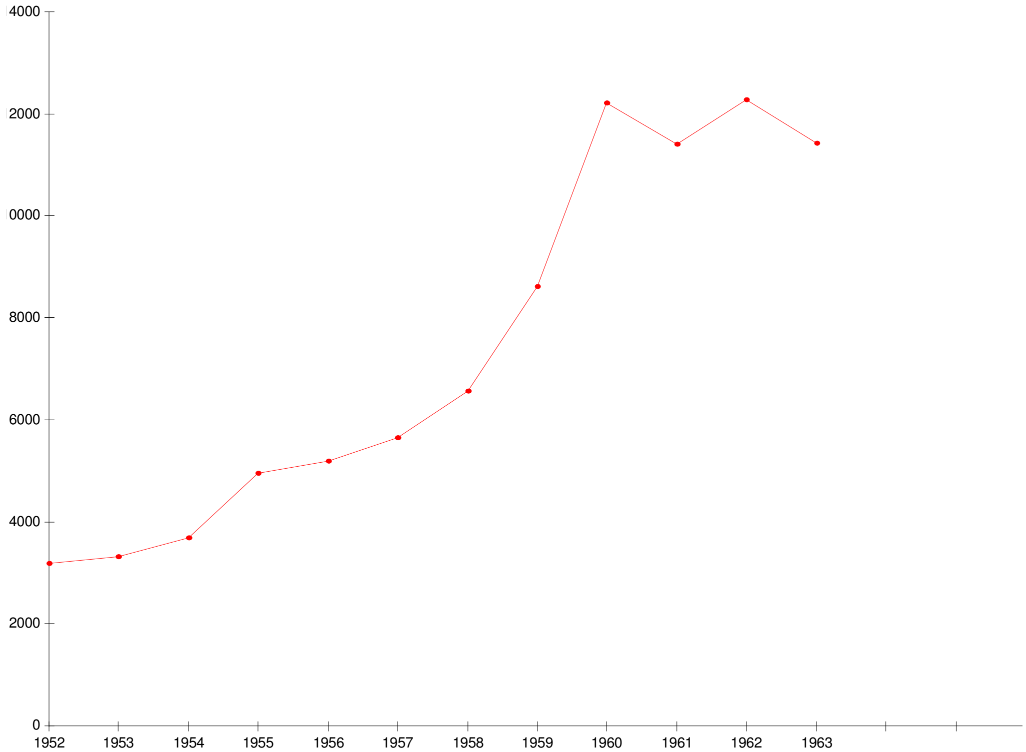

Fig. 11: Tobacco plantings 1951-1964.

Area of land planted to tobacco 1951-1964 in Australia, prior to the Stabilisation Plan.

Source: Annual Report of the Australian Tobacco Board, Appendix 1, 1982.

Tobacco Produced Compared with Tobacco Sold 1952-1964

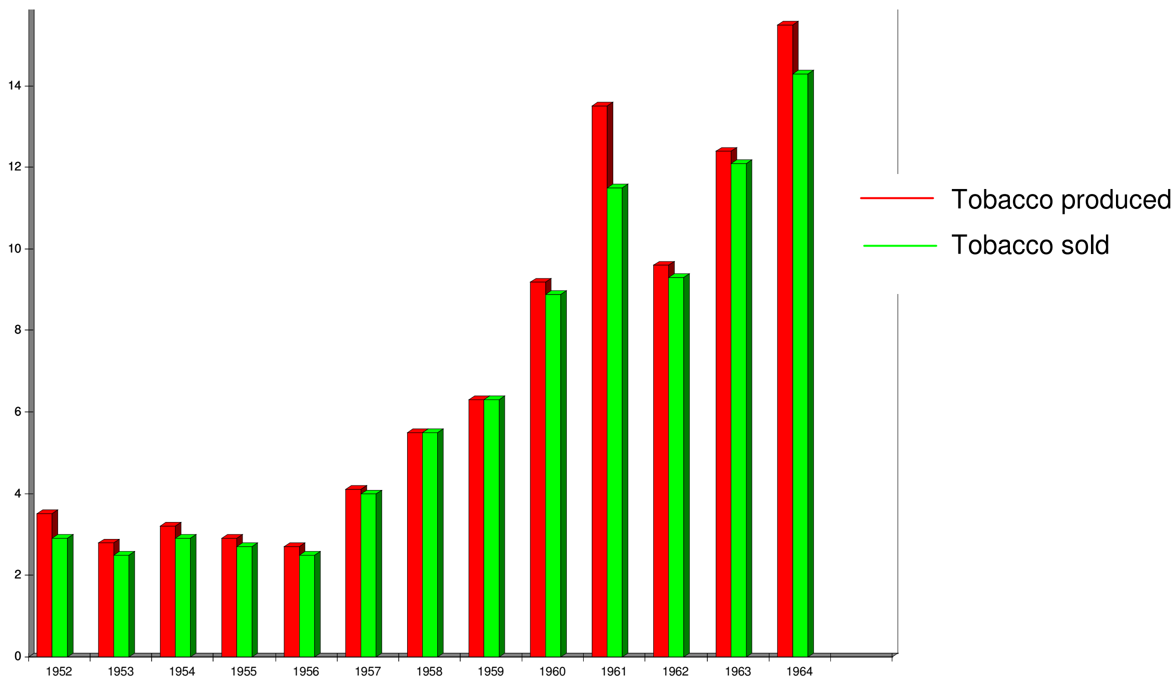

Fig. 12: Australian tobacco produced compared with tobacco sold ('000 kilograms). The difference represents the quantity of tobacco held on farms.
Source: Annual Report of the Australian Tobacco Board, Appendix 1, 1982.

The worst fears of the growers were realised when the manufacturers declined to buy the crop grown by soldier settlers at Clare in the Burdekin district, saying that it did not reach the required quality standards. Although the Clare settlement had had difficulties from its inception in 1955, and it was soon acknowledged that the area was not suitable for tobacco production, the farmers and the government did not want to see another debacle as in 1932 when many farmers were forced off their land.[194] The Commonwealth Government had set the statutory percentage of Australian leaf in manufactured tobacco at a level high enough to ensure the sale of the high quality tobacco, but not high enough to clear the whole crop, that is, 43% for cigarettes, and 40% for manufactured tobacco.[195] Therefore, there were increasing stocks of unsold tobacco held on farms, whilst at the

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[194] *Cairns Post,* 19 June 1956, p. 1.

[195] Letter to the Manager, QTLMB from Acting Collector of Customs, 10 May 1961, held in the records of QTM, Mareeba.

same time production was expanding.[196] (See Fig.12). The report of the Tobacco Investigation Committee stated that many farmers could not meet their commitments and were unable to gain credit or finance for the next crop. Once again the growing industry saw the human misery caused by farmers in marginal areas being forced to walk away from their livelihoods.[197]

John McEwen warned that over production would have to be curtailed, and called a meeting of growers, manufacturers, and State and Commonwealth governments to devise a scheme which would be of benefit to all the players. He stated that if the farmers failed to agree to production controls, the Commonwealth Government would review its policy of concessional duty on imported tobacco.[198] The manufacturers insisted that they would continue to purchase Australian tobacco provided it conformed with their quality requirements. All Ministers, State and Commonwealth, issued warnings to growers that poor quality leaf would not be sold, and that the farmers must produce the types of tobacco favoured by the manufacturers.[199] The outcome of the meeting was that the Commonwealth would increase the statutory percentage to 43% for all types of manufactured tobacco and it would be conditional on the whole of the manufacturers' stocks. This meant that manufacturers would be paid the rebate on tariff owing on imported tobacco after the statutory requirements had been met, and not upon withdrawal of imported tobacco from bond as had occurred in the past. Although this arrangement served for the 1963-4 crop, McEwen made it clear that a more permanent solution to the growers' demands for a stabilised industry would have to be found.[200] However, there was general agreement that an Australia-wide scheme would be difficult to implement because of the constraints of Section 92 of the Commonwealth Constitution, guaranteeing free

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[196] 'Excess output hits tobacco as an industry', *The Australian*, 6 October 1964.

[197] Confidential Report of the Tobacco Investigation Committee, Brisbane, 7 November 1961, held in the records of QTM, Mareeba.

[198] 'Tobacco Faces Overproduction' *The Countryman*, 18 May 1961.

[199] Press Statements from Hon. C.F. Adermann Minister for Primary Industry, 8 June 1961, and Hon. O.O. Madsen, Minister for Agriculture and Forestry, undated, held in the records of QTM, Mareeba.

[200] J. McEwen, 'Government Takes Action to Assist Tobacco Industry', *The Australian Tobacco Journal,* Vol. 3, February 1962, pp. 4 and 25.

trade between States. This Section therefore limited the ability of the Commonwealth to impose production or marketing controls on tobacco grown in different States. [201]

By 1964 the stocks of poor quality leaf held on farms were at critical levels, (see Fig 14), and the stocks held by manufacturers were six months in excess of requirements.[202]The Commonwealth Government reduced the statutory percentage to 40% and although the official reason given was because of a shortfall in Australian production,[203] the nett effect would be to clear the backlog of manufacturers' holdings. Not all growers were holding unsold tobacco. Much of it was in areas unsuitable for tobacco cultivation, and although the MDIA farmers achieved a satisfactory clearance and price for their leaf, it was obvious that more areas would have to go out of production. The Queensland farmers regarded this as a threat to their survival because they feared that the manufacturers would be able to mount a case for lowering the price of their tobacco if they continued to achieve prices so far above the average of the Australian crop. For instance in 1963 the average price for the MDIA crop was 143.8d per pound with a 99.2% clearance, whereas the rest of the Queensland crop averaged 138d. per pound with clearance of 97.1%.[204] The North Queensland farmers recognised that their gain would be at the expense of eliminating large sections of the growing industry in other parts of the country.[205]

McEwen's patience with the tobacco industry was fast running out, and in 1963 he convened a meeting of governments, manufacturers and growers to reach agreement on a stabilisation plan. He directed that the various State Marketing Boards convene to form the Tobacco Growers' Council of Australia (TGCA) which would be the responsible body for the formation of a Stabilisation Plan. Under the Chairmanship of Norm Studt, a Mareeba farmer, the Council was not able to negotiate a scheme based on the current Australian production of 33m. pounds. The Australian quota was set at 26m. pounds at the agreed

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[201] Letter to T.V.Gilmore, Chairman of QTLMB from Otto Madsen, Minister for Agriculture and Forestry, Queensland, 20 September 1962, held in the records of QTM, Mareeba.

[202] Confidential Briefing Paper to members of the Board of QTLMB, 24 September 1964, held in the records of QTM, Mareeba.

[203] Memo to Board members of the QTLMB, undated, held in the records of QTM, Mareeba.

[204] Annual Report of QTLMB. Chairman's Report, 31 December 1963, p. 2.

[205] Confidential Briefing Paper to Board members of QTLMB, 24 September 1964, held in the records of QTM, Mareeba.

average price of 125d. per pound. The period of the plan would be four years, and administered by the Australian Tobacco Board, constituted under the *Tobacco Marketing Act 1965.*[206] Complementary legislation was passed by the State Governments[207] to ensure legality under Section 92. Each State had a Tobacco Quota Committee comprising four persons, three nominated by the relevant Tobacco Leaf Marketing Board with a representative of the Department of Primary Industries as Chairman, and an Appeals Tribunal appointed by the State Government. Each grower was allocated a proportion of the Australian quota which would be attached both to the grower, and his/her farm. The individual quotas were based on a basic quota of 10 000 pounds, plus further poundage based on previous production history, less 30% to take into account the reduction of the 7m pounds agreed to by the TGCA.[208]

The scheme caused immediate dissent within the growing industry. One faction, led by Tom Gilmore, had proposed that any scheme of orderly production must be based on the sugar production model of assigned acreages, production tonnages, and quality incentives through price.[209] Other factions, led by the larger producers, resented the method used to allocate quotas. Most farmers thought that Studt had not been strong enough in presenting their case to the Commonwealth and in compromising on the initial quota.[210] Certainly, this decision caused much hardship among many farmers who had invested heavily in expanding their production prior to the introduction of the Stabilisation Plan. With the statutory percentage increased to 50% by 1966 the North Queensland tobacco growing industry did achieve a degree of stability for some ten years. However, later events were to prove that stabilisation was an impossible dream. It had built into it the seeds of its own destruction. By not limiting area, as well as production, the industry saw excess unsold tobacco soon filling sheds and becoming a cause for resentment and political reaction. As feared, the Western Australian, Northern New South Wales, and Clare areas went out of production completely. Ultimately, the South Queensland area also ceased production, leaving North Queensland and Victoria as the main tobacco producing areas in Australia.

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[206] Commonwealth of Australia, *Tobacco Marketing Act 1965, No. 85 of 1965.*

[207] In the case of Queensland, *An Act Relating to the Stabilisation of the Tobacco Industry No. 57 of 1965.*

[208] Short, *My Affair with Tobacco*, p. 198.

[209] Annual Report of QTLMB, Chairman's Report, 31 December 1963, p. 3.

[210] Short, *My Affair with Tobacco,* p. 198.

IMAGE REMOVED DUE TO COPYRIGHT RESTRICTIONS

Illustration 27: Aerial view of a typical tobacco farm of eighty acres.
This allowed twenty acres of tobacco to be grown on a four year rotation.
Source: Gilmore family collection.

Conclusion

The first 40 years of the tobacco growing industry in the MDIA were ones of almost constant struggle. It was an industry which could never have been viable without extensive government intervention because of the low cost base from which its main competitors to the local industry were operating. Only by manipulating the cost of the imported product through the "stick and carrot" approach of statutory percentages of locally grown leaf in manufactured products and the tariff rebate regime, could the Commonwealth Government keep the Australian growing industry alive. That it was convinced to do so in the early days had more to do with the policy of closer settlement and preserving the dollar exchange than with the welfare of a few farmers. Personal relationships built up over many years between industry leaders and government power-brokers may have had an increasing influence on the fate of the industry. Without the sympathy for farmers by men such as John McEwen and his Departmental Head, John Crawford, it is doubtful that the growing industry would have survived past the 1940s. However, the sympathetic policies devised by these men with the complicity of the farmers prolonged the industry for thirty years, but were not sustainable in the long term.

The attempts by the farmers to manipulate competition on the sales floors by developing a grower-owned manufacturing operation was doomed to failure by the flawed ideology upon which it was based, as well as the lack of commercial experience in both manufacture and marketing. Dissension and political wrangling among the farmers meant that much energy was deflected from the main fight, which was with the manufacturers, who were happy to pick off sections of the industry one by one whilst proclaiming that they would buy all of the Australian leaf of a certain quality. However, the criteria used to define quality was their own, and appeared to be somewhat of a moveable feast. In retrospect, and with the hindsight informed by free-market ideology, it appears absurd that a few farmers from North Queensland could have kept such a highly protected and nurtured industry alive for so long. The next episode in the history of tobacco would illustrate the effects of the withdrawal of that support on individuals and the region.

Conclusion to Section Two

Within the Australian historical context the development of the Atherton Tablelands was not unique. All States went through the developmental stage wherein State funds were used for the provision of infrastructure to support the settlement of the land. Although Wanna and Weller state that this was a pragmatic, rather than ideological, response to the demands of settlement,[211] the development and establishment of North Queensland, and within it, Atherton Tablelands agricultural industries stand out as exceptions to this analysis. One significant factor in the underlying ideology was the need to protect the purity of the colony from contamination and invasion from the north. The settlers, and the farmers in particular, were both beneficiaries and victims of that ideology.

The industries survived because of policies introduced by successive Labor governments which espoused the cause of socialized agriculture. This favoured leasehold tenure over freeholding; introduced the principles of cooperation and pooling; used statutory marketing based on the compulsory acquisitions of crops; and established an Agricultural Bank dedicated to providing cheap loans to farmers. Commonwealth governments also played a part through legislation designed to promote exports, and to protect Australian agriculture through the imposition of tariffs, excise, and subsidies. The result in Queensland was the long domination of the ALP. On the Atherton Tablelands, ALP members were consistently returned to the State Parliament from 1910 to 1957. During this period, only two conservative members won seats, and only for six years. (See Appendix One). It is obvious that Tableland farmers in particular endorsed such arrangements.

However, it would appear that successive governments had a tiger by the tail, and were forced to exercise great ingenuity to maintain the farmers on the land. Had Commonwealth governments not intervened, it is doubtful that the tobacco industry in particular, would have lasted beyond its third year. In contrast, the maize industry, if left alone, would have struggled on, supplying inferior grain for local needs. An equilibrium would have been reached, probably with the owners of larger farms amalgamating so that farms became ever larger as technology removed the need for intensive labour. Similarly, the dairy

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[211] John Wanna and Patrick Weller, 'Traditions of Australian Governance', *Public Administration,* Vol. 81, No. 1, 2003, pp. 78-9.

industry would have developed much more slowly, with land being taken up in response to local demand, and expanding with the population as technology and transport systems improved.

The similarities between development phases of the three key industries of the Atherton Tableland are obvious. All of them were established in response to policy imperatives which had little to do with consumer demand, and everything to do with international relations and trade. All of the industries required enormous effort and sacrifices on the parts of the farmers, and all of them took decades to reach a stage of relative prosperity. Distance from substantial markets and sources of essential supplies impeded development. It was only increasing levels of government intervention, and political activism on the part of the farmers which led to the establishment and consolidation phase, when the farmers could have some certainty of being able to continue, and to invest in more efficient production methods. Both the dairy and maize industries were assisted by the effective representations of the State Members of Parliament, and the tobacco industry was particularly successful in cultivating personal relationships with power brokers at all levels of government.

The histories demonstrate the difficulties of establishing viable farming enterprises in geographically remote and economically peripheral regions. All were encouraged by government policies of closer settlement, and later organisation designed to minimise competition. The closer settlement policies and racist attitudes of government and the wider population led to loss of life and dispossession of traditional land of the Aboriginal population. Because of government land and resource policies, all of the industries were responsible for varying degrees of land degradation and waste of timber resources. All of the early settlers experienced physical and financial hardship that is hard to imagine in these days of ease and plenty. All of the farmers had to fight political battles to ensure their survival. It is paradoxical that in securing survival, they surrendered their autonomy and independence by submitting to government control over almost every aspect of their farming enterprises.

The attempts to value-add to their raw products were most successful in the case of the dairy industry, which turned the disadvantage of distance into a plus, by claiming a monopoly market for the highly perishable product. The tobacco industry, producing as it did a high value, low volume product should have been the industry most able to survive, but the difficulties of manufacturing and marketing a discretionary product in competition with near-monopolistic multi-national companies was beyond the capacity of a farmer cooperative. Similarly, the maize industry, manufacturing a high-volume, low value product, was only able to survive through the compulsory acquisition powers of their Marketing Board, which removed the competitive elements from the supply of their product.

The differences between the three key industries of the Atherton Tablelands lie in their beginnings and their importance to the development of the state. In the case of the maize and dairy industries, both began as responses to local demand from a very small population. The maize industry, as a local industry supplying local needs was able to take advantage of the organisation of agriculture to control marketing of the product, and to maintain a monopoly through the powers of legislated compulsory acquisition of crops. This provided it with a stability which allowed development and establishment of farms. The dairy industry, soon after its beginning, became subject to intervention as part of a state-wide industry, and then later as part of a national industry. Without the plethora of legislation enabling levies, bounties, control over production, and allocation of markets, the Tablelands industry would probably have become the major provider of fresh milk to North Queensland as soon as technology and transport systems allowed it to escape the drudgery of cream production for butter. If it had been left alone, it would have expanded with the population to meet its demands for dairy products. Prior to the development of long-haul refrigerated transport systems, its geographic position guaranteed the local market.

In the case of tobacco, it was a deliberate decision of government to establish the industry to support the national economy through saving dollar reserves as much as to fulfil the needs of closer settlement. The industry would never have survived beyond the first two years without government intervention. It certainly could not have survived without increasing levels of government support through tariff regimes which exerted controls over competition from imports. As an import substitution crop, the tobacco industry was subject to pressures different from those exerted on the other two industries. Because manufacturers were multi-national, and were able to source their raw material from countries with much lower costs of production, the northern tobacco growers, at the end of the supply chain, were always going to have to rely on substantial government support to survive. In spite of the necessity for the government to save dollar reserves by home-producing tobacco, it was an expensive exercise for all of the players concerned. However, in terms of human costs, it was the farmers and their families whose sacrifice was greatest. The shareholders of the manufacturing companies had the benefit of expanding profit margins for their product, and the government could always recover their expenses by the imposition of excise duties.

If the histories can be placed in the context of economics, then government intervention forced the farmers into a supply driven market, which then had to be manipulated in order to allow the farmers to continue farming, the need for which was a completely different imperative. Within the context of the White Australia Policy, the settlement of the Tablelands, and the establishment of such different agricultural industries was a resounding success. The anticipated invasion never arrived, although whether that was due in any degree to the presence of a few hundred poor and struggling farmers is highly questionable.

Therefore, it has been demonstrated that government intervention in the establishment of the maize, dairy, and tobacco industries on the Atherton Tableland allowed the survival of three industries which, in a free market situation, could not have developed to the extent they did, or survived for as long as they did.

If, with hindsight, we could speculate about ‘what might have been’, perhaps the following scenario would have ensued. Ideally, if the State had recognised the value of the timber on the Tablelands, it would have made the entire area into a Forestry Reserve and harvested the timber on a sustainable basis. The Tablelands would have remained a pristine ecosystem with no erosion, a few farms supplying the needs of the local population, and small settlements supplying services to farmers and the timber industry. However, given the strategic purposes behind closer settlement, that was probably never an option.

If the government had not organised agriculture to the point where farmers were dependent on artificial manipulation of the principles of supply and demand, many of the less efficient farmers would have left the industry long before their financial position became critical and required further propping up by government. However, it has to acknowledged that the rapaciousness of the merchants who also attempted to indulge in market manipulation was thwarted by the marketing arrangements imposed on the maize and tobacco industries. In this instance, the Atherton Tableland Maize Marketing Board certainly allowed the industry to exist and expand beyond the point where it had the capacity to supply more than the local market. In the case of the dairy industry, the regulatory regime which allowed the growth of a cooperative processing and marketing entity certainly put the industry on a sound footing and was the basis of its prosperity. Similarly, the price controls exerted by State and Commonwealth governments reduced the ability of the retail grocery businesses to screw down the farm-gate prices to unsustainable levels.

If the State Government had not interfered with land tenure, the farms would have maintained freehold status at a size sufficient to be viable. Although the white owners of the original farms would still have leased the land to the Chinese for the initial clearing and cultivation of crops, eventually it would have fallen into the hands of professional farmers, and the elderly Chinese returned to their homeland. The larger farms would have lent themselves to mixed farming, and would have been limited to fulfilling the needs of the immediate population in the initial stages. Development would have been much slower, and much more sustainable in terms of resource usage, particularly if land clearing had not been made a condition of occupation, or conversely, if the farmers had been allowed to harvest the trees sustainably under a quota system. It is not hard to imagine a 360 acre farm with 160 acres devoted to timber, 100 to animal production, and 100 to the production of grain, peanuts, and vegetables. The result of this may have been sturdy, independent yeomen, farming their land sustainably, and perhaps even making a profit in the good years.

That this did not happen was the result of government decision making which had more to do with the immediacy of settlement, establishment and development. Governments of all persuasions were committed to the ideals of closer settlement from the 1860s. The perceived imperative to fill the ‘empty North’ moved governments to establish industries where, in later knowledge of ecology, they should never have been established.

SECTION THREE

DEREGULATION AND RATIONALISATION

THE HISTORIES OF THE MAIZE, DAIRY, AND TOBACCO INDUSTRIES 1960-2000

"…and your old men will dream dreams"
The Holy Bible, Book of Joel, Chapter 2, Verse 28.

Chapter Six: Overview of Economic Reform

Introduction

The Australian economy, at the beginning of the twenty-first century, is in better shape than most economies in the developed world. It is the result of thirty years of economic restructuring which transformed Australia from what many economists regarded as a highly protected and inward looking nation into one of the most deregulated and free economies in the world. However, this situation has come at a price, and economists as disparate as Quiggin[1], Thomas Friedman[2], Anderson and Garnaut,[3] and Milton and Rose Friedman[4] have pointed out that there are winners and losers as well as unintended consequences which emerge during and after the process of economic reform. This chapter will provide an overview of the political process of economic reform in Australia, which took Australian primary and secondary industries generally from a high degree of protection to an environment of low protection and exposure to the forces of free trade.

Australia's comparative advantage in production of raw materials in the international economy ensured that the domestic economy after World War Two was essentially one which was carried by the great primary industries of the day, wool, wheat, beef, dairy products and sugar, exported to a world hungry for food and fibres.[5] These were later supplemented and surpassed by sales of gold, iron ore, bauxite, coal and to some degree, uranium, to a world which needed raw materials for manufacturing and energy. Massive migration to Australia increased domestic demand for food and manufactures as well as services. Until the 1950s, agriculture contributed more than 75% of Australia's exports, and manufactures comprised over 75% of imports up until the late 1960s, despite increased protection for Australian secondary production.[6]

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[1] Quiggin, *Great Expectations,* p. 229.

[2] Thomas Friedman, *The Lexus and the Olive Tree*, Harper Collins, London, 1999, p. 271.

[3] Anderson and Garnaut, *Australian Protectionism,* p.37.

[4] Milton & Rose Friedman, *Free to Choose*, p. 53.

[5] Lawrence, *Capitalism and the Countryside,* p.188.

[6] Anderson and Garnaut, *Australian Protectionism,* p. 22.

However, as discussed previously, many industries, both primary and secondary, were assisted not only by trade barriers through tariffs, but by subsidies, bounties, and/or direct payments. Protection had been a feature of the development of Australian industry since before Federation[7] albeit a highly contentious one.[8] As Ha-Joon Chang[9] points out, aggressive tariff barriers to protect infant industry are part of the development of many nations, including the so-called bastions of free trade, the USA and Britain.

Protectionism in Australia

Post-War protection of Australian industries was carried forward by the Menzies government.[10] However, regulation of industries was also the responsibility of State governments, and by the 1960s there existed a complicated web of State and Commonwealth Acts and Statutory Rules which not only had effects on the efficiency of production, but entailed large compliance costs which were inevitably passed onto the consumer.[11] Policies were developed within the parameters of the United Kingdom-Australia Trade Agreement, and the General Agreement on Tariffs and Trade (GATT). The Australian Government claimed a'mid-way' position for Australian industry, which was used to justify retention of protective barriers to imports. McEwen made it plain that, although Australia did not consider itself a 'developing' nation, it was in a position mid-way between the long established industrial countries and those which were at that time still developing their manufacturing capability.[12] This had been the position of the Country Party since its inception, but from the mid-1960s other voices in rural based industries began to express concerns about levels of protection Australian governments were providing to secondary industry in particular. The policy of 'protection all round' began to cause internal tensions within the Country Party. Certain influential members, specifically

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[7] C.M.H.Clark, *A History of Australia, IV, The Earth Abideth Forever, 1851-1888*, Melbourne University Press, Carlton, 1978, p. 266.

[8] B.R.Wise, 'Industrial Freedom: A study in Politics', in C.M.H.Clark, (Ed.), *Select Documents in Australian History, 1851-1900*, Angus and Robertson, Sydney, 1955, p. 271.

[9] Ha-Joon Chang, *Kicking Away the Ladder*, pp. 59-61.

[10] Don Aitkin, *The Country Party*, p. 70.

[11] Bureau of Industry Economics, *Government Regulation of Industry: Issues for Australia,* AGPS, Canberra, 1986, pp. 4-6.

[12] *CPD, (H of R),* J. McEwen, Tariffs and Customs, Vol. 46, 19 May 1965, pp. 1631-6.

interests from the wool industry known as the Basic Industries Group, were concerned that protection of domestic industries through tariffs would raise their costs of production.[13]

Table 2: Statutory marketing arrangements.

Commodity	**Point of Incidence**
Wheat	Wheat for milling or export
Rice	Milled rice for wholesale or export
Manufacturing milk	Manufactured dairy products subject to market
Market milk	At receival by processor
Honey	Honey for wholesale or export
Dried vine fruits	Wholesale or export
Bananas	Bananas for wholesale price from actual market
Eggs	Eggs or egg products for wholesale or export
Sugar	Raw sugar for domestic sale or export
Cotton	Raw cotton for domestic sale or export
Tobacco	Tobacco leaf for manufacturing

Agricultural Commodities subject to statutory marketing arrangements: point of incidence.
Source: Industry Commission, *Statutory Marketing Arrangements for Primary Products*, 1991.[14]

However, the Country Party maintained protection of other primary industries such as dairy production, sugar, and tobacco, which were either partly export industries or import substitution industries.[15] Some primary industries operated under the highly regulated regime of Statutory Marketing Authorities which organised the acquisition, marketing and

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[13] Aitkin, *The Country Party*, p. 70.

[14] Industry Commission, *Statutory Marketing Arrangements for Primary Products,* Report No. 10, 26 March 1991, p. 197. In Queensland, the sale and distribution of fruit and vegetables was carried out by the Committee of Direction of Fruit and Vegetable Marketing (COD), a Statutory Authority under the auspices of the government.

[15] Anderson and Garnaut, *Australian Protectionism,* p. 47.

distribution of crops for both domestic consumption and, in times of excess production, exports.[16] (See Table 2).

The policy of protection did boost Australia's manufacturing production and employment,[17] but at the expense of economic growth. This view, which is essentially a liberal economic theory, has been challenged by both Quiggin[18] and Lawrence[19] who argued that economic growth did not, in fact, slow down, and that compensation for higher inputs for farmers was built into land values of their farms. Quiggin also argued strongly that tariff reform accelerated industry structural reforms which would have happened because of changing patterns of trade in the world economy.[20] However, it would appear from OECD modelling that, from 1950 to 1980, Australia's ranking by Gross Domestic Product (GPD) per capita, when compared with other industrialised countries, fell from third to fourteenth.[21] During this period, Australia's pattern of export trade was changing. After 1950, exports to Japan and the United States increased significantly at the expense of the British trade.[22] A notable feature of the development of trade with Japan post-war was its tentative nature. The Government was concerned that Japan, although recognised as an important market for primary product, would use Australia's raw materials to manufacture products which would challenge Australia's own manufacturing industries.[23] Therefore the agreement with Japan retained the right of Australia to protect its industries from Japanese imports.[24]

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[16] Brian Pinkstone, *Global Connections, a History of Exports and the Australian Economy*, AGPS, Canberra, 1992, p. 321.

[17] Anderson and Garnaut, *Australian Protectionism*, p. 12..

[18] Quiggan, *Great Expectations,* p. 228.

[19] Lawrence, *Capitalism and Countryside,* p. 86.

[20] Quiggin, *Great Expectations*, p. 142.

[21] Anderson and Garnaut, *Australian Protectionism*, p. 17.

[22] *Ibid.*, p. 18.

[23] Richard H. Snape, Lisa Gropp, and Tas Luttrell, *Australian Trade Policy 1965-1997, a Documentary History,* Allen and Unwin, St Leonards, 1998, p. 460.

[24] *Ibid.*

Tariff policy to the mid-1960s was determined by Government, on the advice of the Tariff Board, which based the rate of tariff on the nebulous criteria of 'economic and efficient',[25] which allowed the Government discretion as to which industries received protection. However, the Menzies Government did form the Vernon Committee in the early 1960s to report on the rates and extent of tariff protection for industry in Australia. The Committee recommended that the Tariff Board develop a benchmark for the concept of "economic and efficient" by estimating the average cost disability[26] of specific industries, and that protection should not be regarded as a permanent right.[27] The Vernon Committee tentatively suggested the average rate of cost disability to be about 30%, and opposed industry being granted rates higher than this.[28] A most important recommendation was that the Board should take into account consequences for the whole economy and should not regard the issue of full employment as its responsibility.[29] According to Rattigan, this report caused the Government some concern, as it raised the general consciousness of the country to the consequences of high tariff protection for secondary industry.[30]

The Minister for Trade and Industry, John McEwen, found himself under pressure from traditional Country Party supporters who accused him of neglecting the interests of rural Australia in favour of city-based secondary industry.[31] McEwen was a man who had been orphaned at seven, had left school at thirteen to eke out a living, and had taken up a soldier settlement block after World War One.[32] His early life created his political philosophy which was essentially that of government support and protection of farmers' interests, as well as those of secondary industries. He believed implicitly that farmers had

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[25] Alf Rattigan, *Industry Assistance the Inside Story*, Melbourne University Press, Carlton, 1986, p. 54.

[26] 'Average cost disability' refers to the disadvantage suffered by industry if foreign manufactures were allowed to enter the country freely.

[27] Rattigan, *Industry Assistance*, p. 24.

[28] Snape, Gropp and Luttrell, *Australian Trade Policy 1965-1997*, pp. 34-7.

[29] Rattigan, *Industry Assistance*. p.24.

[30] Most of the recommendations of the Vernon Committee were not implemented as they did not sit easily with the policies of the Menzies Government. *Ibid.,* pp. 54, 55, 65.

[31] Aitkin, *The Country Party*, pp. 70-2.

[32] Peter Golding, *Black Jack McEwen, Political Gladiator,* Melbourne University Press, Carlton, 1996, pp. 7-9.

as much right to a decent income as workers in secondary industry, and therefore extended his support for them into a regime of orderly marketing, subsidies and bounties, or as he put it '... protection all round'.[33] Therefore, McEwen was fighting on several fronts. He was trying to withstand the demands for tariff policy change from particular sections of the Country Party, to protect the interests of small farmers, and at the same time to manage demands of sections of secondary industry to maintain the high levels of protection from imports which they had enjoyed for so long.[34]

For many years, there were sections of primary industries, notably grazing interests and the mining industries, which had not enjoyed a high degree of protection. In fact, as early as 1929, the Brigden Committee had identified that protective tariffs had increased the costs of farm and mine production by 10%.[35] However, there were many others which were receiving support through Statutory Marketing Authorities, price support schemes, and bounties. For instance, the tobacco, sugar and dairy industries received government support varying from 38% of their value (sugar), to 100% (tobacco and dairy) in 1970-71.[36] Therefore, the attack on McEwen's trade and tariff policies came from mainly export oriented industries which sought to overcome the unfavourable trading position in which they were situated,[37] and not particularly from those industries supplying both domestic and export markets, or were (as tobacco) import substitution industries.

Manufacturers also were anxious that the tariff *status quo* should be maintained. Industry representatives actively lobbied McEwen and Tariff Board members in their united opposition to changes in the approach of the Board to protection of Australian industries.[38] The Annual Report of the Australian Industries Development Association in 1969-70 attacked the role of the Tariff Board and claimed that it was acting as a planning authority

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[33] *Ibid.,* pp. 6 and 116.

[34] Anderson and Garnaut, *Australian Protectionism*, p. 79.

[35] Geoffrey Blainey, *The Rush That Never Ended*, Melbourne University Press, Carlton, 1993, p. 281.

[36] Snape, Gropp and Luttrell, *Australian Trade Policy,* Table 1.3, p.15.

[37] Keith Richmond, 'Rural producer groups and policy-making: a study in State politics', *Politics*, Vol. XIII, No. 2, November, 1978, p. 262.

[38] Rattigan, *Industry Assistance*, p. 63

rather than an advisory body to the Government.[39] The independence of the Tariff Board was being called into question by manufacturing groups as a rear guard action as they evidently felt that they had more chance of retaining protection for their industries through McEwen rather than allowing the Tariff Board to set the levels of protection. McEwen reacted by proposing guidelines to the Tariff Board which would, in effect, limit the ability of the Board to collect data or to analyse what data it had.[40] These were roundly criticised in the financial press, as well as by the President of the Associated Chambers of Commerce. The Government responded to growing controversy by announcing a comprehensive review of tariffs, and, at a later date, the criteria under which the Board operated.[41] Thus, divisions within the membership of the Country Party were beginning to form, as interest groups vied for influence on policies which would protect their own interests most effectively.[42] On the other hand, McEwen and the Tariff Board were under pressure to continue the high levels of protection in spite of growing academic and sectional unease about the benefits or otherwise to the whole Australian economy.

The Annual Report of the Tariff Board in 1967-68 placed the average rate of effective protection for Australian manufacturing industry at 46%, and indicated that if the full rate of tariff protection were utilised, the annual cost to the community would be $2700 million. This amount was greater than the total expenditure of all Australian governments on education, health, social security, welfare and defence, which was $2280 million during that period.[43] The publication of the Annual Report, and the subsequent reporting in the financial press, increased the pressure on the government by sections of primary industry and some consumer groups for a reduction in tariff barriers to trade.[44] During the 1970s, Australia's trade patterns continued the shift away from the industrialised nations, and specifically from the United Kingdom, towards trade with developing nations. For instance, between 1951 and 1972, exports to the United Kingdom, Europe, United States, Japan and New Zealand fell by 11%, and exports to developing countries of East Asia, Southwest Pacific, South Asia, the Middle East, Africa and Latin America, increased by

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[39] Snape, Gropp and Luttrell, *Australian Trade Policy,* p. 47.

[40] Rattigan, *Industry Assistance*, p. 86.

[41] *Ibid.,* p. 89.

[42] Richmond*, "Rural Producer Groups",* p. 263.

[43] Rattigan, *Industry Assistance*, p. 78.

[44] *Ibid*.

11%. Imports during the same period increased by 8% from industrialised nations, and decreased by 8% from developing nations.[45] Therefore, whilst there was a shift in public perception of the value of tariff barriers, there was a parallel shift in the patterns of trade. This reflected the growing complementarity of trade with developing countries.[46]

Therefore, the political journey to a free and open economy did not start easily, and it was certainly not within the providence of a small rural-based party to carry such a burden without an electoral back-lash which would ultimately take it almost to the point of irrelevance. Of all the political parties engaged in restructuring Australia's economic framework, it was the Country Party, later the National Party, which was to be labelled with the shame of apostasy towards its claims to speak for 'the man on the land'.[47] This tension between the two vested interests, the large export oriented producers and the 'family' farmers on smaller blocks of land and generally scraping a living from one year to the next, within the Country Party slowly developed and strengthened over the next thirty years. Eventually, during the late 1990s, pro-protectionist groups formed on the back of populist arguments for reinstatement of tariffs, subsidies, and direct payments to producer groups.[48] This was particularly so in the case of industries which had their protection removed or substantially reduced during that period. These groups later split from the Party, claiming that their interests had been abandoned by the National Party.

Protectionism Under Question

McEwen retired from the Parliament in February 1971 and Doug Anthony was elected as the leader of the Country Party, and consequently Deputy Prime Minister. Anthony was widely regarded as a supporter of traditional Country Party policy, which called for substantial reduction in protection for secondary industry, but not a decrease in the support accorded to primary industries.[49] As Minister for Trade and Industry, Anthony announced in April 1971 that there would be a comprehensive review of the tariff and the principles to be followed by the Tariff Board. He reiterated that the Board was an advisory

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[45] Anderson and Garnaut, *Australian Protectionism*, p. 19.

[46] *Ibid.*, p. 21.

[47] Aitkin, *The Country Party,* p. 90.

[48] Lawrence, *Capitalism and the Countryside*, p. 78.

group only, and that the ultimate decisions and responsibility for them rested with government. He also stated that '...reasonable and adequate protection should be given to worthwhile industries...[balanced by]...a judgment on whether the benefits derived by the Community from the existence of that industry outweigh...the costs...' [50] The debate on tariff reform was carried forward in the Parliament by Liberal Member for Wakefield, Bert Kelly, who claimed not to be a free-trader, but in favour of tariffs which did not over-protect industry. He claimed that over-protection led to unemployment, and increased costs for consumers when tariffs caused inefficiencies in production.[51]

The position of the ALP was made clear by Dr. Cairns, Shadow Minister for Trade and Industry, when he stated that the Labour Party would never allow 'efficient and economic industries' to be swept aside by competitive imports. He also stated that the Labor Party would not permit Australian industry to exploit protection to charge high prices and make excess profits.[52] Later, Cairns added that efficiency would have to measured by an objective standard, and would have to be kept under constant review.[53] His primary interest appeared to be in planning for the development of industry, a suggestion which faintly alarmed industry which was wary of the implied 'socialistic, big-brother overtones".[54] Cairns clearly understood the effects of tariff reform on manufacturing industry in particular when he said in Parliament that '...[the Tariff Board recommendations] will cause an upheaval; it will cause unemployment and it will cause the closing of factories.' [55] It is evident that no party could claim to be wholly in favour of free trade, and most were well aware of the possible consequences of sudden changes to the existing tariff regime.

The election of the Whitlam Labor Government in 1972 presaged the beginning of great changes to the policies of protection. Tariff reform was put firmly on the agenda of liberalisation by an across-the-board tariff cut of 25%.[56] It is interesting to note that the

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[49] Rattigan, *Industry Protection*, p. 91.

[50] *CPD (H of R),* J.D. Anthony, Ministerial Statement, Vol. 72, 28 April 1971, p. 2136.

[51] , *CPD (H of R),* R. Kelly , *Customs Tariff Bill*, Vol. 76, 2 March 1972, p. 515.

[52] *CPD (H of R),* Dr J. F. Cairns, *Customs Tariff Bill,* 28 April 1971, Vol. 72, pp. 2159-60.

[53] *CPD (H of R),* Dr J.F. Cairns*, Customs Tariff Bill,* Vol. 78, 11 April 1972, p. 1421.

[54] Rattigan, *Industry Assistance*, p. 147.

[55] *CPD (H of R),* Dr Cairns , *Customs Tariff Bill*, Vol. 76, 2 March 1972, p. 511.

[56] Anderson and Garnaut, *Australian Protectionism*, p. 53.

tariff cut was based on the advice of Rattigan, Chairman of the Tariff Board, who had been advocating tariff reform for some years.[57] This appears to have been an about-face for Labor Party policy, particularly in the light of Dr Cairns' earlier statement. However, according to Andrew Leigh, the driving force behind the cuts was the anti-protectionist ideology of Prime Minister Whitlam, who forced the proposal through Cabinet.[58] Later that year, Treasurer Crean announced that butter and cheese bounty payments would be reduced by $9 million per annum for three years, after which they would cease, and the Free Milk Scheme for school children phased out. Duties on tobacco products were raised to realise $76 million by 1974-5.[59] In the same debate, the Minister for Agriculture lauded the first Labor budget for 24 years as one which did not protect privilege and sectional interests.[60] The signals were flashing--- the Labor Government was acting as a circuit breaker within inflationary trends of the economy, and all sections of industry, primary and secondary, could expect to be affected.[61]

The establishment in 1973 of the Industries Assistance Commission, which replaced the Tariff Board, allowed government to extend its influence into all (not only manufacturing) sectors of industry, and to make the process of granting assistance more open and transparent.[62] Anthony opposed the institution of the Commission on a number of grounds, one of which was that government owned industries would be exempt from scrutiny. He also claimed that the Commission would enable manufacturers and industry representatives to bypass Members of Parliament and the Minister and go directly to the Commission, thereby diminishing the role of government.[63] This was entirely what

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[57] Press Statements by the Prime Minister (E.G. Whitlam), cited in Snape, Gropp and Luttrell, *Australian Trade Policy*, p. 58.

[58] Andrew Leigh, 'Trade Liberalisation and the Australian Labor Party', *Australian Journal of Politics and History,* Vol. 48, No. 4, 2002, p. 493.

[59] *CPD (H. of R),* F. Crean, *Appropriations Bill*, Vol. 85, 21 August 1973, pp. 36, 41.

[60] *CPD (H of R.)* J. Kerin, *Appropriations Bill*, Vo. 85, 30 August 1973, pp. 677-9.

[61] Snape, Gropp and Luttrell, *Australian Trade Policy*, pp. 58-9.

[62] *CPD (H of R),* E.G. Whitlam, *Industries Assistance Commission Bill,* Vol. 85, 27 September 1973, pp. 1632-4.

[63] *CPD (H of R),* J.D. Anthony, *Industries Assistance Commission Bill,* Vol. 86, 18 October 1973, pp. 2353-4.

Rattigan, a proponent of free trade, had long believed should happen.[64] The forces associated with free trade were gathering momentum.

The Government, without any public inquiry, removed the subsidy on superphosphate fertilizers used by primary industry, and abolished the differential pricing of fuel for country areas. It also removed concessional rates on credit, bounties to dairy farmers and other resource industries, and concessions on capital improvements to farms.[65] It also threatened to apply an export tax to Australian beef in an attempt to bring down the cost of beef to Australian consumers. It appears that the Whitlam Government never came to grips with the needs of the rural constituency, and farmers made their feelings very clear with disruptive demonstrations, some of which proved ugly.[66] The following year, the Government commissioned a report into the principles of rural policy.[67] The committee, led by Dr Stuart Harris and including Sir John Crawford, Professor F. Gruen, and Mr. N. Honan, found that tariffs or restrictions on imports had been necessary to maintain full employment and an external balance of trade without need for a substantial devaluation of the exchange rate. It also decided that tariffs were unlikely to have added substantially to the costs of production of the farm sector. Therefore, in the absence of substantial tariff cuts, it was considered that some compensation should be made to (specifically) rural export industries whilst tariffs continued to be wide-spread, but that there was no economically sound reason to provide different levels of assistance to rural industries unless the terms of trade were adversely affected. The report also acknowledged that apart from tariff compensation, there would remain the necessity for government intervention and assistance to the rural industries from time to time, but not in the case of movements in the exchange rate.[68] However, currency fluctuations and the upward movement of wages led by government pace-setting meant that farmers were receiving less for their produce, but paying more to grow it.[69]

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[64] Rattigan, *Industry Assistance*, p. 158.

[65] Pinkstone, *Global Connections*, p.204.

[66] Frank Crowley, *Tough Times, Australia in the Seventies*, William Heinemann, Australia, 1986, p. 109.

[67] Lawrence, *Capitalism and the Countryside*, p. 10.

[68] 'The Principles of Rural Policy in Australia: a Discussion Paper', cited in Snape, Gropp and Luttrell, *Australian Trade Policy,* pp. 64-7.

[69] Crowley, *Tough Times,* p. 110.

Within the life of the Parliament, rural industries had gone from a situation reflected in Whitlam's statement that they '...had never had it so good', to widespread poverty and desperation among sections of primary industry, particularly those that supplied the domestic market.[70] This was made clear to the Parliament by Country Party member Peter Nixon in the debate on the removal of the superphosphate bounty when he pointed out that the reduction of 25% of the tariff on imported agricultural machinery had not resulted in a reduction in price to the farmers, and that the removal of the superphosphate bounty had increased the cost of production of commodities, and decreased the level of productivity.[71] In the same speech, he noted that although costs were increasing, dairy farmers were still receiving the same price for their milk as they had two years previously. It is noteworthy that in this period increasingly large numbers of farm women began to seek employment to supplement the family income, but this had the effect of reducing the pool of family labour, particularly in the labour intensive industries such as dairying and tobacco growing.[72] However, the Government did recognise that with changes in patterns of world trade it would be necessary for Australian farmers to market their products more effectively. Dr Patterson (Minister for Primary Industries) noted that the sugar and dairy industries, in particular, had capacity to develop new markets for their products in South-east Asia and China.[73]

The Government also commissioned a Green Paper on the manufacturing industry. This committee was chaired by R.G. Jackson, and included R. J. L. Hawke, President of the Australian Council of Trade Unions (ACTU) and Ted Wheelwright, a left-wing economist. The committee found that 'Australia would be better off if its manufacturing were more successful, more profitable, and more competitive internationally, and if its people and capital were used to better advantage.'[74] In order to achieve this, the committee

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[70] Lawrence, *Capitalism and the Countryside,* p.10. The personal experience of the author is that cattle producers were shooting their beasts as a bullet cost less than the transport to markets which were not paying anything like the cost of production.

[71] *CPD (H of R),* P. Nixon, Superphosphate Bounty, Vol. 88, 12 March 1974, p. 255.

[72] Crowley, *Tough Times,* p. 224.

[73] *CPD (H of R),* R. Patterson, *Dairy Export Produce Control Bill*, Vol. 76, 24 February 1972, p. 250.

[74] *The Green Paper on Manufacturing – the Jackson Report*, cited in Snape, Gropp and Luttrell, *Australian Trade Policy*, pp. 68-9.

recommended that tariffs should be reduced to a pre-determined bench-mark level by small, gradual instalments over a number of years. It also noted that the exchange rate was of concern for the implementation of industry policy, and that the management of the exchange rate should '...ensure the least uncertainty and the smoothest possible realignment of values.'[75]Thus, international competition was introduced into the debate, as well as acceptance that the economy as a whole would benefit from gradual reduction in industry protection. However, Rattigan, as Chair Industry Assistance Commission, did not agree with some of the key recommendations of the committee, stating that the proposed measures would not overcome the problems inherent in taking a sectoral approach to tariff reform, and that specifically, the recommended 'tariff compensation' offered to rural interests would militate against an economy-wide approach.[76]

By the end of 1975, and the election of the conservative Fraser Government, Britain had elected to join the European Common Market, interest rates had hit historic highs, and commodity prices were extremely low. Many of the support systems for agriculture had been dismantled, the exchange rate was militating against the export industries, and tariff reductions for some manufacturing industries had been off-set by the impositions of import quotas.[77] Agricultural products as a percentage of exports had fallen from 80% during 1955-1960, to slightly more than 40% by the mid-1970s.[78] Agriculture in Australia was changing, and farmers were not adjusting to the change well. The patterns of trade were also shifting towards Asia and the Middle East, but prices for export commodities increased by only 64%, compared with that for exports of goods and services of 130%.[79] Many primary producers had thought that with the election of a government which included the Country Party, agriculture would be restored to its 'rightful' place in the economy.[80] However, the Country Party was seeking to widen its support base and was courting

[75] *Ibid.*

[76] Letter to the Prime Minister from the Chairman of the Industries Assistance Commission, cited in Snape, Gropp and Luttrell, *Australian Trade Policies*, p. 70.

[77] Lawrence, *Capitalism and the Countryside,* p. 9-10.

[78] Anderson and Garnaut, *Australian Protectionism*, p. 23.

[79] Pinkstone*, Global Connections,* p. 203.

[80] Lawrence, *Capitalism and the Countryside*, p. 10.

export mining interests, and in any case, was powerless to influence changes in world trade which were gathering momentum.[81]

In response to the distress of individual farmers, the Federal Government instituted the Rural Adjustment Scheme in 1977. However, the aim of this scheme was not to keep struggling farmers on their land, but to assist them to leave, and to have their farms amalgamated with others to form larger, more efficient production units.[82] Inevitably, the liberalisation of the foreign investment guidelines meant that more small family farms were being bought by overseas investors, and from 1976 to 1980 the value of farm land transferred to foreign interests rose from $9 million to $69 million.[83] Commonwealth Government support for agricultural research and extension services was removed in 1979. Farmers were forced to invest large capital sums in machinery which would increase their productivity, and therefore farm debt increased. The establishment of the Primary Industry Bank of Australia was of no real benefit to farmers as it simply duplicated the services of existing banking facilities.[84] The superphosphate and nitrogenous fertiliser bounties were reintroduced, but on a reducing scale, and were eventually phased out.[85] Therefore, although production increased dramatically, farmers' margins were being squeezed, so that profitability was falling. Although Fraser Government Ministers negotiated aggressively with representatives of the European Common Market to allow Australian food products access to the European market, the Common Agricultural Policy militated against that. Trade Minister Anthony threatened the removal of $1b worth of purchases from the EC unless better access to EC markets was allowed. That, and retaliatory measures against European wine and brandy, resulted in access of sheep products and some beef to the European market, but it was a token at best.[86] Overall, the

[81] *Ibid*.

[82] Pinkstone, *Global Connections*, p. 204.

[83] Lawrence, *Capitalism and the Countryside,* p. 198.

[84] *Ibid.,* p.196.

[85] *CPD (H of R),* W. Fife, *Nitrogenous Fertiliser Subsidy Amendment Bill,* Vol. 110, 16 August 1978, p. 387.

[86] Andrea Benvenuti, 'Australia's Battle Against the Common Agricultural Policy', *Australian Journal of Politics and History,* Vol. 45, No. 2, 1999, p. 189.

Government did not succeed in denting the attitude of the Europeans to protection of their agricultural production at all.[87]

The rural lobby groups were becoming more militant at this time, and their resentment of the government resulted in the formation of the aggressively free-market National Farmers Federation in 1979. This organisation specifically targeted the Country National Party for its failure to advocate the abolition of all tariffs, and forged links with all political parties, including the Australian Labor Party.[88] The National Farmers' Federation did not appear to link the abolition of tariffs to subsidies, bounties and direct payments to farmers. Nor did it actively advocate the abolition of Statutory Marketing Authorities as part of the push towards free trade and international competition.[89] The NFF's policy in 1981 advocated four main objectives. These were: to increase farm profitability; improve competitiveness of farm products; expand agriculture; and improve productivity and adjustment. These, the Federation believed, could be achieved by the expansion of export markets into South-East Asia; adjustments to monetary and fiscal policy; and the introduction of voluntary labour contracts. In this way, the Federation signalled that it was ready to forego what protection there was for agriculture, in return for liberalisation of the economy in other areas.[90] By the end of the 1970s, calls by public servants, economists, financial journalists, and academics, for free markets and withdrawal of all forms of government intervention in primary and secondary industry were gaining the support of key industry groups in agriculture, mining and banking.[91]

A call for free trade between the signatories to the GATT conventions was made by Minister for Trade, Anthony, at the GATT Ministerial Meeting in 1982. Anthony stated that '... protectionist actions have led to massive distortions in the trading system. ... A crisis confronts us in agriculture'.[92] Australia did not make much headway at that stage with

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[87] *Ibid.,* p. 192.

[88] Lawrence, *Capitalism and the Countryside*, p. 79, 199.

[89] Lawrence, *Capitalism and the Countryside,* p. 11.

[90] *Ibid.,* p. 79, 81.

[91] Pinkstone, *Global Connections*, p. 324. See also Anderson and Garnaut, *Australian Protectionism,* p.68.

[92] *Commonwealth Record,* Vol. 7, No. 47, 22-28 November 1982, AGPS, Canberra, pp. 1719-20, cited in Snape, Gropp and Luttrell, *Australian Trade Policy*, pp.406-7.

trade liberalisation, particularly in regard to agriculture, and Anthony walked out of the meeting, strongly criticising the EC for its unwillingness to commit to reform of protection of agriculture.[93] The United States' trade policy was becoming more, not less, protectionist, particularly in the light of America's growing trade deficit associated with the increase in value of the US dollar.[94] The policies of the European Market, first with the Common Agricultural Policy (CAP), and second with its dumping of excess products (including sugar and dairy) on the world markets, clearly disadvantaged Australian farmers.[95] Severe drought at the end of the 1970s affected every farming district in Australia for three consecutive years, and export industries were unable to fill forward contracts with developing markets.[96] The 1970s ended with the export industries of dairy and sugar struggling to compete in world markets, but partially supported by fixed prices for domestic consumption, whilst industries such as milk, tobacco and maize which supplied the domestic market, were still protected to some degree by Statutory Marketing Authorities and import restrictions.

The Rise of Economic Rationalism

The election of the Hawke Government in 1983 allowed the Labor Party to implement profound economic change to arrangements under which Australia had functioned for many years. The Government established a new model for reductions in protection based on industry planning for gradual adjustment to lower protection.[97] This more considered approach to the ending of tariff protection worked well, and continued the work of the previous government through the Industries Assistance Commission.[98] The Government was also committed to the concept of competitiveness for all Australian industries which it hoped to achieve by raising productivity and adjusting structural inefficiencies which had arisen because of protection.[99] A Prices and Income Accord was introduced; the currency was floated; and financial institutions were deregulated. The Government stated that it

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[93] Benvenuti, *Australian Journal of Politics and History,* p. 192.

[94] Snape, Gropp and Luttrell, Australi*an Trade Policy,* pp. 370-1.

[95] Pinkstone, *Global Connections*, p. 211.

[96] Crowley, *Tough Times* , p.114.

[97] Quiggin, *Great Expectations,* p. 127.

[98] *Ibid*.

[99] *CPD (H of R),* Barry Jones, The Economy, Vol. 131, 24 May 1983, p. 860.

would review the roles of the Statutory Marketing Authorities (SMAs) in its first term of office.[100] This finally took place in 1991 when the Industries Commission brought down its report.[101]The report found that generally, SMAs were of limited benefit to producers, and that they had not been of community benefit because they encouraged the inefficient use of resources. The net increase in domestic prices to consumers was found to be .3%, but producer prices were raised by 3%. The report recommended that that all reviews of SMAs should adopt an economy-wide approach, rather than from the standpoint of the producers.[102] The path to deregulation of Australian agriculture was therefore to be in the hands of people more attuned to community interest than the interests of farmers.

The roles of SMAs and Farmers' Cooperatives began to come under the increasing scrutiny of professional marketers and the companies they represented. The Riverina Regional Outlook Conference of 1985 had as its theme the issue of marketing primary products. It was claimed that, apart from a very few instances, Marketing Boards consisted of people with farming expertise, but none at all in marketing. Trevor Johnstone, a marketing consultant, made the point succinctly when he asked '...[how would a major industrial company fare if it had] a politically engineered board, pseudo experts, and people who sometimes spent more time knocking progress and kicking the industry in the guts, than leading it on the path to prosperity?'[103] Marketing was firmly on the agenda, while the efficiency of traditional means of doing so for many enterprises was being questioned, and regarded as an impediment to free trade in the global market place by groups other than government.

However, inflation once again become a problem in the Australian economy, and high interest rates began to impact on farmers' costs of production, and militated against their

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[100] *CPD (H of R),* Governor General, Vol. 131, 21 April 1983, p.14. Most Statutory Marketing Authorities existed under State legislation, so if the Commonwealth wished to include them under the umbrella of microeconomic reform, then it would have to find a mechanism which encouraged the States to comply.

[101] Industry Commission, *Statutory Marketing Arrangements for Primary Products*, Ausinfo, Canberra, March 1991.

[102] Industry Commission, *Statutory Marketing Arrangements*, p.8.

[103] Trevor Johnson, 'The Primary Producer in the Market Place- the Need to Rethink', *Riverina Outlook Conference Papers*, The Farrer Centre, Orange, 1985.

competitiveness in world markets.[104] High interest rates also tended to keep the value of the Australian dollar high, and thus discouraged exports by reducing the monetary return to Australian producers.[105] The terms of trade[106] for farmers from 1980 to 1985 dropped 22%.[107] Although Australian farmers had proved themselves some of the most efficient in the world, there had been a steady decline in the number of farmers from 1973, costs had risen by 375%, and the gross value of output had risen by only 4%.[108] It should have been obvious that this state of affairs was unsustainable, and yet the Treasurer referred to members of the Opposition who tried to put the case of the farmers onto the political agenda as 'Cockies' Corner', and rejected the notion that Government policies had anything to do with distress endemic in rural areas.[109] The Government was committed to reform of agriculture by facilitating, through the Rural Adjustment Scheme, the withdrawal of farmers who could not make a living from their enterprises.[110] 'Get big or get out' became the catch cry of the economic dries who considered farming less of a "way of life" than a business enterprise. However, 'getting big' always entailed the borrowing of more money at high interest rates, to purchase more land and the equipment needed to work the land. This meant that farmers' debts increased and made them more vulnerable to high interest rates and unstable commodity rates.[111]

Farmer militancy began to boil over, and in 1984 and 1985 farmers protested visibly and volubly about what they perceived as unfair treatment by the Hawke Government. There were widespread demonstrations in the capital cities which made clear the frustrations and

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[104] Peter Hartley and Micheal Porter, 'Treasurer Keating's Legacy', Occasional Paper Number B10, Tasman Institute, July 1991, pp. 6-8.

[105] *Ibid*., p. 17.

[106] 'Terms of Trade' is the ratio of the index of export prices to the index of import prices. A drop in the terms of trade means that export prices rise more slowly than import prices. Graham Bannock, R.E. Baxter, and Evan Davis, *The Penguin Dictionary of Economics*, Sixth Edition, Penguin, London, 1998, p. 407.

[107] *CPD (H of R),* P. Fisher, Vol. 140, 25 March 1985, p. 843. Statistics inserted into Hansard.

[108] Lawrence, *Capitalism and the Countryside,* p. 13.

[109] *C.P.D. (H. of R.),* P.J. Keating, The Economy, Vol. 131, 19 May 1983, p. 808.

[110]Lawrence, *Capitalism'and the Countryside*, p. 200.

[111] Geoffrey Lawrence, "The Impact of Change on Rural Society', *Riverina Outlook Conference Papers,* The Farrer Centre, Orange,1989.

despair of the farming community during this period.[112] Minister for Primary Industries Kerin acknowledged the plight of primary producers in his economic and rural policy speech to Parliament in 1986. He acknowledged that the Government's economic successes had not benefited rural industries. Farm incomes were projected to fall by 66%, rural land prices were falling, and 12 000 farms were considered by the Bureau of Agricultural Economics to be 'at risk', that is, having a negative cash margin and equity less than 70%. Kerin identified the problem as adverse world market trends, compounded by high interest rates, and in some areas, adverse weather conditions. He rejected emphatically the tariff compensation and farm subsidy solutions to the farmers' problems, stating that such measures would make matters worse, and that the Australian economy could not afford the $5 000 million that such measures would cost.[113]

The Government treated farming as another sector of business enterprise and offered no special compensations to the agricultural sector. However, It did increase funding to the Rural Adjustment Scheme by $20m, and lifted the permissible value of proposed sales of rural land to foreign investors to over $3m, in the hope that that would have a positive effect on land values. Kerin also gave a commitment to the reform of SMAs to make their functions more competitive and efficient. He reiterated the Government's belief that only a commitment to free trade in agricultural products world-wide would solve all the farmers' problems.[114] Between 1975 and 1990, no fewer than five Industry Assistance Commission inquiries had been held into the dairy industry, and three into the tobacco industry. Each one recommended incremental changes which would ultimately result in their deregulation. Thus, the fate of rural communities in Australia became even more inextricably enmeshed with export markets, overseas trade, anti-competitive trade practices of the major producing nations, and the Government's reform of the entire economy. All the agriculture protection measures which had been put in place during the previous sixty years by governments of all persuasions were to be dismantled and all farmers were to be exposed to the cold winds of competition and the free market.

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[112] *Ibid.*, pp. 11-13.

[113] *CPD (H of R),* John Kerin, Rural Policy Statement, Vol. 148, 15 April 1986, pp. 2279-81.

[114] *Ibid.,* p. 2285.

Both the Fraser Government and the Hawke Government worked hard at multi- and bi-lateral trade talks to obtain more favourable terms of trade for Australian exporters through freeing up international markets, although they were not able to influence either the United States or the European Common Market to reduce trade barriers to agricultural imports. Hawke proposed to attack the problem from a different direction, and advocated reductions in non-tariff barriers such as subsidies. In his address to the Thai Chamber of Commerce in 1983[115], he presaged the formation of the Cairns Group, which was to be a loose alliance of the agricultural trading nations of Argentina, Australia, Brazil, Canada, Chile, Columbia, Fiji, Hungary, Indonesia, New Zealand, Thailand and Uruguay. This group was formally constituted in 1986 at a meeting of trade ministers in Cairns, North Queensland. The Cairns Group declared that there was an urgent need '...to reform and liberalise agricultural trade so as to improve the economic prospects of all participating countries.'[116] They resolved to meet prior to the launch of the GATT Uruguay Round of Trade Talks, at Punta del Este in September 1986. The Cairns Group succeeded in having agricultural trade liberalisation placed on the agenda. It sought to arrive at a general agreement to reduce import barriers; to rigorously reduce direct and indirect subsidies; and to minimise the effects of sanitary and phytosanitary[117] regulations and barriers.[118] The sting in the tail of the proposal to reduce subsidies had implications for those Australian primary industries which marketed their produce through SMAs, and which were in receipt of indirect subsidies such as interest rate and freight cost rebates. However, the trade talks failed to secure the agreement of the principal protagonists, and the Uruguay Round was considered a failure from Australia's point of view.

In spite of the recalcitrance of the European Community, the Australian Government continued with its economic reform package. The Australian dollar had been floated in 1983,[119] and the banking system opened to foreign competition with the Government's

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[115] *The Australian Financial Review*, 5 March 2003, p. 60.

[116] 'Cairns Group Declaration' cited in Snape, Gropp and Luttrell, *Australian Trade Policy*, p. 419.

[117] Quarantine restrictions on the import of manufactures or raw materials which are considered to pose a threat of disease to locally grown produce. Excessive use of quarantine restrictions is regarded as a quasi- barrier to free trade.

[118] *Ibid.*, pp. 420-1.

[119] Quiggin, *Great Expectations,* p. 81.

invitation to ten foreign banks to apply for banking licenses in 1984.[120] The much hoped for competition within the banking system did not eventuate, with foreign banks failing to establish domestic operations, and domestic banks taking over, or merging with Building Societies which had been their main source of competition in the past. The diminution of competition which followed did not lead to a reduction in interest rates, neither did the floating of the dollar, which resulted in a devaluation, lead to a rise in export production.[121] However, deregulation of the banking sector did allow the major banks to rationalise their operations, and as a consequence, many rural branches closed.[122]

By 1986, farm incomes had fallen to 18% of the average wage, and returns on farm capital were minus 6.2%[123]. Farmers were paying up to 20% on loans, and farm debt had increased 50% from 1980 levels to $7 billion.[124] At the same time, the Government acknowledged that the terms of trade were moving against agricultural commodities because of the European Common Agricultural Policy, and subsidisation policies of the American and Japanese Governments.[125] Although the Government tried valiantly to have these subjects debated in multi-lateral trade talks, it was unable to have an impact on levels of protection provided to farmers in the European Common Market, the USA, or Japan.[126] Once again, in spite of its failure, the Australian Government continued with its programme of deregulation. In its study of the effects of deregulation on regional Australia, the Industries Assistance Commission warned that isolated regions with a highly protected, narrow economic activity base would be particularly vulnerable to changes in levels of assistance to their particular industries.[127] This warning would resonate in areas such as the Atherton Tablelands, which was 'particularly vulnerable' because of its almost total dependence on agricultural commodities, many of which were very highly regulated.

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[120] Snape, Gropp and Luttrell, *Australian Trade Policy*, p. 299.

[121] Lawrence, *Capitalism and the Countryside*, p. 95.

[122] Quiggin, *Great Expectations,* p. 93.

[123] *CPD (H of R),* R. Hunt, Rural Industry, Vol. 146, 13 February 1986, p. 482.

[124] *CPD (H of R.),* P. Fisher, Grievance Debate, Vol. 146, 13 February 1986, p. 455.

[125] *CPD (H of R),* J. Dawkins, Trade Issues, Vol. 146, 20 February 1986, p. 955.

[126] *CPD (H of R.),* R. Braithwaite, Trade Issues, Vol.146, 20 February 1986, p. 960.

[127] Industries Assistance Commission, *Approaches to General Reductions in Protection*, AGPS, Canberra, 1986, p. 2.

By 1987, the rural crisis had deepened. The wheat market had collapsed because of dumping by European Community members, and the wool industry, although recovering from the lows of the previous few years, was still not in a healthy position. The number of farms at risk of bankruptcy had risen from 12 000 to 30 000. Interest rates were still high at 20%, rural businesses were disappearing, and services in the bush were declining.[128] Although most industries faced a bleak future, or none at all, there were a few relatively prosperous industries such as those producing sheep meat, and beef.[129] The Opposition sheeted home the causes of this dire situation to high interest rates, high inflation rates (9.8% at that point), the flow- on effect of fuel taxes, restrictive work practices particularly in the transport industry, and the withdrawal of government services.[130] The Government recognised that high interest rates were not in the farmers' interest, but as part of the overall government economic strategy, nothing could be done about them. The Government held fast to the opinion that farmers' distress was caused solely by low commodity prices on a corrupted world market.[131] However, Lawrence, in his analysis of the rural crisis,[132] found that the almost constant restructuring which had been occurring in all agricultural sectors since the early 1970s had caused the increase in farm debt. Farmers had borrowed heavily to buy out their neighbours and invest in more and larger equipment in order to make their operations more efficient. The combination of low commodity prices and other structural factors within the economy had militated against farmers' ability to service the debt.

Not only did the expected benefits of increased competition between the banks not materialise for farmers, but banks were not as willing to extend or renegotiate loans. Therefore, farmers were well and truly caught between the traditional rock and a hard place. Added to this situation was the inflow of foreign investment, which was able to avoid paying the capital gains tax, into farms with lease-back provisions to the original owners, which tended to produce a peasant class of farmers. Those farmers who were able to hang on through the crises then found that their land was losing value, and their equity

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128 *CPD (H of R),* P.Fisher, Farm Debt, Vol. 154, 23 March 1987, p.1351.

129 *CPD (H of R),* Mr Cunningham, Rural Interest Rates, Vol. 154, 23 March 1987, p.1352.

130 *CPD (H of R),* E. Cameron, Grievance Debate, Vol. 154, 2 April 1987, p.1970.

131 *CPD (H of R),* J. Kerin, Government Policies, Vol. 154, 24 March 1987, p.1384-5.

132 Lawrence, *Capitalism and the Countryside*, pp. 28-32.

declining. During this period, farm borrowings were three times higher than deposits.[133] As price takers, farmers were unable to take advantage of structural reforms to the economy which the Government and those economists from the rationalist school claimed had so benefited the general population of Australia.

Political Shifts

The elevation of Charles Blunt, an economic 'dry', to the National Party leadership brought the Party into line with the economic rationalist thinking extant in the National Farmers' Federation,[134] and the ideas of the bevy of bureaucrats who had been appointed to key positions in government departments.[135] The tensions within the National/Country Party in the move from the socialist agrarian base of its founders to the economic rationalist stand of its 'Young Turks' were expected to surface--- and they did.[136] Within the National Party, the gap between the group representing small to medium farms, and those members who advocated the move to globalisation and free markets, widened.[137] The commodity boards, which for so long had been the mainstay of agricultural commodity marketing, were comprised mainly of farmers of the generation which did not appreciate the importance of deregulation within a competitive world market. Further, those boards which serviced both export and domestic industries clung to the notion that farmers needed to be protected by collective marketing from predatory actions by 'middle men' who were more and more becoming large corporatised chains.[138] The National Farmers' Federation was seen as the representative of large agribusiness, and as such more aligned to the philosophy of the Liberal Party than that of the old National/Country Party. Blunt acceded to the reform agenda of the economic rationalists and succeeded in alienating a large part of his party's former constituency which was battling to cope with the massive changes

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[133]Lawrence, *Capitilism and the Countryside*, p. 33.

[134] Anne Davies, 'Last Nail Ready for Protection's Coffin', *Australian Financial Review*, 19 June, 1989, p. 13.

[135] Michael Stutchbury, 'The Economic Ideas Guiding the Hands', *Australian Financial Review*, 29 November 1990, p. 10.

[136] Davies, 'Last Nail', *Australian Financial Review,* 19 June 1989, p. 13.

[137] Lawrence, *Capitalism and the Countryside,* p. 78.

[138] Westbrook Haines, 'Statutory Marketing Authorities—What Role Should They Play*?', Riverina Outlook Conference Papers,* The Farrer Centre, Orange, 1985.

taking place in the structure of agriculture and the economy in general. Although Charles Blunt's leadership did not last long, the damage, in the eyes of the suffering rural community, had been done.

Effectively deprived of a voice, the resentments of those marginalised by rural poverty and hopelessness grew quietly in the direction of the 'victim mentality' until they would find a focus in the unconventional and extreme alignment of Pauline Hanson's One Nation Party.[139] Although the new National Party leader, Tim Fischer, tried valiantly to claw back the support lost by the Party, the erosion continued. He pointed out to Parliament that farm cash income would fall 40% in 1991, with a significant decline in the following year. He identified high interest rates (twice that of many of the competitor countries); the failure to pursue deregulation of the labour market; the reluctance of the Government to act quickly enough to reduce tariffs on motor vehicles and other machinery imports; and tax policies which imposed a sales tax on export industries.[140] In other words, the Opposition accused the Government of not moving far and fast enough on micro-economic reform. Their position was that reform of agriculture had not been matched by reform of other sectors of the economy and this is what had caused the crisis in the farming sector.

The Government continued with restructuring most aspects of rural production. The Minister proposed that membership of boards of SMAs would be changed from direct election by industry members to 50% of members being appointed by the Minister, who would also hold the right to appoint the Chair without reference to the peak bodies.[141] This was a clear attempt to impose closer control over the SMAs which had in the past not been averse to criticising government policies.[142] However, the available level of support for rural industries was raised from $64m to $160m, with the possibility of lifting the level to

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[139] Murray Goot and Ian Watson, 'One Nation's Electoral Support: Where Does It Come From, What Makes It Different and How Does It Fit?', *Australian Journal of Politics and History*, Vol. 47, No. 2, pp. 188.

[140] *House Hansard*, T. Fischer, Rural Industry Crisis, 12 February 1991, p. 331. http://wipo.aph.gov.au/search/parlinfo.asp

[141] *House Hansard*, B.C. Scott, *Primary Industries and Energy Legislation Amendment Bill* (No 2), second reading, 13 February 1991, p. 535.

[142] *Ibid.* Doug Anthony claimed that the ALP regarded the SMAs as a training ground for National Party politicians and therefore had to be eliminated. Interview with D. Anthony, 2004.

$240m the following year if required. It also provided more generous sales tax exemptions to primary industry in an attempt to encourage farmers to make necessary repairs and maintenance to their machinery and other equipment.[143] Although this was welcomed by rural industry representatives, financial losses over the previous three years made it difficult for many farmers to purchase large quantities of replacement equipment.

The review of statutory marketing arrangements for primary production by the Industry Commission in 1991 found that statutory marketing arrangements imposed a regressive tax on consumers. In its submission to the inquiry, the Queensland Council of Agriculture argued for the retention of SMAs by stating that they had established and preserved rural communities by reducing uncertainty and risk. The Commission responded to this submission by finding that SMAs did not ameliorate the effects of sudden drops in income, and that provision of support through the Rural Adjustment Scheme would be a more appropriate vehicle for addressing these problems.[144] The Commission found that statutory marketing arrangements cost the consumer a tax equivalent of $553m in 1988-89.[145] The total assistance (Commonwealth and States) available to those farmers who could not attain carry-on finance from banks, and who needed household support in 1991-92, amounted to $187m.[146] As Senator Boswell pointed out, the consumer price index during the last thirty years had increased by 755%, but farmers had received a price increase of 348% during the same period.[147] Therefore the price of food, relative to other consumables, had been declining and it was farmers, rather than the food retailers, who had borne the financial burden. The proposal to phase out SMAs would therefore transfer another $376m to costs borne by farmers. However, the Government accepted the report's recommendations to phase out SMAs as part of its policy of income redistribution and micro-economic reform.

In 1992 the Council of Australian Governments (COAG) commissioned Professor Fred Hilmer to conduct an independent Commission of Inquiry into national competition policy. The move was preceded by the commissioning of the Committee of Inquiry into the scope

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[143] *House Hansard,* B. Courtice, Assistance to Farmers, 28 May 1991, p. 4063.

[144] Industry Commission, *Statutory Marketing Arrangements for Primary Produce*, pp. 96-7.

[145] *Ibid*., p 203.

[146] *House Hansard*, B. Courtice, Agriculture-a Matter of Public Importance, 28 May 1991, p. 4063.

[147] *Senate Hansard*, R. Boswell, Farm Inputs, 09 May 1991, p. 3099.

of the *Trade Practices Act 1974*, and the application of competition policy. The subsequent *Hilmer Report* was the basis of National Competition Policy which was agreed to by State and Commonwealth Governments at the Council of Australian Governments (COAG) meeting in 1995. The resulting *Competition Reform Act 1995* linked Commonwealth payments to the States' implementation of reforms to State-owned enterprises.[148]

In 1995, acting on Hilmer's recommendations, all Australian governments agreed to implement wide-ranging reforms of publicly owned entities to make them more competitive, and their operations transparent to public scrutiny. Transport, energy, telecommunications, the regulations relating to newsagents and taxi licenses, and water allocations were some of the 1700 pieces of State and Commonwealth legislation which were examined by the National Competition Council. Specifically, the Commission found that production controls, compulsory acquisition of product and monopoly marketing arrangements cost consumers $550m in 1988-89.[149] Mark Latham (ALP) claimed in Parliament that National Competition Policy would do for internal trade barriers what the tariff reforms of the previous twenty years had done for trade generally.[150] This could be considered a somewhat brave statement, given what deregulation had done to the majority of farmers. As part of its brief, the National Competition Council evaluated the effect of SMAs on the production and marketing of agricultural products, and tested them for competitive neutrality.[151] At the same time, the Industry Commission continued to argue that SMAs added to the costs of consumers. However, a perusal of the relevant Parliamentary Debates for the period 1994-1997 would indicate that all political parties recognised the sensitivities inherent in altering marketing arrangements which had cushioned farmers from the worst excesses of the free market for over sixty years. Statutory Marketing Authorities came into the purvieu of consequent State legislation, and schemes to allow farmers to have control of the marketing of their produce began to unravel.

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[148] John Quiggin, 'Submission to Productivity Commission Inquiry into the Socio-economic Consequences of National Competition Policy', 1998, pp. 5-6, accessed from http://www.uq.edu.au/economics/johnquiggin/Submissions/NCP9809.html, May 2005.

[149] Frederick G. Hilmer, Mark A. Rayner, Geoffrey Taperall, *National Competition Policy,* Report by the Independent Committee of Inquiry, August 1993, AGPS, Canberra, pp. 140-42.

[150] *House Hansard*, M. Latham, National Competition Policy, 21 November 1995, p. 3346.

[151] National Competition Council, http://www.ncc.gov.au, pp. 1-7.

The Howard Government, elected in March 1996, continued the process of micro-economic reform. The emphasis shifted to the reform of transport systems, telecommunications, the labour market, and financial institutions.[152] The Productivity Commission was formed by merging the functions of the Industry Commission, the Bureau of Industry Economics, and the Economic Planning Advisory Committee, to become the vehicle to produce structural reform in industry, and to improve the economic performance of the nation through increased productivity.[153] The journey from the Tariff Board structure which had protected Australian industry from foreign competition, to the Productivity Commission which exposed industry to foreign and domestic competition, was complete. (See Table 3). Agriculture was subjected to continuing changes to its marketing support arrangements. For instance, the Tobacco Marketing Board was replaced by the Australian Tobacco Marketing Advisory Council which in turn was replaced by the Tobacco Research and Development Corporation. The tobacco industry was freed of regulatory restraint to become more internationally competitive.[154] Interest rates began to fall, the drought ended, and the primary production sector started to recover, albeit in patches, and at different rates. By the end of the century most SMAs had lost their powers of compulsory acquisition, and had been restructured either as cooperatives with shareholder members, or as private businesses. The Government had used the “stick and carrot” approach with the States to ensure that they conformed to the requirements of Competition Policy. This entailed substantial payments for reform, with payments withheld until the National Competition Council was satisfied that the States had dismantled anti-competitive practices and entities.

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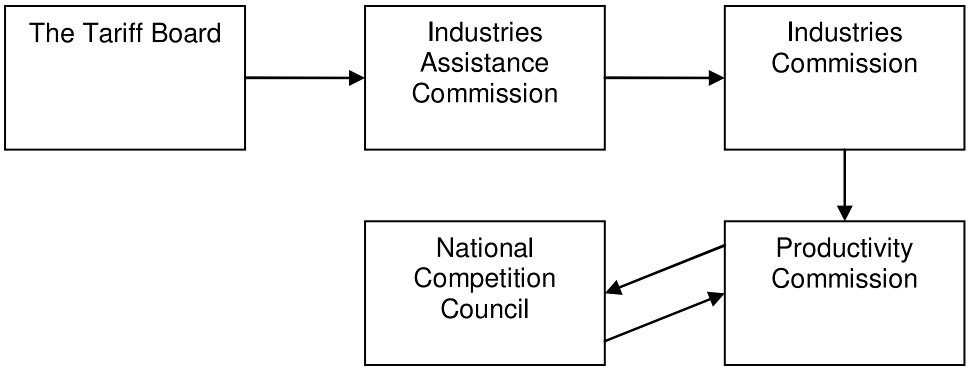
[152] *House Hansard* , The Governor General’s Speech, 30 April 1996, pp. 2-5.

[153] *House Hansard*, Mark Vaile, Productivity Commission, 11 February 1997, p. 668.

[154] *House Hansard,* John Anderson, Tobacco Industry Debate, 12 December 1996, p. 8341.

Table 3. The evolution of the Productivity Commission.



Results of Reform

Thirty years of reform intended to make Australia internationally and domestically competitive resulted in an economy which was increasingly "user-pays", and characterised by rationalisation of many government services. This resulted in a political back-lash which had a disastrous effect on the National Party in particular, although the Liberal and Labor Parties felt it as well. Economic rationalism increasingly marginalised many people who found the rate of change unacceptable, and who felt that they had been left out of any benefits which may have accrued from the process.[155] In the Queensland election of 1998, the One Nation Party, on a platform of opposition to globalisation, economic rationalism, migration and Aboriginal welfare, won eleven Parliamentary seats, most of them from country areas.[156] The schism in the National Party between the old socialist agrarians and the economic 'dries' became deeper and more bitter,[157] with resignations from both the grass-roots membership and the parliamentary membership. Although pressure from economists and journalists dedicated to the concept of the free market system continued,[158] a small minority questioned the social impacts of the reforms. In particular,

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[155] Goot and Watson, 'One Nation's Electoral Support', *Australian Journal of History and Politics:* Vol. 2, 2001, p.167.

[156] Michelle Grattan, 'Rage Politics', *Australian Financial Review,* 24 July 1998, p. 1

[157] *Ibid.,* 24 July 1998, p. 1.

[158] Michael Chaney, 'Don't Fight the Wrong Enemy', *Australian Financial Review,* 03 November 1999, p. 24.

John Quiggin noted that the 'work smarter' rhetoric had resulted in 'work harder' which had in effect been a wealth transfer from employees to employers.[159] In the case of the domestic agricultural sector, this translated as a transfer of wealth from the farmers (who did not have much in the first place) to the three large grocery chains.[160] For those farmers supplying the export market, the reforms had transformed an already efficient sector into one that was structurally more productive in that many of the smaller farmers had been forced out, and was technologically as efficient as possible. However, the Cairns Group had not been able to influence either the USA or the European Union (EU) to lower barriers to agricultural produce at either the Uraguay Round, or the Seattle talks. Indeed, government subsidies in the US and the EU for agricultural commodities reached pre-Uraguay levels.[161] Farmers continued to endure declining terms of trade due to a long-term downward trend in world agricultural commodity prices.[162] However, Australian farmers in particular have adapted to the changing economic environment and have become even more productive through their use of technology and cultural practices.[163] As Deputy Prime Minister Anderson[164] made clear, there have been benefits to the Australian farm sector through the process of micro-economic reform. Interest rates have been consistently low for a number of years; the low dollar value (up to 2004) has favoured export industries; the lowering of tariffs on agricultural chemicals and machinery has also lowered farm costs; and reforms to the transport and communication industries have also allowed efficiencies in supply chain management. Although the Productivity Commission's report in 1999[165] found that National Competition Policy reforms had had little impact on most rural areas, apart from the tobacco producing regions, other economic conditions such as the declining

[159] John Quiggin, 'Few Answers to Micro-economic's Mysteries', *Australian Financial Review*, 14 January 1999, p. 19.

[160] *Senate Hansard*, R. Boswell, Competition Policy, 13 May 1998, p. 2660.

[161] Andrew Stoekel, *Solving the Problem: a Look at the Political Economy of Agricultural Reform*, Rural Industries Research & Development Corporation, Centre for International Economics, Canberra, 2000, p. 5.

[162] Mareeba Shire Council, *Community Impact Assessment*, KPMG, April 2001.

[163] David Trebeck, *Must the Good Guys Always Lose? An Australian/ Cairns Group Perspective on the Future of Agriculture*, ACIL Consulting, Canberra, 2002, p. 4.

[164] *House Hansard,* John Anderson, National Competition Policy, 27 August 1997, p. 7088.

[165] Productivity Commission, *Impact of Competition Policy Reforms on Rural and Regional Australia,* Report No. 8, 8 September 1999, Commonwealth of Australia, Canberra.

world agricultural and mineral commodity prices may have had an adverse impact on the economic, and therefore social, fabric of rural life. The Commission estimated that the remaining SMAs in Australia provided $500 million dollars in assistance to agricultural industries. This amount was more than half of the total assistance accorded to agriculture. The report also noted that 'Potential reform of statutory marketing arrangements thus has significant implications for rural producers and, where activities are concentrated in particular locations, for regional communities'.[166]

Conclusion

Australia is still in the process of economic reform and the results so far have generally been regarded as impressive for the wider economy. However, there have been casualties along the way. Many of these have been the jobs of city-based factory workers displaced from previously tariff protected secondary industries. This has caused a fundamental shift in the nature of work, to more part-time and casual positions, which has tended to give employers greater power to determine wage rates.[167] The results for rural agricultural industries have been mixed. Whilst there have been advantages for most industries particularly in the costs of inputs, there have been disadvantages for some. Those most disadvantaged were those whose very existence depended on Government support through tariff regimes, direct subsidy or bounty, and/or the control of Statutory Marketing Authorities.

Therefore, have Australian farmers survived in spite of, or because of, the thirty years of economic restructure undertaken by successive governments? The answer is complex, because many individual farmers did not survive, but agriculture did survive. Small farms were amalgamated with others to make bigger farms. Many farmers were forced into production of other crops. All of them had to come to terms with the free market and some made the transition better than others. Today, Australian farmers are among the most efficient in the world, producing eight times that which the population of Australia is able to

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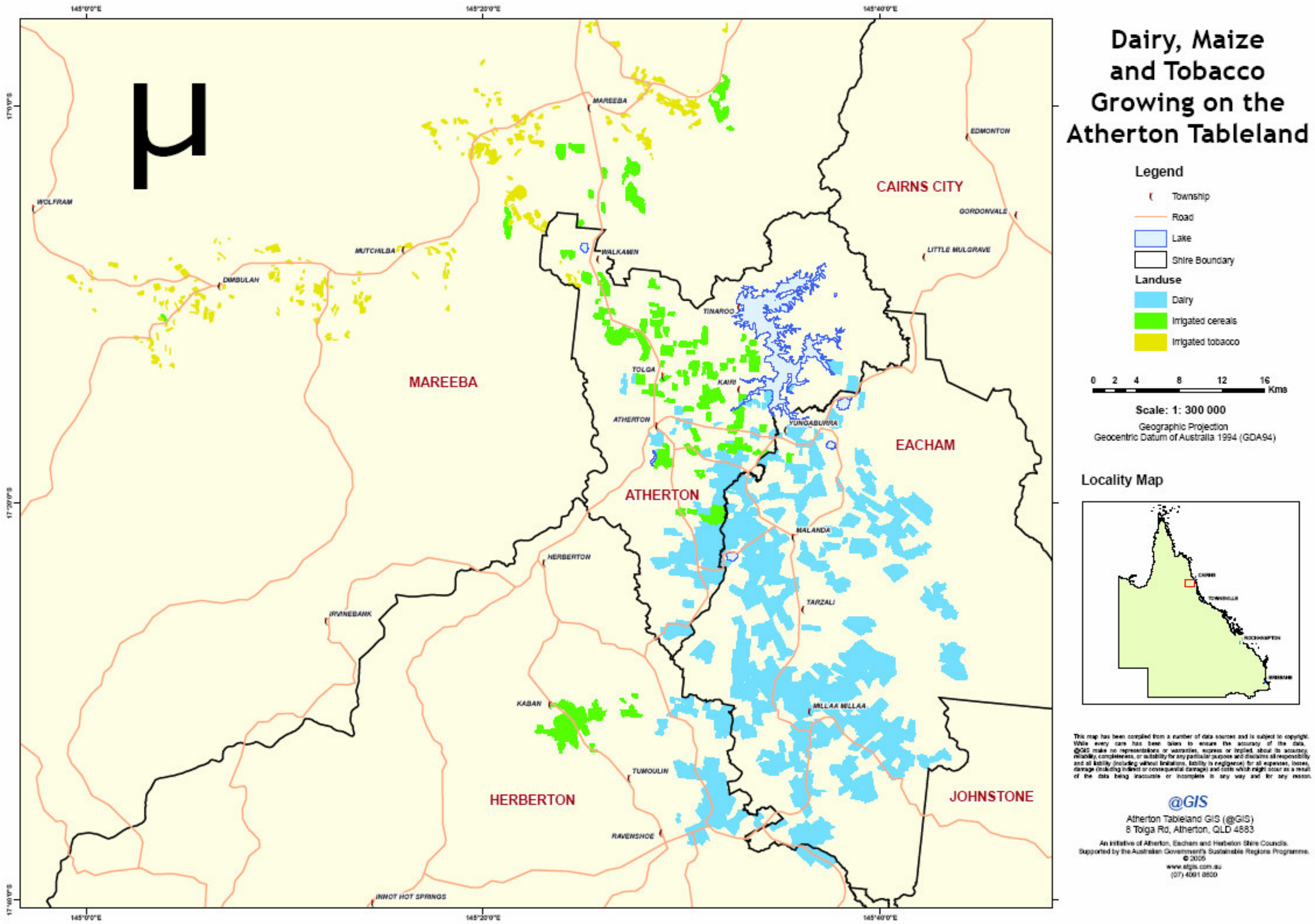
[166] Productivity Commission*, Impact ofCompetition Policy Reforms on Rural and Regional Australia,* Report No. 8, 8 September 1999, Commonwealth of Australia, Canberra, p. 196.

[167] Ian Watson, John Buchanan, Iain Campbell & Chris Biggs, *Fragmented Futures*, The Federation Press, University of Sydney, 2003, p. 202.

eat or wear. Although competition was estimated to produce a transfer of over $2400m annually from the farmers to the consumers from the mid 1990s it is not clear that that has been the case.[168]

The Atherton Tablelands provide an ideal location to study the processes and later effects of deregulation on a small range of agricultural industries, namely maize, dairy, and tobacco. It is geographically isolated, and therefore all industries suffer the same disadvantages of distance from markets and supply chain management. It is on the economic periphery of Australia and has relied on agriculture for most of its 130 years' history. It is one of the few areas of Australia which has had much of its economic base subject to varying degrees of control and support for most of the existence of these industries. The history of their deregulation, and consequent effects, will provide information that may influence policy development which recognises that unforeseen consequences, both political and economic, may have unfortunate impacts on regional sustainability and community capacity to absorb and adapt to change. The following chapters will chart the history of the three agricultural industries rationalized under differing circumstances, and subjected to different processes during the course of deregulation. The study will establish the most successful, and the least successful processes, and will explore the social and economic outcomes of profound change.

[168] Industries Commission, *Statutory Marketing Arrangements for Primary Products,* Report No. 10, AGPS, Canberra, 26 March 1991, p. 205.



Map 2: Dairy, Maize and Tobacco Growing on the Atherton Tableland, 1994

Refer to full scale map as frontispiece.

Source: Geocentric Datum of Australia 1994 (GDA94)

Chapter Seven: The Maize Industry 1945-2004

Case Study One (continued)

Introduction

The maize industry on the Atherton Tableland emerged from the post-war years in a parlous position. The area under maize had remained static, and yields had not increased to any marked degree. The assistance offered by the Government with soil conservation provided protection from excess water run-off and the loss of topsoil into the rivers and streams, but applications of fertiliser and chemical weedicides were proving uneconomical. Available varieties of maize were subject to various plant diseases, and although there had been sporadic efforts to rectify this situation through guided breeding programmes, they had not been entirely successful.

Prices had trended upwards, but so had costs of growing, handling, and marketing the crop. The area serviced by the Atherton Tableland Maize Marketing Board had been extended to all areas fifty miles distant from the boundaries of the Petty Sessions District of Atherton, Herberton, Mareeba, Malanda and Chillagoe, so that the Board had a monopoly on the handling, storage and marketing of all maize grown in those districts.

Therefore, there were many issues for the farmers to cope with. On the one hand, there was the requirement for increased efficiency in production through better resource usage, plant breeding, and use of fertiliser and herbicides. The availability of water for irrigation was becoming a problem, and the issue of soil conservation was urgent and ongoing. Monocultural land usage had to change to a system of mixed farming, but that was precluded by the small size of the farms.

Although organised marketing provisions had provided farmers with a mechanism to relieve them of individually dealing with buyers of their crops, it had also taken the element of competition from the industry. The Board needed to keep handling charges to a minimum and this had resulted in very few upgrades to infrastructure to improve efficiency. Debts continued to be a burden for the Board which had to cope with interest and redemption payments for loans taken out many years previously. Ultimately, when the statutory marketing arrangements were scrapped, the industry fragmented. The operations of the cooperative processing business became unsustainable without the guarantee of a supply of grain through compulsory acquisition of the entire crop.

This chapter will trace the history of the industry through post-war changes in the growing and marketing of the crop. It will also record the effects of deregulation, which de-stabilised the entire industry for a period of time. At the end of the process, the maize growers of the Tableland have adapted to the changed marketing conditions and now produce a crop which is sustainable in terms of resource usage. Competition for their crop is present with four companies in the market buying and processing maize.

On the one hand, the maize industry on the Atherton Tableland is a success story because of government assistance through the work of the Department of Primary Industries, and despite the withdrawal of legislation which had propped up the industry for 70 years. On the other hand, the process of deregulation was fraught with difficulties which were made worse because of bad management decisions, and tensions which led to divisions within the community which will take long to heal.

The Post-War Years 1948-1960

At the end of the War, National Security Regulations were repealed, and the responsibility for agriculture was returned to State authorities. However, the Commonwealth retained a vital role in agricultural development through the funding of assistance measures to foster agricultural production and efficiency.[1] The Menzies Government, elected in 1949, encouraged the expansion of agriculture as a means of addressing trade imbalances.[2] The policy of the new Government was to raise production levels for exports in particular, and it was prepared to spend taxpayers' money to do it. However, maize remained under Commonwealth price control until 1951, with the price set differentially for different districts by the State Prices Commissioner. The price for Atherton maize was set at £12 10s per ton, which was the cheapest in the State, ostensibly because of the short distance to rail

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[1] Hale with Ashton, *History of Commonwealth Departments of Agriculture*, p. 89.
[2] *Ibid.,* p.99.

transport.[3] According to accountants in the office of the Prices Commissioner, this should have resulted in a profit to the farmer of 18s 10d. per ton, or an average of less than ₤50 per farm per annum.[4] Out of this would have to be paid interest and redemption, land rental, council rates, and family sustenance. Clearly, this was unsustainable when the basic wage was set at ₤8. 8s.7d per week, or ₤436 16s 4d. per annum.[5] Sales continued to be subject to government permission until the 1950s, and although 3 500 tons of maize were exported to France in 1948, further consignments were disallowed on the grounds that all maize was needed in Australia.[6]

On the Tablelands, the men who had been interned, and the men who had survived their service in the armed forces, returned to their farms. The withdrawal of the troops from the area, along with their need for supplies of food, returned many of the farms to maize production, although there was a shift to rotation with peanuts, and many of the farms also produced potatoes in the south-western areas, combined with dairying in the south eastern areas.[7] There was a gradual consolidation of farms into larger areas, and with this, a reduction in the number of farmers.[8] Attempts were made to value add to the raw grain product, and in 1948, the Board entered into negotiations with the Queensland Poultry Farmers' Cooperative Association to form a Cooperative for the purpose of manufacturing and selling poultry mashes.[9] The farmers subscribed to the new entity, and it was formed with a capital of ₤4500 with 300 growers subscribing ₤15 each.[10] This entity was eventually absorbed into the existing Athmaize structure.

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[3] *Cairns Post*, 2 July 1948.

[4] Statistics of Queensland, 1951-52, Table 35. In 1951, 11 558 tons were delivered to the silos from 228 farmers.

[5] *Queensland Year Book*, No. 20, 1959, Commonwealth Bureau of Census and Statistics, Queensland Office, p. 349.

[6] *Cairns Post,* 20 May 1948; 2 July 1948.

[7] Crosthwaite, 'Maize Growing', p. 3.

[8] *Statistics of Queensland*, Queensland Government, 1910-1990. The acreage under maize averaged about 20 000 acres , but the number of farmers halved to 204 by 1970.

[9] *Cairns Post,* 15 May 1948.

[10] *Ibid.*

Mechanisation became a feature of the industry. By 1954 there were 536 maize planters in the area, and by 1964 there were 105 maize harvesters in operation.[11] Initially, this caused some problems for the Maize Board handling facilities because of the amount of husk not removed by mechanical pickers. The staff at the silos had to devise means of dealing with excess husk, as well as the quantities of dead grain[12] being presented.[13]

The price of maize increased from $28.90 in 1950 to $48.82 in 1970, with many peaks and troughs in between. (See Fig. 13). The price of maize farms also began to rise, and in 1950, a fully equipped, 133 acre farm could be bought for ₤7 000.[14] However, production declined severely in the decade 1953-1963 due to outbreaks of Tropical Rust (*Puccinia polysora*).[15] (See Fig. 14). Other causes of the decline were soil erosion, and loss of fertility due to continuous cropping without rotation with other crops to replenish the soil.[16] These conditions severely constrained the industry, and farmers struggled to make a living until the late 1960s when new hybrid varieties specific to Tableland conditions were developed at the Kairi Research Station, and soil conservation and rotation regimes were established.[17]

Maize was brought under State price control in December 1951 after a dispute with the Maryborough Dairy Farmers' Cooperative which claimed that dairy farmers were being flagrantly exploited by excessive prices for maize. The maximum price was fixed at ₤36 10s. per ton for 1952. The Board immediately applied for an increase of ₤7 7s. per ton, but a subsequent survey of 24 farms in the Atherton and Kingaroy districts, conducted by the Prices Commissioner, revealed that the fixed price was too high and should be reduced at once. Following a protest from the Atherton Board, the Government left the upper price at ₤36 10s. per ton. The problem for the Government was that by regulating prices, it then

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[11] *Statistics of Queensland,* 1950-70.

[12] Grain which has not been pollinated fails to develop, and is known as 'dead grain'.

[13] *Cairns Post*, 13 September 1949.

[14] *Ibid.*, 10 September 1950.

[15] Crosthwaite, 'Maize Growing', p. 11.

[16] 50th Annual Report of the Atherton Tableland Maize Marketing Board, 1972-73, John Oxley Library, Brisbane.

[17] QSA: A/75763 Box 29, C.H. Defries and E.O. Burns, 'Mixed Farming in the Atherton District', 10 May 1956.

had to balance the needs of different sectors of agriculture, all of which could and would withdraw support for the government if their interests were considered to be unjustly dealt with. However, in this case, the market intervened and oversupply in the southern States brought the price down to £32 10s. per ton. In 1957, after the election of the Country-Liberal Party Government under the Premiership of G.F.R. Nicklin, price control was abolished, and marketing of the crop was left to the Board and market forces. As local demand was limited to about 8 000 tons, buyers for the balance of the crop had to be found elsewhere. The Maize Board continued to seek markets for the grain, and in 1952-53, almost 14 000 tons were shipped to Britain and Europe through Cairns.[18] A large amount of it was sold interstate, and to New Zealand.[19]

Experiments with the production of hybrid maize at the Kairi Research Station were not encouraging as hybrids succumbed to both cob rot and rust in the moist conditions of the southern Tablelands, although some of the varieties yielded well in the northern areas of Walkamin, Mareeba, and Dimbulah.[20] Trials to test the effects of pre-emergent weedicides such as 2-4-D were held at the Research Station, and although they were effective they were also expensive, and therefore out of reach of many farmers.[21] Similarly, trials of fertiliser applications to restore diminishing yields were carried out, but again, doubt was raised again about their cost effectiveness. The core problem which had haunted the industry from its inception was still the controlling factor in maize production. That is, if production exceeds demand, prices are depressed, and a cycle of poverty and inefficiency is the inevitable result. One remedy would have been production control through allocated acreages or tonnages, but the farmers had rejected this in 1940.[22] The other was a breeding programme which would develop disease resistant varieties suitable to the Tableland environment.

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[18] W.G.Steele and J. Rosser, 'Maize Growing on the Atherton Tableland', Division of Plant Industry, Advisory Leaflet No. 385, Department of Agriculture and Stock, undated.

[19] *Cairns Post,* 19 March 1956.

[20] *QPP*., Annual Report of the Department of Agriculture and Stock, 1960-61, Vol. 1, Part 2, p. 11.

[21] QSA, A/7575/1, Hormone Trials, Maize, 17 August 1954.

[22] *TE,* 20 September 1940.

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Illustration 29: Effects of Cob Rot in the developing maize cob.

Illustration 28: Effects of Tropical Rust on mature maize plants.

Source: Kairi Research Station

A severe outbreak of Tropical Rust in the late 1950s caused yields to drop to all-time lows.[23] Again, many farmers faced walking away from their investments after years of hard, slogging work. The Member for Tablelands, T.V. Gilmore, lobbied the Minister for Agriculture and Stock for a comprehensive plant breeding programme for the Atherton Tableland maize industry.[24] However, graduates in Agricultural Science were few,[25] and it

[23] Table of Comparative Costs, ATMMB, 1973. For 1956-57, the Tableland crop fell to 5954 tons, the lowest since the war years of 1945-46. This was caused partly by cyclone damage to standing crops before harvest.

[24] QSA: A7575/1, 9.4. Gilmore collected samples of leaves infected with Tropical Rust and delivered them to the Department of Agriculture and Stock for identification.

was not until 1962 that a young graduate scientist, Ian Martin, was transferred to Kairi Research Station after a year's training in plant genetics at Gatton.[26] The appointment of Dr Martin was the beginning of the change in fortunes for the maize industry. Although there had been many attempts in the past, by both farmers and officers of the Department of Agriculture and Stock, to develop a variety of maize suitable for the unique environmental conditions of the Tableland, none had succeeded in producing a hybrid which could resist all of the diseases which had periodically infested Tableland crops.[27]

The economic position of the Atherton Tableland was so bad in the early 1960s, that in response to deputations of local organisations, the Nicklin Government appointed an expert committee to examine the difficulties faced by farmers. The committee's terms of reference were to establish the reasons for the uneconomic position of each industry, and the steps that should be taken to improve the situation. The Committee found, *inter alia,* that although the average farm size had risen from 80 acres in 1924 to 160 acres in 1963, production had been gradually declining, (see Fig. 14) and catastrophic events such as the outbreak of tropical rust had exacerbated this trend. The members found that the average annual return for maize farms across all the Tableland districts was £488,[28] compared with the average minimum weekly wage rate of £18. 10s, or £3287 per annum.[29] The Committee investigated a range of options to increase farm productivity, and concluded that the only solutions, given the environmental, demographic, and geographic conditions peculiar to the Tablelands, were a plant breeding programme to develop suitable hybrids, large-scale soil conservation, and suitable rotations with legumes or pasture grasses to rehabilitate the worn-out soils. This determined priorities at the Kairi Research Station.

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[25] *QPD,* T.V. Gilmore, Debate on Supply, Vol. 219, 19 November 1957, p. 1108.

[26] Interview with Dr Ian Martin, Kairi Research Station, August 2004.

[27] *QPP.*, Annual Report of the Department of Agriculture and Stock, 1960-61, Vol. 2, Part 1, p. 30.

[28] W.J.Cartmill (Chairman), *The Report of the Atherton Tableland Investigation Committee*, Department of Primary Industries, Brisbane, 13 February 1964. This figure was based on Gross Income minus Cost of Production, which did not include family labour.

[29] *Queensland Year Book,* No. 26, 1965, Commonwealth Department of Census and Statistics, Queensland Office, p. 386.

When Dr Martin[30] arrived at the Research Station in 1962, he immediately began work on developing a variety of hybrid maize using germ plasma imported from Kenya, crossed with inbred varieties from Grafton. He produced the variety QK 37 in 1967 –68 on a trial basis, and released it commercially in 1968-69. This variety gave both good resistance to Rust, and a satisfactory yield of 60-80 bushels per acre under research conditions, compared with about 24 bushels per acre in 1963-64.[31] The farmers were quick to utilise it, and by 1970, the whole maize producing area was being planted to hybrids including QK37.[32] The yield of 39 bushels per acre from 27 000 acres was the highest in Queensland.[33] The appointment of Dr Martin was perhaps the most beneficial government intervention in the Tableland industry. His research provided the farmers with the means to increase yields significantly, which then allowed them the financial means to access more efficient practices such as the use of weedicides and fertilisers, and better harvesting and cultivation machinery.

IMAGE REMOVED DUE TO COPYRIGHT RESTRICTIONS

Illustration 30: Dr Ian Martin (left) with assistant beside a crop of hybrid maize.
Source: Kairi Research Station.

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[30] Although other scientists worked in all primary industries on the Tablelands, Dr Martin was the only one who worked in a single industry for all of his career. His presence in the Atherton Tableland maize industry was the deciding factor in its ultimate success.

[31] *Statistics of Queensland*, 1963-64, p. 42.

[32] *QPP,* Annual Report of the Department of Primary Industries, 1969-70, Vol. 1, Part 2, P. 19.

[33] *Cairns Post*, 6 June 1970.

Price of Maize 1951-1970

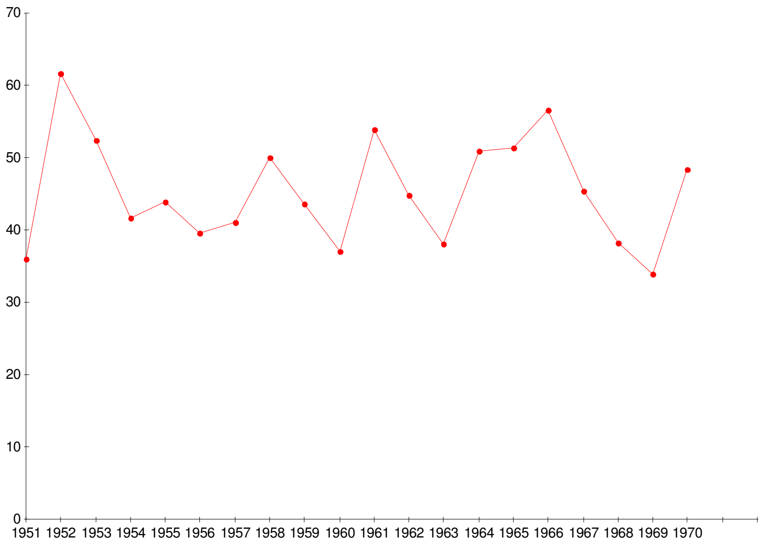

Fig. 13: Prices per ton of maize (dollars) to growers 1951-1970

Source: Table of Comparative Costs, Annual Report of the Atherton Tableland Maize Board, 1973.

Maize Produced 1950-1970

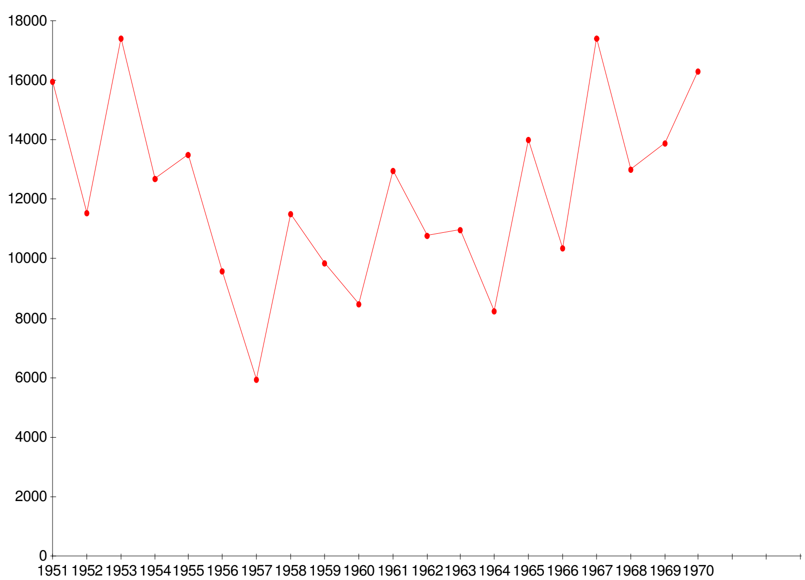

Fig. 14: Nett tonnage of maize produced 1950-1970.

Source: Table of Comparative Costs, Annual Report of the Atherton Tableland Maize Board, 1973.

Another result of the Tableland Investigation Committee's recommendations was intensive research into the fertilizer requirements of Tableland maize crops. As early as 1928, decline in the fertility of soils had been observed by farmers and scientists alike, but until sophisticated chemical analysis of maize plants became available optimum fertilizer regimes were difficult to establish. Stan Barker, who also carried out trials of weedicides, established that the main requirements of the soils were enhanced nitrogen application.[34] Experiments at the Kairi Research Station found that yields could be increased to 53 bushels per acre from paddocks rotated with Tinaroo Glycine, a pasture legume.[35]Although nitrogen could be applied through fertilizer, the farmers were encouraged to rotate maize with peanuts or other legumes to build up its content of the soil. Another young scientist, John Kilpatrick, was appointed to advise farmers of the desirability of pasture improvement with tropical legumes. These projects were to prove of immeasurable benefit to the farmers, who were then able to restore the fertility of depleted soils, and therefore to gain increases in yields for all their crops.

IMAGE REMOVED DUE TO COPYRIGHT RESTRICTIONS

Illustration 31: Effects of fertilizer and weedicide.
Source: Kairi Research Station.

[34] *Cairns Post,* 27 June 1965.

[35] *Ibid.,* 13 November 1965.

Another initiative of immense importance to the entire agricultural industry of the Tablelands was the establishment of the Soil Conservation Branch of the Department of Primary Industries. The Queensland Government had begun its programme of soil conservation in 1947 by setting up farm demonstrations, but that initiative had had little or no impact on the Tablelands. The establishment of a dedicated Branch of the Department with sufficient funding allowed two extension officers to be based at Atherton, and two at Mareeba. Services were offered at no charge to farmers and they set about rectifying problems caused by fifty years of land degradation through erosion. Contour banks appeared on farms which had lost up to 15 inches of topsoil.[36]

IMAGE REMOVED DUE TO COPYRIGHT RESTRICTIONS

Illustration 32*:* Effects of rotation. Source: Kairi Research Station.
John Kilpatrick showing the effects of rotation with Tinaroo Glycine on mature maize plants in the early 1970s.

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[36] Cartmill, *Atherton Tableland Investigation Committee*, p. 21.

The ATMMB recognised that more efficiency in drying, storage and handling of grain was necessary, and continued to borrow money for improvements to the facilities. In 1968 a new storage shed and drying plant were installed at Atherton, at a cost of $60 000,[37] and daily intake rate of grain was increased to 600 tons per day. Handling charges were reduced to $13.12 per ton, compared with $19.20 per ton the previous year.[38] The Board's right to manufacture mashes was ratified by an Order- in- Council. This enabled the Board to extend their activities in value adding to the raw grain, with production of maize meal, kibbled maize, and various mashes in bulk and in bags.[39] However, the Board now had a total debt of $235 000 to be paid over fifteen years at an interest rate of 6%.[40] The assets to liabilities ratio was approximately 1:2.[41]

Therefore, by the end of the 1960s, the Tableland maize industry was beginning to show signs of becoming a viable industry. Under the tutelage of the Extension Service of the DPI, the findings of the scientists and soil conservation measures were implemented on the farms. Varieties resistant to disease were becoming available; crop rotations were established; soil was able to be conserved; fertilizer and weedicide regimes were established; and more efficient storage and handling and value adding had been developed. On the down side, the debts of the ATMMB were rising to levels approaching unsustainability, particularly in the light of the interest rate explosion of the 1970s.

The Years of Consolidation, 1970 to 1980

Maize farmers enjoyed a brief period of prosperity in the early 1970s, but it was obvious to some that they had to increase production through expanding their land-holdings, and many acquired significant debt doing so. The election of the Whitlam Government in 1972 presaged a time of momentous change for every primary industry in the country. Interest rates ballooned to unmanageable proportions, the superphosphate and nitrogenous fertiliser bounties were abolished, and the role and composition of the various Statutory Authorities came under scrutiny. At the same time, growers of maize in other districts were

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[37] Annual Report of the ATMMB, 1969-1970.

[38] *Ibid.*

[39] ATMMB, Quarterly News Letter, 14 March 1968.

[40] Annual Report of the ATMMB, 1969-1970.

also becoming more efficient and able to sell grain products more cheaply than ATMMB. Maize from other areas began to be used by the larger producers of pigs, poultry, and dairy products.

The necessity for farmers to lower costs to meet competition from other areas led to the amalgamation of farms. As areas of farms increased and the number of farmers decreased, the scale of their operations became larger and more efficient. Production increased from 12 938 tonnes from 15 839 acres in 1971-2 to 20 956 tonnes from 12 111 acres in 1975-6,[42] while the number of farmers declined from 215 to 164 in the same period.[43] That translates to a decrease of 24% in the number of farmers, an increase of 68% in production, and a decrease of 23% in acreage. Although a simple interpretation of these figures indicates a decrease in the total farmed acreage, a more complex interpretation would indicate that the larger farm areas were enabling the farmers to change land use and to diversify their crops with rotations. Although total production for the Tableland reached 15 245 tonnes in 1973, the Chairman of the Board, Gordon Kattenberg, was predicting that the expanding local market would need more maize, and encouraged the farmers to plant additional acreages. By 1976, the Atherton Tableland was producing more maize than any other district in Queensland, with a harvest of 26 000 tonnes comprising 33% of the total Queensland crop.[44]

The pattern of land use was changing. Maize was no longer a monocultural crop, and high prices obtainable for peanuts and potatoes relegated it to a subsidiary position as a rotation crop.[45] In the years 1976 to 1981 the area of land sown to peanuts more than doubled, and the area growing maize reduced by one-third.[46] In a ranking of Tableland primary industries based on returns to the farmers, maize ranked eleventh after peanuts and potatoes.[47] Approximately 45% of farmers each delivered up to 50 tonnes per annum,

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[41] Annual Report of the ATMMB, 1969-1970.

[42] *Queensland Year Book,* No. 37, Australian Bureau of Statistics, Queensland Office, 1977, p. 371.

[43] *Statistics of Queensland,* 1971 – 1976.

[44] *Queensland Year Book*, 1977, p. 241.

[45] J.R.Hardman, *Primary Industries in Far North Queensland*, Department of Primary Industries, Atherton, December 1981, Table 17, p. 22.

[46] *Ibid.*

[47] J.R.Hardman, *Primary Industries,* 1981.

46% delivered between 50 and 300 tonnes, and only 9% produced between 300 and 1 300 tonnes.[48] However, there was still an overall increase in production which was in excess of the available demand, so prices dropped. (See Fig.15). The Board was forced to look to export markets to clear the annual crops, although the export price was not as high as the local price. (See Figs. 16 and 17).

Production Compared with Price 1976-1984

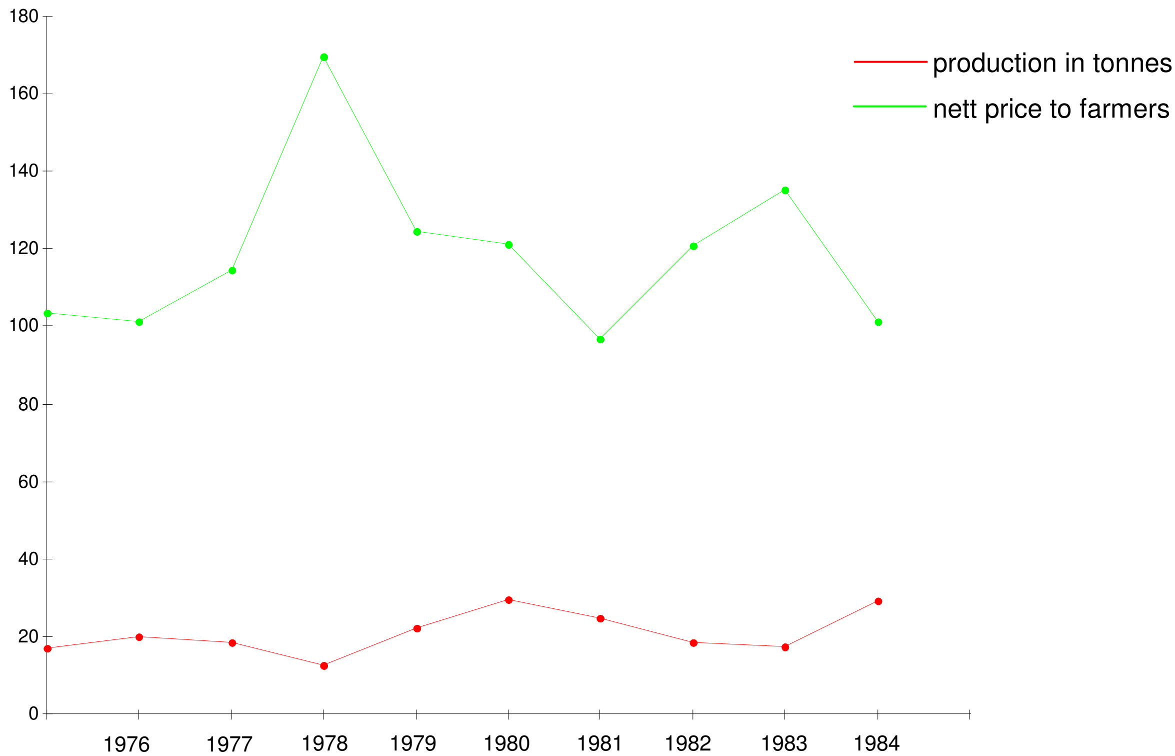

Fig. 15: Comparison of production (tonnes), with price (dollars), 1976 -1984.
Source: Table of Comparative Costs, Annual Report of the Atherton Tableland Maize Marketing Board, 1976-84.

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[48] Internal Document, ATMMB, Appendix C, "Structure of the Tableland Maize Industry", p. 12. Ian Allen Collection, Tolga.

Comparison Between Tonnages of Maize Sold on Local and Export Markets 1976-1980

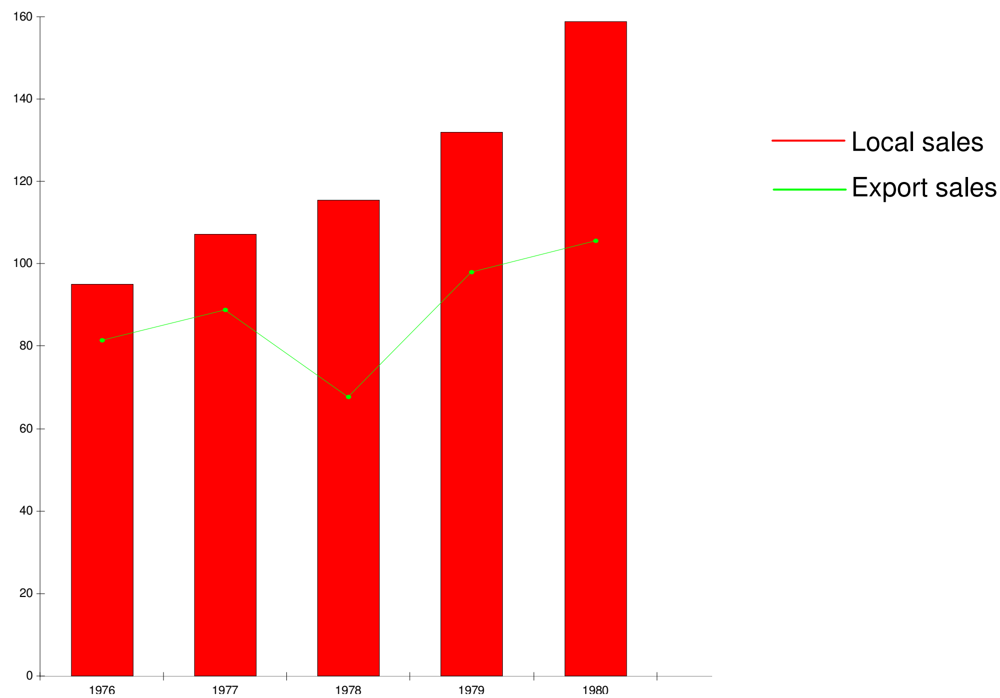

Fig. 16: Local vs Export Market.

Comparison between maize sold to local and export markets (tonnes) 1976 to 1980.

Source: Table of Comparative Costs, Annual Report of the Atherton Tableland Maize Marketing Board, 1981-82.

Comparison Between Prices of Maize Sold on the Local and Export Markets 1976-1981

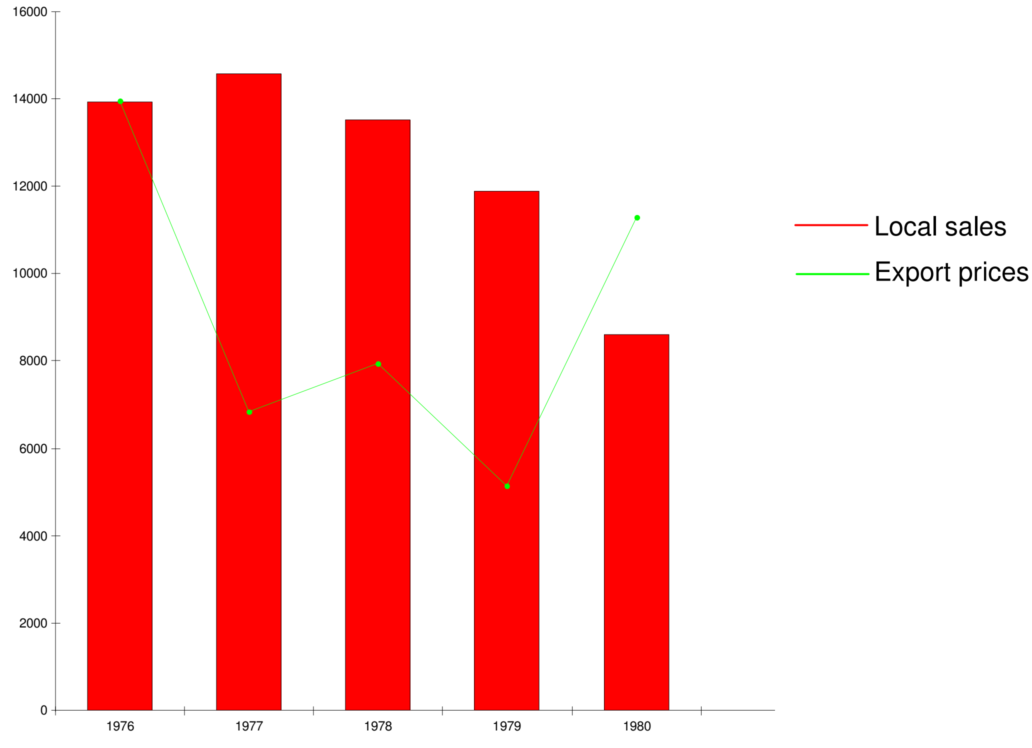

Fig. 17: Comparison between local and export prices 1976 to 1981.
Source: Hardman, *Primary Industries in North Queensland,* Department of Primary Industries, Atherton, 1981, Table 16, p. 21.

The Government extended the operations of the Maize Board until 1978, according to the wishes of a majority of the growers, and the Board was able to obtain a price advantage for the growers through its enlarged storage capacity.[49] The Board negotiated with the Cairns Harbour Board to establish bulk storage, with a 3 000 tonnes capacity, and facilities at the Cairns wharf so that exported grain could be handled more efficiently.[50] Markets were also established in grazing areas of the north-west.[51] However, the Board and the

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[49] *Cairns Post*, 19 May 1967.

[50] *Queensland Year Book*, No. 37, Australian Bureau of Statistics, Queensland Office, 1977, pp. 370-1.

[51] 50th Annual Report of the Atherton Tableland Maize Marketing Board.

maize growers were beginning to feel the pressure brought to bear upon them by economic and political forces.

The Beginnings of Change, 1980-1990

During the early 1980s, the Maize Board began selling surplus grain on the export market at world prices, and subsidising the lower prices by raising the price to domestic users. When challenged to defend this practice, it was excused on the grounds that all other exporting industries, notably sugar and dairy, did the same thing with domestic price support schemes.[52] The 15 000 tonnes sold to Japanese buyers attracted about $110 per tonne, and the Board charged local consumers $220 per tonne for the remaining 7 000 tonnes. This strategy cleared the whole crop at an average of $145 per tonne gross to farmers, but meant that local grain was $70 per tonne more expensive than maize produced in the Burdekin or Kingaroy districts.[53] It meant that, as the Chairman of the Board reported to the Council of Agriculture, competition from the Burdekin area, as well as competition from the local rice industry for pollard sales, were eroding traditional markets on the Tableland.[54]

Buyers were also feeling the effects of high interest rates, and every sale had to be negotiated with care and sensitivity. For instance, the proprietor of Joalma Poultry Farm, a major egg and poultry producer, indicated that he was interested in a large consignment of grain, but only at the 'right price'. Subsequently, the deal did not go ahead, because of the buyer's tax situation. It was at this point that contact was made with a potential export market which was to play a significant part in the fortunes of the industry at a later date. Ilimo Farms at Port Moresby indicated an interest in 3000 tonnes of maize which depended on a 'good deal' being struck for shipping rates.[55]

Because of the small quantities available for export, the Board was forced to negotiate with the Queensland Grain Growers Association (QGGA) to have export lots included in its

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[52] *Tablelands Advertiser,* 14 November 1984.

[53] *Ibid.*

[54] Minutes of the Council of Agriculture, 17 March, 1982. Held in the personal collection of Ian Allen, Tolga.

shipments.[56] Apart from the obvious benefits from clearing the crop, the eligibility for a Commonwealth Export Enhancement Grant of $75 000 made the low price of export grain more acceptable to the Board and growers.[57]

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Illustration 33: Loading maize grain for export, Cairns wharf, c. 1980.
Source: Kairi Research Station.

Exporting grain from the Cairns wharf was not without its difficulties. Modifications to the facilities were carried out at a cost of $22 000, but they resulted in protracted negotiations with the Waterside Workers' Union which was concerned that the improvements would result in a loss of jobs.[58] Subsequently, when the Board attempted to load a ship with 11 000 tonnes of grain, a strike by the Waterside Workers' Union (on an unrelated matter)

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[55] Minutes of the ATMMB, 9 April 1981.

[56] *Ibid.*

[57] *Ibid.* QGGA was the main exporter of grain from Queensland, but ATMMB did not use it as a selling agent.

[58] *Ibid.*

held up loading and incurred demurrage fees of $2 335.20. Added to this were a series of equipment breakdowns which caused further delays and expense.[59]

At the same time, cracks and leaks in the silos were beginning to cause serious damage to stored grain at Atherton and Tolga. The cause was diagnosed as deterioration in the concrete reinforcing. This required extensive repairs, and the Board took advice from the Wheat Board as to the best way to achieve this. Eventually, it was decided to use a thick, rubberised paint which would seal the cracks. The Wheat Board sent its own maintenance crew to carry out the work, as Maize Board employees were unwilling to undertake the job.[60]

Adding to the difficulties of the Board was growing dissatisfaction of a small section of the farmers who saw more benefit in supplying pig, dairy, and poultry farmers directly instead of sending their grain to the Board.[61] With on-farm milling, mixing, and storage developing in the pig and poultry industries in particular, their need was for dry, whole grain which they could obtain more cheaply directly from the growers.[62] These farmers were mainly from the northern end of the Tableland which did not have the same wet conditions at harvesting as did the southern end, and thus did not need to dry their grain. They also objected to the pooling of the drying costs which disadvantaged them when they were delivering grain at 12% moisture, and the Board was basing its payments on 14% moisture. Although the Board had considered a suggestion from Ian Allen (a Director) that the pooling system of charges for both drying and cartage be brought to end in 1984, it took a further three years for the growers to agree to this.[63]

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[59] Report of the General Manager of the Atherton Tableland Maize Marketing Board, Atherton, August 1981. Ian Allen Collection.

[60] Minutes of the ATMMB, October 1981.

[61] Minutes of the Council of Agriculture, 25 February 1981.

[62] Interviews with Tom Gilmore, John Kilpatrick, and Ian Allen, September 2004; Minutes of the Council of Agriculture, 25 February 1981.

[63] Internal discussion paper, ATMMB, 1984, Ian Allen Collection; Annual Report of the ATMMB, 1987.

The Queensland National Party Government supported the concept of orderly marketing within the framework of compulsory acquisition,[64] but Commonwealth Government policy was to phase out SMAs and to free up markets.[65] The tension between the two ideologies translated into something like guerrilla warfare within the Tableland maize industry. So much grain was being lost to the Board through private deals that an inspector was appointed to apprehend farmers bypassing the Board's facilities. This resulted in successful prosecutions, but cost the Board $10 000 in wages to the inspector and further charges in legal costs.[66] Some farmers who infringed the right of the Board were fined up to $10 per tonne for grain sold illegally.[67] However, the election of the Goss Labour Government in Queensland in 1989 spelled the beginning of the end for the Board.

Locally, the election of a government sympathetic to free trading encouraged like-minded farmers and buyers in the pig, dairy and poultry industries to lobby Minister Casey to allow them to sell their grain directly. One local entrepreneur set up a feed milling operation in direct opposition to the Board's stock feed business and lobbied the Government for the right to buy whole grain directly from the farmers.[68] The Board began to feel the pressure from the political lobbyists, one of whom asked the Minister to direct the Board to sell his poultry operation 1000 tonnes of grain from the extremely poor 1989 harvest. The Minister complied, and the Board, short of grain for their stock feed requirements, was forced to import maize from the south for exorbitant prices.[69] By the end of this period, maize growers were struggling with high interest rates, steadily increasing costs of production, and prices which were not keeping up with inflation. The Board was attempting to deal with political interference, rising debts, and deteriorating facilities. The position of growers and the Board was not healthy.

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[64] The Agricultural Policy Working Committee, *An Agricultural Policy for Queensland*, Department of Primary Industries, Brisbane, November 1983, pp. 60-64.

[65] *CPD (H of R),* Governor General's Speech, Vol. 131, 21 April 1983, p. 14.

[66] Minutes of the Annual General Meeting of the ATMMB, 17 October 1991, Ian Allen Collection. It has been estimated that the legal costs incurred in enforcing the provisions of the Act were in the region of $100 000. This was not able to be verified.

[67] Interview with Tom Gilmore, September 2004.

[68] Interview with Neil Sing, September 2004.

[69] Annual Report of the ATMMB, 1989-90.

Deregulation, 1990-2000

The economic climate of the 1980s, with high interest rates and rampant inflation, had been a very difficult time for business. Many of the Board's customers were unable to pay their debts, and by 1990 trade debts had risen to $982 984. The Board's own debt levels had risen to $1 000 000 with additional borrowings to maintain the infrastructure. The asset to liability ratio was then 1:1.5.[70] Exports accounted for 35% of the crop and the domestic price dropped 41% with a nett return to the grower of $101.45 per tonne.[71]

Therefore, the maize industry entered the 1990s in a state of uncertainty and ferment, with poor returns, and an economy which made management of farms and businesses very difficult. The members of the industry were in little doubt of what was in store for them, and reluctantly and under protest, began to plan for deregulation as early as 1990.[72]

The affairs of ATMMB and of Athmaize, the milling and stock-feed operation, had been merged since the inception of Athmaize in 1936. The Board of Directors was the same for each organisation, and the Annual Report contained information and balance sheets which were not differentiated. In 1990, anticipating the demise of ATMMB, plans were put in place to separate the business into two entities,[73] Atherton Tableland Maize Marketing Board, and Athmaize Producers' Cooperative Association Limited. A new manager was appointed with the specific brief to separate the two entities, and to prepare both organisations for the process of deregulation.[74] This was completed twelve months later at minimum expense to the growers because the State Government approved stamp duty relief for the transfer of assets.[75] The enthusiastic new Manager attempted to restructure the facilities and operations after '...years of neglect', and '...decades of stagnation.'[76] He found that facilities were inefficient and antiquated, workplace health and safety procedures were non-existent, the culture of both Board and staff had not evolved beyond

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[70] Annual Report of the ATMMB, 1989-90 Balance Sheet, 31 May 1990.

[71] *Ibid.*, Table of Comparative Years, 1990-1991.

[72] *Ibid.*, 1990-1991.

[73] *Ibid.*

[74] Interview with Jim Petrich, former manager of ATMMB 1991-1992, December 2004.

[75] *Tablelands Advertiser,* 7 April 1993.

[76] General Manager's Report, Annual Report of the ATMMB, 1990-1991.

the 1950s, and finances were in dire need of remedial action. He set about reforming the workplace, recovering much of the money owing, and tying staff bonuses to payments to growers. In the process, he reduced the staff from thirty-four to twenty-six, spent money on updating the facilities and putting in place safe work practices. Inevitably, he incurred enmity from staff and from the Board, and his services were terminated at the end of 1992.[77] However, he had put in train some of the changes necessary to increase the efficiency of the operation, but these were insufficient to overcome years of neglect.

1993 was a particularly difficult year for the entire industry. Minister Casey was determined to modernise the State's SMAs.[78] *The Grain Industry Act* of 1991 enabled the amalgamation of the Queensland Barley Marketing Board, the State Wheat Board, the Central Queensland Grain Sorghum Board, and two small cooperatives into a single organisation to be known as Grainco, an entity wholly owned by grain producers.[79] The Board of ATMMB considered the advice of the Minister, which was to amalgamate their operation with Grainco. The directors decided that the interests of the Tableland growers would not be well served by such a merger, as they thought that viability of the industry depended absolutely on powers of compulsory acquisition which would not be vested in the umbrella organisation.[80] However, the Minister agreed to the retention of compulsory acquisition at least until 1996.[81]

Casey's plan for deregulation of the maize industry was to introduce a system of permits which would allow 33% of the crop to bypass the compulsory acquisition powers of the Board, and to be sold directly to consumers. According to this plan, the permit system would be in existence for five years, at which time the Board would lose its compulsory acquisition powers, and be forced to compete for grain on the open market. In order to compensate it for the loss of business, the Board would be allowed to charge the growers a permit fee. The Board suggested a fee of $42 per tonne, based on its costs for the previous five years. The Minister found this figure entirely unacceptable in the light of Grainco's charges of $1.25 per tonne. The Minister said that he was '...staggered by the

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[77] Interview with Jim Petrich, December 2004.

[78] *Queensland Hansard,* Ed Casey, Statutory Marketing Authorities*,* 8 November 1990, p. 4686.

[79] *Queensland Hansard ,*Mr. Livingstone*,* Restructure of Grain Industry, 8 October 1993, p. 4945.

[80] Annual Report of the ATMMB, 19789-90.

[81] *Tablelands Advertiser*, 7 April 1993.

Board's fixed costs of $50 per tonne over the last few years'.[82] The Minister set the permit fee at $16. The Board continued to resist the permit system and refused to plan for its implementation.

Some growers set up a Maize Industry Reform Group which agitated for immediate introduction of the permit system.[83] This group was supported by elements within the pork, poultry, and dairy industries which could see the financial benefits of bypassing the Board. As John Phillips, proprietor of Joalma Poultry Farm pointed out, ' The Atherton Tableland Maize Marketing Board has had an advantage by control of processing of grain into feed. This discriminated against people wishing to mix their own feed.'[84] Feelings became so heated that the Member for Tablelands, Tom Gilmore, asked the Premier and Minister to intervene and to clarify the proposed system of permits. Gilmore pointed out that the middle of a harvest was not the time to introduce a new system which would advantage some growers at the expense of others.[85] The Chairman of the Board, Ed Kochi, stated that 100 of the 120 growers had already delivered their crop to the Board, so the new system would apply to only twenty growers at that stage.[86] Those growers who obtained permits would be placed in a position of considerable advantage over the others, a situation which the pool system had been designed to prevent. He challenged the Minister to conduct a referendum among the growers for the introduction of the permit system and claimed that '...only twenty growers producing less than 10% of the crop support the permits...support comes from a small group of end users..."[87]

Both the Premier and the Minister declined to intervene or to delay the introduction of the permit system, but Bill Kidston, the Director of Marketing in the Department of Primary Industries, was dispatched to investigate the causes of the furore.[88] At a meeting of growers chaired by Kidston, the rights of growers to sell their grain versus the benefits of the compulsory pooling system were vigorously debated, with angry words and

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[82] *Tableland Advertiser*, 21 July 1993.

[83] *Ibid.,* 12 May 1993.

[84] *Ibid.,* 23 June, 1993.

[85] *Cairns Post*, 24 June 1993.

[86] *Ibid.,* 25 June 1993.

[87] *Tablelands Advertiser,* 30 June 1993.

[88] *Ibid.,* 12 May 1993.

recriminations coming from both sides.[89] The Minister declared himself '...fed up with [the Board's] procrastination and failure to move on the scheme which would allow producers to deliver direct to end users, helping them to lower their costs.'[90] He made a personal visit to the Board and issued a written directive under the Act to the Directors to draw up a plan to introduce permits and fees and to report to him within two days. This meeting became so heated that the Minister was threatened with violence, and had to be protected by members of his staff.[91]

The Board capitulated, and the permit system with a fee of $16 per tonne was implemented on 23 July 1993.[92] This action by the Minister fragmented the already wavering grower support for the Board's functions, and effectively paved the way for the dissolution of the Board. In September 1993, the Board asked the Minister to commence procedures to poll the growers on the winding up of the Board and replacing it with a Cooperative Association. Under the provisions of *The Primary Producers and Organisation and Marketing Act*, a poll of growers resulted in a participation rate of 75%, with 80% of them in favour of a cooperative.[93]

One of the indicators of growing disenchantment with the operations of the Board was the formation of a North Queensland Hybrid Maize Seed Growers Cooperative. For many years, the Board, in conjunction with Dr Ian Martin at the Kairi Research Station, had overseen the production of, and organised the sale and distribution of seed corn. The producers of seed maize were not satisfied with the Board's decision that the price of their product should be based on cost of production of about $37 per tonne, rather than market price determined by demand.[94] The growers formed a cooperative to bargain with the Board, and in 1993 withdrew their product from the control of the Board, and appointed a private firm to market it for them. [95] The price subsequently rose to $80 per twenty-five

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[89] *Tablelands Advertiser*, 19 May 1993.

[90] *Ibid.*, 21 July 1993.

[91] Personal communication with a farmer who did not wish to be identified. There is no newspaper confirmation of this incident, but it was mentioned confidentially in two other interviews.

[92] *Ibid.,* 28 July 1993.

[93] *Tablelands Advertiser,* 15 September 1993.

[94] Minutes of the ATMMB, 9 September 1982.

[95] *Tablelands Advertiser*, 17 November 1993.

kilogram pack. The growers continued to pay a levy on the sale of seed to support Dr Martin's plant breeding programme.[96]

In 1994, Casey introduced into Parliament the Primary Producers' Organisation and Marketing (Vesting of Property and Assumption of Liabilities---Atherton Tableland Maize Marketing Board) Regulation 1994. The assets and liabilities of the Atherton Tableland Maize Marketing Board were vested in the Athmaize Producers' Cooperative Association Limited on 1 March 1994. Thus came to an end seventy years of organised marketing of the Atherton Tableland maize industry which was the longest period for any maize producing area in Queensland. The Audit Report generated at that time for transfer of the assets and liabilities listed total current assets at $1 483 108, and the total current liabilities at $1 103 992, leaving a current balance of $379 116. Non-current assets (property, plant and equipment) amounted to $1 876 079, and non-current liabilities were $401 364. Of the current assets, only $400 was in cash. In other words, the Athmaize Producers' Cooperative Association had inherited significant real assets, albeit in a run-down state, but very little money to run the operating costs of the business. It had also lost the one asset for which all of the infrastructure had been designed, a guaranteed supply of raw material to transform into its manufactured product.

IMAGE REMOVED DUE TO COPYRIGHT RESTRICTIONS

Illustration 34: Modern on-farm storage silo for maize grain
Source: Gilmore family collection.

[96] *Tablelands Advertiser,* 17 November 1993.

The local entrepreneur who had established a feed mill in competition with the ATMMB sold his small business to an international stock feed company, Ridleys. Ridleys not only did not have the infrastructure costs of Athmaize, but also had capital and expertise to establish a very efficient and cost effective business very quickly. Athmaize was faced with a formidable competitor which was able to attract more than half of the farmers' production into its operation, eroding the supply of grain available to Athmaize.[97] By 1998, Athmaize was running at a loss of $283 913, with an accumulated loss of $347 934.[98] In a desperate attempt to save the company, the Directors agreed to purchase Ilimo Poultry Products Pty Ltd, Papua New Guinea. Two subsidiaries were formed: Peak Performance Feeds Pty Limited, Australia, and Geilston Limited, Papua New Guinea. Athmaize borrowed $4 352 560 to finance the purchase.[99]Tthe Manager of Athmaize appears to have convinced the Board of Directors that the only way the company could become viable was to increase its production through its existing infrastructure. In order to achieve this, Athmaize had to establish a guaranteed market for its products. Therefore, the opportunity to purchase an operating poultry farm with a need for a feed supply apart from the local market must have appeared fortuitous to the beleaguered directors. However, it is difficult to understand why, if due diligence into the proposal had been carried out, they would have over-looked two critical factors. These were the mass of grain which would optimise efficiency of the operation through the existing facilities; and a guarantee of repatriation of funds from the Papua New Guinea enterprise.

The venture had a very short life. The establishment of a sugar mill in the north west of the district, poor prices for maize, which varied between $125 and $140 per tonne,[100] and a growing willingness on the part of the farmers to diversify their operations, encouraged many of them to switch their maize production to sugar cane. Production dwindled from

[97] Interview with the Manager of Ridleys, July 2002.

[98] Directors' Report of the Athmaize Producers' Cooperative Association Limited. Ian Allen Collection.

[99] C.E.Smith and Co, Cairns, Financial Statements of the Athmaize Producers' Cooperative Association Limited, June 1999. Ian Allen Collection.

[100] Bureau of Transport Economics, *Atherton Tablelands Regional Analysis,* Canberra, 2001, p. 42. The price had varied only marginally during the previous decade.

35 000 tonnes in 2000, to about 12 000 tonnes in 2001.[101] Therefore, in order to encourage increased production of grain, Athmaize would have had to offer farmers a premium price, adding to its costs. This, along with difficulties of extracting payment from the PNG subsidiary, led to Athmaize going into liquidation in 2002. Its operations had not been viable prior to the Ilimo debacle, and with the addition of a $4.5m debt, was not sustainable. The Directors begged in vain for the Commonwealth Government to come to its assistance, but the Government was not willing to commit tax-payers' money to an enterprise which had failed because of doubtful management decisions.

A cynic might suggest that the demise of a small, inefficient operation in the electorate of an independent member (Mr Katter), was not of sufficient electoral advantage to bail the company out, particularly as the farmers had viable alternatives to which to sell their crops.[102] It was believed that at least one farmer lost $150 000, and others lost up to $50 000 each through the company's inability to pay their debts.[103] Unsecured debts to farmers and other creditors amounted to $2.5m.[104] Threats of legal action against the Directors were rife, and friendships of long standing were severed.[105] This has left a legacy of bitterness and mistrust in the district which has resulted in a pall of silence[106] about the misadventures of the directors and management of Athmaize in their attempt to salvage a business which lacked the fundamental requirement of a predictable supply chain. Thus

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[101] This figure is based on the total value of the maize crop ($1 644 737) divided by a notional $140 per tonne.

[102] The author was present at a meeting in Mareeba in 2002 when the Chairman of Athmaize made an impassioned plea to the Deputy Prime Minister, John Anderson, for assistance. His pleas were rejected.

[103] Interviews with Farmers M1 and M2, September 2004.

[104] Tableland Research and Consultancy Services, *Summary of the Economic Status of the Atherton Shire,* Atherton Shire Council, August 2001, p.12.

[105] Personal communication with a farmer who did not wish to identified. Requests for interviews with directors of the board of Athmaize were met with blank refusals because of pending legal actions.

[106] Based on the opinion of some industry figures, the refusal of the Board of Tableland Stockfeed Specialists to allow the author access to the records of the Atherton Tableland Maize Marketing Board may have been based on the belief that the author was conducting research on behalf of the farmers who were threatening legal action against the Directors of the Board of Athmaize.

came to an end seventy-five years of an enterprise which was always teetering on the edge of viability, and which could not be sustained after the prop of monopoly conditions, enabled by legislated compulsory acquisition, was removed.

The Consequences

A group of twelve farmers, realising the need for additional storage for their crops if Athmaize closed its doors, approached the liquidators, KPMG, and offered to buy the Kairi storage silos. The liquidators offered to sell the whole business to the group for a reputed price of $800 000.[107] The group, trading as Tableland Stockfeed Specialists, took over the business of Athmaize in 2002. However, they were unable to convince other farmers to contract their crops to them, and the company entered into a joint venture with their rival, Ridleys, in 2004. The maize industry had come full circle, with one company in a monopoly position to offer for the crops. However, that situation was current for a very short time. A milling and mixing business took over defunct rice storage facilities in Mareeba, a stock feed business was established in Mt Garnet to supply grazing enterprises in the Gulf, and a feed lot venture west of Mareeba began offering contracts of $210-$215 per tonne for maize. Therefore, the farmers now have four parties competing for their product. The maize industry is in the strongest position of its 109 years of existence. However, the cost, in terms of generations of farmers living in poverty, land degradation, financial losses, and hard work, has been enormous.

How the Farmers Coped

The coping mechanisms of farmers in the maize industry stand in stark contrast to those of farmers in the tobacco industry. (See Chapter Eight). They adjusted their farming and business practices to meet the challenge of every change thrown at them over many years. In this, they were supported and guided by the officers of the Department of Primary

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[107] This price is open to dispute. Inquiries by the author met with a blank refusal by any of the parties, KPMG or the buyers of the business, to disclose the price. The figure of $800 000 was suggested in the course of an interview with the Mayor of Atherton Shire, Jim Chapman in 2002. Neil Sing, the last Government representative on the Board of ATMMB suggested that it was a much lower figure. In either case, it is certain that the buyers took over facilities, valued by the Government Auditor in 1994, of $1, 863, 079.

Industries. The implementation of the findings of the Atherton Tableland Investigation Committee of 1963 were pivotal to the successful change process and the management of the farms. It is indicative of the attitudes of the farmers that only two of the ten approached to be interviewed for this study considered that their stories were important enough for them to devote two hours away from their businesses to have them recorded.[108] As one (M1) explained, '... change and challenge are part of farming. We just got on with it.'[109]

The gradual consolidation of land holdings allowed farmers to diversify their crop production, and to introduce an optimum rotation regime which not only had benefits for the soil, but spread the risks associated with monocultural cropping.[110] The plant breeding programme carried out by Dr Martin at the Kairi Research Station gave farmers access to varieties of maize which were resistant to the multitude of diseases which had previously plagued the industry. Martin also bred varieties which produced maximum yield in the Tableland conditions.[111] The research work on weed control and fertiliser regimes also led to more economical use of resources, and therefore (in theory) greater profit margins. The work of the Soil Conservation Branch of the Department changed and enhanced land management practices. Soil no longer went down the Barron River every wet season, and contour banks ensured that water use was optimally effective. The research on pasture rotations by John Kilpatrick, when implemented on the farms, added to both soil fertility and conservation.[112] Without this assistance, the maize industry would not have been viable beyond the mid 1960s.

The farmers today do not rely solely on maize for the greater proportion of their incomes, but grow it in rotation with peanuts, potatoes, grass seeds, hay, and some animal production. Some farmers have also invested in additional land in the drier, northern and

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[108] It could also be construed that the farmers did not wish to revisit the trauma of the Athmaize collapse.

[109] Interview with Farmer M1, September 2004. His family has been farming in the district for 90 years.

[110] Interviews with Farmers M1 and M2, September 2004.

[111] Interview with Dr Ian Martin, Kairi Research Station, September 2004.

[112] Interview with John Kilpatrick, formery of the Kairi and Walkamin Research Stations, September 2004.

western parts of the Tableland, and so are able to grow two crops per year which allows more optimal use of maize specific infrastructure and machinery. Competition for their product has allowed them to contract to the highest bidder and to work their businesses on a financial return per acre basis.[113] Observation would indicate that most of the farms are prosperous. Houses are substantial, machinery is well maintained and current, weeds and rubbish are minimal, and crops are well-tended. All of the farms are family enterprises, and many of them involve at least two generations.[114] Values for farms in the 'Golden Triangle', the farmland within the area bounded by Atherton, Tolga and Kairi, have reached $15 000 per acre,[115] compared with $5000-$6 250 in 1980.[116] The total value of the maize crop rose from $2m in 1980,[117] to $4.5m. in 2000.[118] Gross value of maize, peanuts and potatoes rose from $11m. in 1980,[119] to $22.9m. in 2000.[120] By 2003, 6000ha of maize produced 42 000 tonnes of grain, worth $6.2m., or $1120 per hectare.[121] Although that equates to $160 per tonne, the increased yield of 7 tonnes per hectare and the absence of handling charges make the crop much more attractive to grow. By any measure, the farmers coped with myriad changes of the post-war era well, and used each one to make their businesses more efficient and cost effective. The cropping areas of the Tableland are now more productive and land use is more sustainable than at any time in their histories.

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[113] Personal communication with Mary-Anne Salvetti, the Business Manager of a family-owned farming company. Mrs Salvetti said that unless a contract for a crop will yield a return of $1000 per acre, no contract is written, and the crop is not planted. December 2003.

[114] Interviews with Farmers M1 and M2, September 2004.

[115] *Ibid.*

[116] J.R. Hardman, *Primary Industries,* p. 31.

[117] *Ibid.*, p. 6.

[118] Bureau of Transport Economics, *Atherton Tablelands Regional Analysis*, 2001, p. 42.

[119] Hardman, *Primary Industries*, p..6.

[120] Transport Economics, *Atherton Tablelands*, p. 42.

[121] C.DeFaveri and P. Tonello, *An Agricultural Profile of the Cairns Highlands 2004,* Department of Primary Industries, Mareeba Centre for Tropical Agriculture, 2004.

Economic and Social Effects on the Atherton Shire

Apart from losses incurred by individual farmers and businesses because of the Athmaize debacle, the direct effects of deregulation *per se* are difficult to quantify in the Shire. Crop diversification provided a margin of safety for the farmers who turned to alternatives such as winter wheat and lupins as well as other crops referred to earlier.[122] Although the value of the maize crop declined 44.5% post deregulation in the period 1996 to 2001, the value of all other crops increased 51.2%.[123] Employment in agriculture, forestry, fishing and mining declined by 2% in the same period.[124]

During the period 1996 to 2001, the Shire did experience an economic down-turn. Banks reported that lending for start up enterprises reached an extraordinarily low level indicating stagnation and uncertainty. Main street traders experienced a decrease of 50% in full time permanent positions, and 100% increase in casual part time positions. Ten retail outlets ceased trading. Two manufacturing businesses also closed down. The official unemployment rate rose to 11%, when the trend in the rest of Australia was falling.[125]There was a 50% fall in housing approvals, and a 20% drop in approvals for commercial buildings within the Shire. Three local builders ceased to operate. Registrations for new motor vehicles dropped 30% from 1996 to 2001, and one vehicle trader closed his doors. The only wholesale nursery in the Shire down-sized its operations and reduced its workforce by twenty full time positions. The tourist industry experienced falling occupancy rates with fewer than 40% of the available beds being utilised.[126]

Although a part of the economic down turn in the Atherton Shire could be attributed to the losses incurred by Athmaize, other factors were also at work. The fundamental structural weakness in the economy was its over reliance on agriculture and under-representation of the service, tourism, and manufacturing sectors. This made the economy vulnerable to any

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[122] Interview with Farmer M1, September 2004.

[123] Office of the Atherton Tableland Social and Community Planner*, Atherton Tableland Community Profiles,* Tableland Economic Development Corporation, Mareeba, 2004, p. 87.

[124] *Ibid.,* pp. 24 and 39.

[125] Bureau of Transport Economics, *Regional Analysis,* p. 31.

[126] Tableland Research and Consultancy Services*, Summary of the Economic Status of the Atherton Shire*, Atherton Shire Council, August 2001, pp. 8-12.

down turns in the agricultural sector. During the period immediately following deregulation of the maize industry, commodity prices in general fell 9%, whilst farmers reported that inputs rose steeply.[127] In 2000 the dairy industry was deregulated, and although that industry is not large in the Shire, two of the biggest dairy farms on the Tablelands were located in the Atherton Shire. Both reduced production by 66%. At the same time, problems of disease and low world prices were affecting the sugar industry. Farmers were faced with steep rises in prices of fertilizer and chemicals for use in the potato industry. The market for hay was reduced by low cattle prices, and the price to farmers for peanuts remained static, although costs continued to rise.[128]

However, between 2001 and 2004, there appeared to be an upswing in the economy. Building approvals increased from 286 to 301,[129] a major retail chain began building a store in the town, and the price of farming land has increased dramatically. The median price of housing increased by 25%.[130] Unemployment rates fell from 11% to 8%, and the population has increased by 1.45%.[131] The production of maize has risen to 42 000 tonnes in 2003, worth $6.72m. The total income from maize, hay, peanuts and potatoes was $39.12m,[132] an increase of over 50% since 2001.[133] Therefore, it could not be demonstrated that the deregulation of the maize industry, in itself, was responsible for the economic woes of the Atherton Shire between the years 1996 and 2000. Deregulation was only part of a pattern which had caused a slow decline of the district economy over a number of years.

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[127] *Ibid.,* p. 13.

[128] *Ibid.*

[129] Statistics were provided by Atherton Shire Council.

[130] Statictics provided by Kevin Ramke, L.J.Hooker, Atherton, September 2004.

[131] *Atherton Tableland Community Profiles*, 2001, and 2003.

[132] C. DeFaveri and P. Tonello, *An Agricultural Profile of Cairns Highlands, 2004*.

[133] *Atherton Tableland Community Profiles,* 2003, p. 87.

IMAGE REMOVED DUE TO COPYRIGHT RESTRICTIONS

Illustration 35: The Tolga Maize Silos, July 2005.

The silos were demolished to make way for more efficient processing facilities in the same month.

Source: Gilmore family collection.

Conclusion

Regulation of the maize industry in 1924 provided the stability that allowed the maize industry to exist. Legislation removed from individual farmers the difficulties associated with direct marketing of their crops, at a time when they were becoming established, and when the physical effort required to bring a crop to the stage of harvest was at its most taxing. However, the farmers were working very much in a supply economy in which they produced their crops in the hope that they would be able to sell them. In years of over supply of the local market they were forced to rely on merchants' offers for exporting the grain either to the south or to off-shore markets. The southern market was usually supplied by farmers from the Burnett district who were able to produce better quality maize more cheaply. Export maize was subject to world prices with bench-marks set by cheap labour countries such as South Africa, and later Argentina. Therefore, grain surplus to local requirements was sold at prices which, to ensure viability of the industry, had to be subsidised by the local market. This was clearly not sustainable from the point of view of the local consumers. Thus, local prices had to be maintained at a level which equalled the southern prices plus the cost of freight from the south to the north. Given the higher costs of production on the Tableland which had to import all inputs other than labour, it is clear that the Tableland was at a disadvantage from the start.

Although regulation assisted in the viability and growth of the industry, the pooling system did benefit certain sections of the industry at the expense of others. These two factors combined to generate resistance to statutory marketing incorporating the powers of compulsory acquisition of a commodity. Although the farmers, through their representatives on the Atherton Tablelands Maize Marketing Board, did make preparations for the demise of those powers, it was generally recognised that the facilities built up over seventy years required extensive maintenance and a critical mass of throughput. The deregulation of the maize industry occurred at the time when the need for regulation had diminished and become anachronistic. This was obvious to those whose economic thinking had embraced the concept of the benefits to the farmers of being able to sell their crops directly to consumers. However certain members of the Board and farmers, who rejected the notion of taking direct responsibility for marketing, never appear to have addressed the question of who or what was being protected by the powers of compulsory acquisition and pooling. By the mid-1990s, the beneficiary of regulation was not the growing industry, but Athmaize which enjoyed monopolistic conditions. The Board had become the 'middleman' which was the entity the original legislation had been designed to eliminate. After seventy years of constant adjustment to change, the farmers were in a position to take advantage of freedom to run their own affairs. When the growers' organisation lost the power of compulsory acquisition, it was not able to attract the necessary throughput, and the enterprise failed.

It took ten years of adjustment for the maize industry to reach a stage of equilibrium and the effects were compounded by adjustments taking place in other agricultural industries at the same time. Although the One Nation Member for Tablelands asserted that deregulation alone caused the decline in maize production,[134] this was a simplistic and erroneous assessment, and failed to take into account the business acumen of the farmers who adjusted their production levels to demand rather than supply. By the end of this study it was evident that the period of adjustment had come to an end, and that the industry was viable, not as a stand alone industry, but as part of integrated farming practices, supplying local demand. The maize industry of the Atherton Tablelands had come full circle to its beginnings as supplying grain and fodder to local livestock.

Regulation had assisted the industry to establish itself, and deregulation had allowed adjustment to market forces at a time when the farmers had enough resources, experience and skills to operate their businesses as individuals. Although the process of deregulation was traumatic, and its aftermath created antagonisms and divisions in the community which will probably take at least a generation to heal, deregulation itself has allowed the farmers autonomy in the growing and marketing of maize, and has forced the end users into a position where they have to compete for the product. It certainly has not been the end of the industry as has occurred with tobacco. In fact, it is stronger than at any time in its history, and will remain so provided that there is competition in the market place.

[134] *Queensland Hansard,* Rosa Lee Long, First Speech, 2 May 2001.

Chapter Eight: The Dairy Industry 1960 – 2004

Case Study Two (continued)

Introduction

The dairy industry of the Atherton Tablelands ended its period of development and establishment in perhaps the strongest position of any dairying region in Australia. While it was quietly getting on with its business of consolidating both its production of milk and processing of dairy products, the national industry was facing radical changes. The movement towards removal of support for agriculture was gathering strength, and at the same time, the principal market for export products, Britain, was contemplating a move away from Empire, and towards Europe. Competition from margarine, and clever advertising campaigns warning of the threat to health from eating butter were eroding the market for butter and cheese. In 1961, responsibility for setting the price of market milk in Queensland was moved from the Prices Commissioner to the Queensland Milk Board. The Board calculated the price of milk on regular surveys of the cost of production, which involved the farmers' representatives in endless rounds of negotiations and provision of statistics which slowed any price rises.[1] In the southern parts of Queensland, competition for the lucrative milk trade in Brisbane resulted in the imposition of quotas for the supply of milk, but again, isolation protected the Tableland industry from this move.[2]

The foresight of the Directors of the Atherton Tablelands Dairy Cooperative had enabled it to establish itself as a virtual monopoly, supplying North Queensland and some of the Northern Territory with whole milk, and an increasing number of value-added products. Protection from competition and the policies of the Queensland Government in allocating quotas to specific factories supplying specific regions cemented the monopoly. However, the "long boom" in Australia was about to end, and Tableland dairy farmers were forced to continue to change their methods of production, and to ensure that the factories were optimally efficient, in order to ensure their survival. The challenges came thick and fast

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[1] Todd, *More than Milk,* p. 68.

[2] Interview with John Reynolds, former Board member and Chair of ATDC Ltd., May 2005.

from the 1960s, and it is to the credit of the sticking power of the farmers that some of them were able to prevail until the end of the 1990s.

However, the greatest challenge of all came with the complete deregulation of the industry in 2000, and the farmers were confronted with the market power of the three grocery chains. Although they had positioned the industry to cushion the effects as best they could, geographic isolation was removed as a protecting factor, and monopolisation of a specific market was no longer an option. Competition from more efficient and cost effective producers in Victoria became a reality, and the death of the industry became a distinct possibility. The factors which protected farmers for so long, and which had allowed them to develop and maintain the only tropical dairy industry in the southern hemisphere were taken away. By 2005, fewer than 100 farmers remained, and they were looking to diversify their production into beef fattening and other animal production systems. When it was all over, the visions of the thousands of people who had worked to establish their livelihoods became the forlorn hopes and ashen dreams of the few who were left.

The literature dealing with the process and effects of deregulation on the dairy industry in Australia is not large, but the issue has attracted the attention of academics from all over Australia. There is a growing body of academic work appearing in relation to the international process of deregulation of dairy industries.[3] Anne Statham's definitive history of the Atherton Tablelands industry remains to date the most comprehensive work dealing with the Tablelands to 1996, but her work does not include the process or the aftermath of deregulation.[4]

The Beginnings of Change: 1960-1979

The decade of the 1960s presented new challenges and opportunities to the Queensland and Tablelands dairy industries. The number of farmers in Queensland had fallen from 20 000 in 1952 to 13 700 in 1966, and the number of dairy cattle had declined

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[3] Katherine Ruth Baylis, Agricultural Trade and Trade Barriers: One Part Milk, Two Parts Tomatoes, Ph.D. Thesis, University of California, Berkeley, 2003. Baylis studied the deregulation of the Canadian dairy industry.

[4] Statham, *Cows in the Vine Scrub.*

20%.[5]However, during the twenty years from 1946 to 1966, production had increased 31%.[6] On the Tablelands, production increased by 36%,[7] and the number of suppliers dropped by 25%.[8] During the period 1952-1962 a bounty was paid on butter and cheese, but not on processed milk products. It was reintroduced in 1962.[9] The industry was undergoing a period of rationalisation with farmers leaving the industry, and the ones who remained increasing production. In spite of this there was wide-spread poverty in the dairying industry, with the cost of production increasing to 66d. per pound and total returns falling to 46d. per pound for butter fat. The economic survey of the Australian industry for 1961-1964 showed that on the Atherton Tablelands, 58% of farmers had an annual income of less that $1 000, and only 11% had an income in excess of $5 000. Average net farm income was $1 407.[10] According to the submission presented to the Queensland Government by the Queensland State Dairymen's Council in 1965, there had been an increase of 34% in costs, and a decrease of 25% in returns, compared with a rise of the basic wage of 47.4% since 1953.[11] The Report of the State Dairy Advisory Committee found that farmers supplying factories with milk for whole milk and butter (as the Malanda and Millaa Millaa Associations), had a mean gross income of ₤1584 in 1962-1963, compared with those supplying cream only whose mean gross income was ₤1319, and those supplying for the whole milk trade only, of ₤3045.[12] In that year, the minimum adult male wage rate was ₤935 per annum and for butter makers in dairy factories, ₤1002.[13] The Committee identified Queensland's poor production record in comparison with the other

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[5] QSA, SRS1043 Item 3088 Box 1018, Letter from Premier Nicklin to the Prime Minister, 20 April 1966.

[6] Queensland Statistician, *Queensland Year Books,* 1948, 1959, and 1965.

[7] *Ibid.*

[8] Statham, *Cows in the Vine Scrub,* pp. 323-4.

[9] *CPD (H of R)*, D. Anthony, Questions on Notice, Vol. 63, 20 May 1969, p. 2011-12.

[10] R.W. Cumming, *The Australian Dairy Industry, an Economic Survey 1961-62 to 1963-64*, Bureau of Agricultural Economics, Canberra, ACT, December 1966, p. 108.

[11] QSA, SRS 1043 Item 3088 Box 1018, Submission from the Queensland State Dairymen's Council, 31 March 1966, re: the serious position of dairy farming in Queensland.

[12] Report of the State Dairy Advisory Committee, *The Queensland Dairyfarmer*, 28 May 1966.

[13] *Queensland Year Book*, No. 26, 1965, Commonwealth Bureau of Census and Statistics, Queensland Office, p. 386.

milk-producing States as being directly related to the neglect of pasture improvement and disease research and control.[14]

The position of dairy farmers in Queensland was parlous, but the Tablelands farmers were in a slightly better position. The Daintree district north of Cairns ceased production in 1961, leaving the Tablelands as the only dairying region north of Mackay.[15] The establishment of a large Army base in Townsville and natural growth of the North Queensland population increased the demand for milk, and put more pressure on Tablelands farmers to increase supply. The Cooperatives responded by concentrating processing at Malanda, and converting the Millaa Millaa factory to cheese production at a cost of $26 363.32.[16] The first batches of cottage and cheddar cheese were produced in 1965, and butter production ceased.[17] To the surprise of everyone concerned, the cheese was of superb quality, and by 1968 Millaa Millaa cheese was being exported. However, the Directors, canny men that they were, were cautious of the export trade, and concentrated their efforts on providing cheese for the domestic market.[18] In 1966 the Malanda factory diversified into the production of powdered milk which had become more viable with the Commonwealth subsidy on processed milk products.[19]

Transport too became more efficient with the introduction of tankers to pick up milk, and instead of twice daily pick-ups, refrigerated vats were installed on farms so pick-ups could be rationalised. Efficiencies in production had to be achieved if the supply of milk was to meet the growing demand. By the end of 1965, the Tablelands dairy farms were supplying 9.332m gallons of fresh milk to North Queensland consumers, and the Department of Primary Industries was urging farmers to increase production.[20] In 1966 the Queensland Government, in response to the State Dairy Advisory Committee's report, and concerned that the limited areas suitable for dairying on the Tablelands would not be able to meet

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[14] Report of the State Dairy Advisory Committee, *The Queenland Dairyfarmer,* 28 May 1966.

[15] EHS, D232, I.M. Roberts, *North Queensland Market Survey, Dairy Products North Queensland Zone,* Department of Primary Industries, Marketing Services Branch, February 1967, Table 5.

[16] Annual Report of the MMCTBCA Ltd., 1966.

[17] *Ibid.*

[18] Stewart, 'History of the Dairy Industry', p. 3.

[19] *CPD (H of R),* W. McMahon, Dairy Subsidy Statistics, Vol. 63, 20 May 1969, p. 2012.

[20] I.M. Roberts, *North Queensland Market Survey, Dairy Products*, 1967.

demand, introduced the Pasture Improvement Scheme. This included for the first time subsidies for planting new pasture varieties developed by officers of the Department of Primary Industries. In the decade 1959-1969, production increased dramatically, (See Fig. 19) in spite of a steady reduction in the number of farms. (See Fig. 18).

Decline in the Number of Dairy Farmers 1959-1969

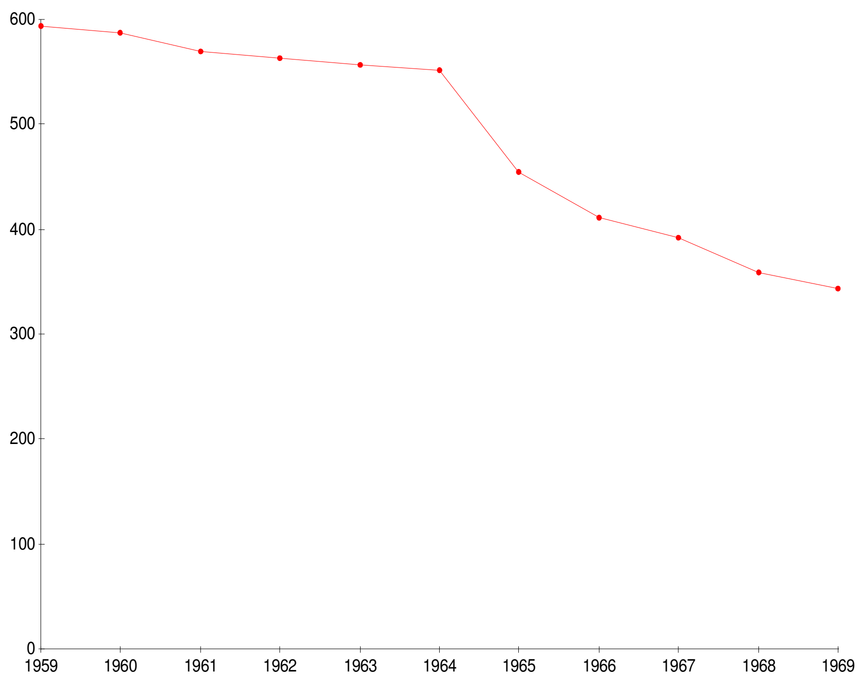

Fig. 18: Decline in the number of dairy farms 1959-1969.
Source: Statham, *Cows in the Vine Scrub*, pp. 322

Milk Production 1959- 1969

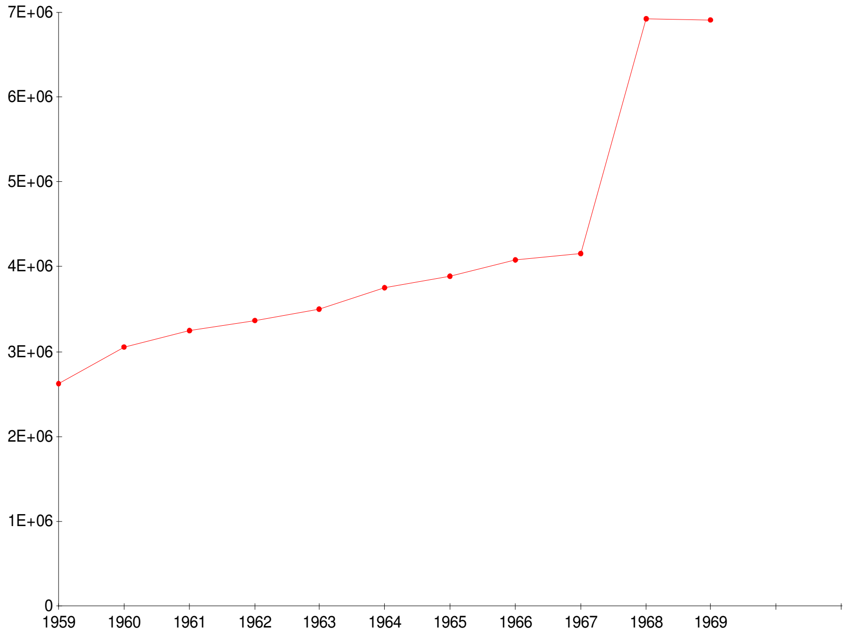

Fig. 19: Milk production (millions of gallons) 1959-1969.
Source: ATCDA, Table of Production 1974.

The Australian dairy industry at that time was experiencing competition from New Zealand produce brought in through the Free Trade Agreement negotiated in 1965.[21] Although it was recognised by the Commonwealth Government that certain sections of the Australian dairy industry would be unable to compete with the cheaper New Zealand products, the FTA was seen as providing an impetus for farmers to switch production from dairy to beef production in the more marginal areas.[22] This flew in the face of common sense, as even the most urban Member of the House of Representatives should have known that beef cattle production is a broad acre enterprise and that the size of dairy farms generally was less than 300 acres. Deterioration in the world prices for dairy products as well as devaluation of the Australian currency was also adding to the difficulties of the national industry.[23] However, the Commonwealth Government was coming under increasing

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[21] *CPD (H of R),* Mr Hanson, Debate on the *Appropriations Bill,* Vol. 48, 20 October 1965, p. 2019.

[22] *CPD (H of R)*, W. Wentworth, Debate on the New Zealand-Australia Free Trade Agreement, Vols. 50-51, 15 March 1966, pp. 211-12.

[23] *Ibid.,* 24 August 1968.

pressure from within its own ranks to reduce the subsidies to dairy farmers, and to restructure the industry to allow inefficient farmers to exit.[24] It attempted to alleviate the plight of the dairy farmers by allocating a package of $12m as compensation for the effects of the devaluation, and a reconstruction scheme to allow to farmers to leave the industry. It extended the bounty on butter and cheese products to 1972, but at a rate of $27m per annum instead of £40m previously allocated[25]

However, because of the Queensland franchise system which allocated areas to be supplied by certain factories, and its relative isolation from other producing areas, the Tablelands had maintained its status as a monopoly supplier of fresh milk, butter and cheese to a large area, and so did not suffer the extent of the competition faced by other dairying districts.[26] On the Tablelands, older farmers, and those not willing to invest in technology and science to make their operations optimally efficient, were leaving the industry without assistance, and other farmers were buying the farms to amalgamate with their operations. The Tablelands industry, cushioned by climate from the worst effects of drought, increasing production through amalgamations, improved pastures and fertiliser regimes, and successfully diversifying its value-added manufacturing, had established itself as among the most productive and stable dairy areas in Australia. Local initiatives assisted to stabilise the milk supply to the factories. This was done by registering farms as 'market milk supply dairies' with the factory, which denied entry into the industry by start-up farmers.[27] The Tablelands industry was also one of the least dependent on export subsidies and bounties, although increased production had led to the export of 77% of cheese production from the Millaa Millaa factory.[28] The Tablelands farmers were far ahead of the rest of the industry in Queensland. In 1972, the Queensland Dairymen's Organisation successfully petitioned the Queensland Government for assistance to impose a quota system on all dairy production, which would effectively close the industry to newcomers, and to assist with the switch to bulk milk collection.[29] Both of these had been already been achieved on the Tablelands.

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[24] *CPD (H of R)*, Mr Hanson, Debate on the *Appropriations Bill*, Vol. 48, 20 October 1965, p. 2020.

[25] *Cairns Post,* 11 April 1967.

[26] *Ibid.,* 26 July 1968.

[27] Statham, *Cows in the Vine Scrub,* p. 279.

[28] Annual Report of Millaa Millaa Cooperative Dairy Association Ltd., 1968.

[29] QSA, SRS 31/1, Queensland Dairymen's Organisation Petition, 1969.

The 1970s were particularly difficult for farmers in general, and dairy farmers in particular. World butter production had increased to the point of over-supply, and Australia was faced with an export surplus of 5 000 tons. The Federal Minister for Primary Industry, Doug Anthony, warned the industry that the government could no longer sustain a bounty of 34c per pound at a cost of $20m per annum if the industry persisted in expanding production.[30] In order to decrease production the government introduced the *Dairy Reconstruction Bill* which provided $25m to enable farmers producing less that 12 000 pounds of butter per annum to sell their properties at current valuation to the State government, which would then manage re-sale to allow amalgamation with neighbouring properties, with adjustments made for redundant buildings and plant.[31] The Queensland share of this money was $1 000 000, with the definition of 'marginal' increased to those farmers producing less than 13 600 pounds of butter per annum.[32]

On the Tablelands the scheme had very little effect, with the number of suppliers dropping by two from 1970 to 1974.[33] It is probable that those were two of the three farms producing cream only in 1971, after which all farms were required to send their milk in bulk to the factory.[34] The gross income of the majority of Tablelands dairy farmers was in excess of $10 000, with 20% of farmers receiving an income in excess of $20 000,[35] when the average minimum adult male wage rate was $3404 per annum.[36] Contrary to trends elsewhere in Australia, the Tablelands industry was enjoying a period of prosperity thanks to the advances in production by the farmers, efficiencies in transportation and manufacturing, diversification of factory production, its geographic position, and its "closed industry" status.

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[30] *Cairns Post*, 15 April 1970.

[31] *Ibid.,* 14 May 1970.

[32] QSA, SRS31 Item 1827 Box 93, Marginal Dairy Farms Reconstruction Scheme, 1971..

[33] Statham, *Cows in the Vine Scrub*, pp. 324-5.

[34] QSA File SRS31/1, Queensland Dairymens' Application to Queensland Government for Assistance , 21 July 1972.

[35] *Ibid.*

[36] *Queensland Year Book*, No. 37, 1977, Australian Bureau of Statistics, Queensland Office, p. 448.

However, in 1972-3 two events had a profound effect on the industry Australia-wide. Britain joined the European Common Market, and the Whitlam Labor government was elected. Although exports of Queensland butter and cheese to Britain had been falling for a number of years,[37] trade agreements with alternative markets had yet to be negotiated, and the export industry was feeling increasingly nervous. A request from the State Council of the Queensland Dairymen's Organisation to the new Federal Government for an increase in returns to farmers, as had been promised in the election campaign, was rejected by Prime Minister Whitlam. Instead, the Government gave notice that assistance to butter and cheese producers would be reduced by 6% in the first instance.[38] At the same time, the margarine quota was raised[39] and dairy producers were told that they had to become self-sufficient after a review of subsidies.[40] Following the fall in the value of the American dollar, the Australian dollar was revalued upwards, which had a serious effect on the incomes of exporters of dairy produce.[41] Inflation surged to 13% per annum,[42] wages increased 87.4%, and unemployment in Queensland reached 10.7%.[43] The Government cut tariffs by 25% across the board in an attempt to curb inflation,[44] but instead exacerbated unemployment, particularly in the clothing, textiles and footwear sector of the economy.

The Government then announced that all subsidies to the dairy industry would be phased out over two years, and that all dairy factories would be expected to comply with new standards of a code of practice which would require considerable adjustment to factory infrastructure.[45] An application for a rise in the price of butter and cheese was rejected.[46] The Commonwealth ended the Free Milk Scheme at the end of 1973.[47] It appeared that

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[37] *QPD*, Mr Bousen, Questions upon Notice, Vol. 259, 27 September 1972, p. 751.

[38] *Cairns Post*, 20 March 1973.

[39] *CPD (H of R)*, Mr McVeigh, Address in Reply, Vol. 82, 27 February 1973, p. 262.

[40] *Cairns Post*, 5 April 1973.

[41] *CPD (H of R),* Mr Adermann, Adjournment Debate, Vol. 83, 5 April 1973, p. 1209.

[42] *Cairns Post*, 18 July 1973.

[43] *Queensland Year Book*, 1977, pp. 433, 448

[44] *Cairns Post,* 17 July 1973.

[45] *Ibid.,* 30 July 1973.

[46] *Ibid.,* 9 August 1973.

[47] Annual Report of MMCDA Ltd., 1973.

the good times, which had never appeared in most of the Australian industry, were well and truly over. By 1974 the dairy industry was in such chaos that the Commonwealth Government was forced to introduce the *Dairy Adjustment Bill* which (again) provided for assistance for farmers to leave the industry. It also provided funds for the upgrades of factories not able to obtain finance from other sources.[48]

IMAGE REMOVED DUE TO COPYRIGHT RESTRICTIONS

Illustration 36: Free milk for school children.
Source: Statham, *Cows in the Vine Scrub*, p. 246.

The Tablelands industry once again adjusted to ameliorate the worst effects of these changes. The Malanda and Millaa Millaa Associations amalgamated in the middle of 1973, and cheese production at the Millaa Millaa factory was cut to allow increased whole milk sales to the Northern Territory. The farm-gate price dropped by 4.25% and farmer numbers continued to decline, (see Fig. 20) but milk production increased. (See Fig. 21). There was an overall decline in butter production whilst cheese production climbed steadily. (See Fig. 22). Farmers everywhere had to cope with interest rates which went as high as 22% on some loans, and escalating costs of fuel, labour, insurance, fertiliser and transport. For instance, in the two years 1973-1975, the cost of fuel rose by 70%, fertiliser

[48] *CPD (H of R)*, Dr Patterson, *Dairy Adjustment Bill*, Vol. 92, 20 November 1974, pp. 3775-6.

by 214%[49], and labour by 38%.[50] The Atherton Tablelands Cooperative Dairy Association Ltd. (ATCDA Ltd.), with no control over such production inputs, did the best it could for the farmers through its retail outlets and rebates to shareholders. Less profitable products such as casein, butter and butter-milk powder were limited in favour of more popular and profitable products such as yoghurt and table cream. The farmers were paid on a basis of 50% at whole milk prices, and 50% at butter-fat content prices.

In 1975, the Directors of the Malanda factory appointed Gordon Hitchcock as manager. Hitchcock had had long experience of Cooperatives in Victoria, and realized the importance of efficiency and diversification of production. Richard See was appointed as accountant, and together the team realigned the operations and financial arrangements under which the company had operated.[51] They found that the factory was run down and in need of modernization, and that the financial affairs of the cooperative were less than ideal. The Directors had not previously allowed sufficient funds for depreciation of assets, and when the cooperative had not had the cash to pay farmers, they had been paid in irredeemable loans. Hitchcock and See redeemed these loans, and issued farmers with shares in the cooperative company. This action played a vital part in negotiations for the later merger with Dairy Farmers.[52] Production was diversified and new products such as flavoured milk in small containers and thickened cream were introduced.[53] In 1977 "cargonisation" was installed in the Cairns Milk Depot. This system introduced mechanical movement of containers of milk from the depot to the vendors' vans, reducing operating time from hours to minutes. This was the first time in Australia that such technology had been used in the dairy industry.[54] The financial affairs were put on a more tenable basis and the cooperative was able not only to pay the farmers the highest price in Australia, but to issue bonus shares as well.[55] *The Dairy Adjustment Bill* allowed the cooperative to access funds at a favourable rate of interest to upgrade the facilities and to claim the

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[49] *CPD (H of R)*, Mr Fry, Governor-General's Speech, Vol. 98, 26 February 1976, p. 355.

[50] *Queensland Year Book*, 1977, p. 448.

[51] Interview with Gordon Hitchcock, Brisbane, June 2005.

[52] *Ibid*.

[53] Annual Report of MMCDA Ltd., 1973.

[54] Annual Report of the ATCDA Ltd., 1977.

[55] Interview with Gordon Hitchcock, Brisbane, June 2005.

interest on loans as tax deductions.[56] Processing was centralized in Malanda, and the facilities in Cairns, Mt Isa, Townsville and Millaa Millaa were closed, although cheese production at the latter was continued. In 1979 the Tablelands industry was worth $23m per annum, and employed 228 people apart from those employed on farms. Confirmation of the claim that the Tablelands was the most stable of dairying areas in Australia is that in the period 1960 to 1980 numbers of dairy farmers declined by 46% on the Tablelands,[57] but by 87% Queensland wide (see Fig. 20).[58]

Decline in the Number of Dairy Farmers 1970-1989

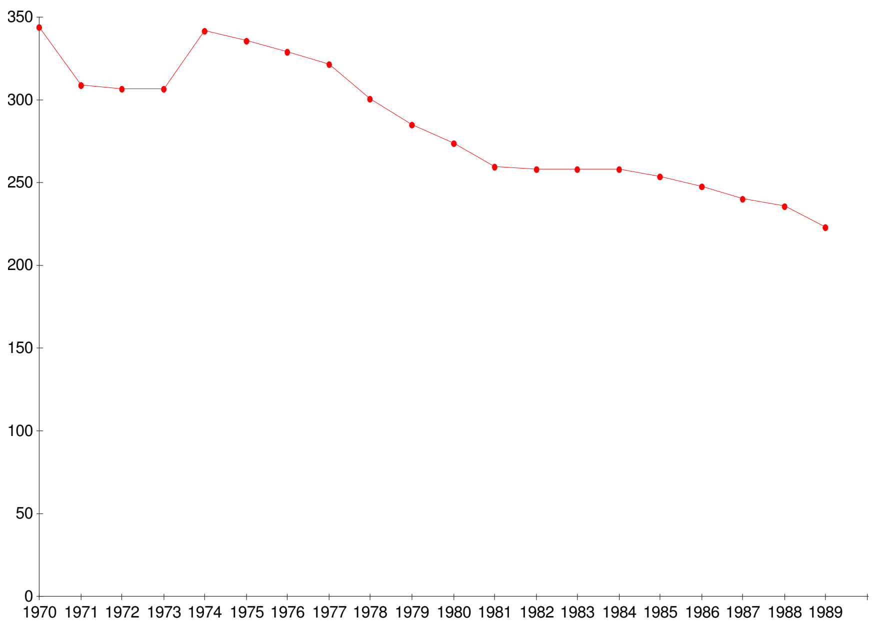

Fig. 20: Decline in the number of Tableland dairy farmers 1970-1989.
Source: Statham, *Cows in the Vine Scrub*, pp. 324-5.

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[56] *Ibid*.

[57] Statham, *Cows in the Vine Scrub,* p. 324-5.

[58] *QPD*, Mr D'Arcy, Questions upon Notice, Vol. 282, 20 August 1981, p. 98.

Milk Production 1970-1989

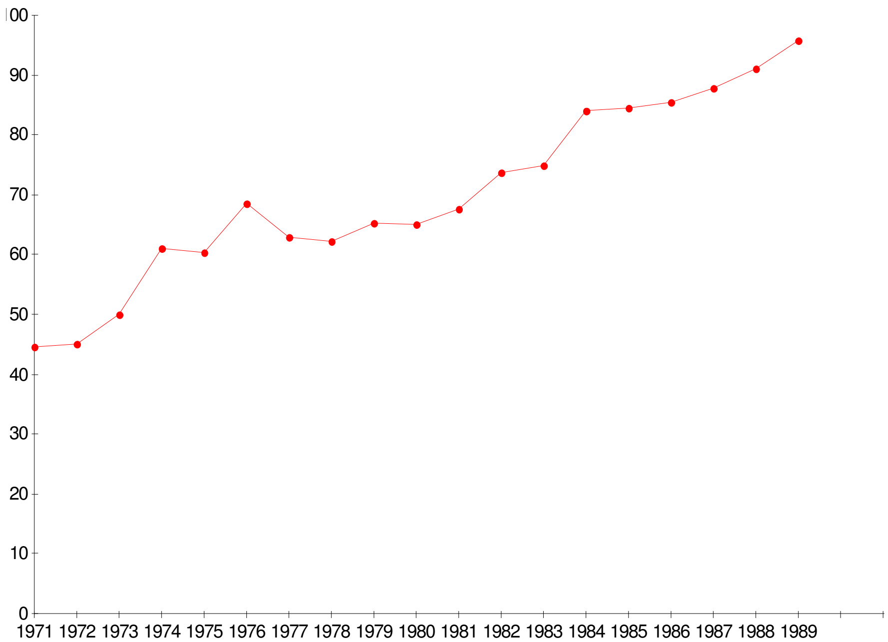

Fig. 21: Milk production 1970-1989, millions of litres.

Source: Adapted from Statham, *Cows in the Vine Scrub*, pp. 324-*5.*

Butter and Cheese Production 1974-1989

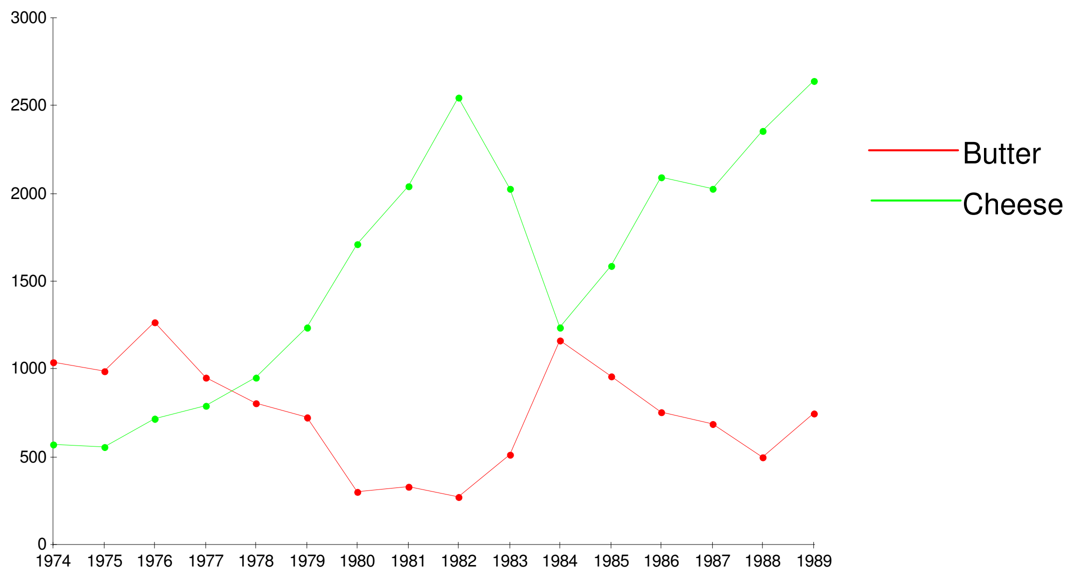

Fig. 22: Butter and cheese production, tonnes, 1974-1989.

Source: Adapted from Statham, *Cows in the Vine Scrub*, pp. 324-5.

Meanwhile, the Australian industry was going from one crisis to another. In 1975, the Bureau of Agricultural Economics estimated that the average farm income in 1976 would be $200 per week. This sum included wages, return on investment, and managerial expertise,[59] when the average minimum weekly adult male wage rate was $139.04.[60] The election of the conservative Fraser Government in 1975 had raised the hopes of the dairy farmers that the good times, such as they were, would return. In 1977 the Dairy Equalisation Scheme, which equalised payments for manufactured exports and whole milk payments, was terminated and a new scheme begun. This scheme provided for a compulsory levy which would provide manufacturers with equalised returns from domestic and export sales. The administration of the scheme was vested in the newly created Australian Dairy Corporation. The Government selectively underwrote manufactured products which were more in demand than others. For instance, underwriting of butter was limited to 96 000 tonnes, with pro rata payments for skim milk powder and casein according to imposed quotas, which were set at estimated demand levels. Production in excess of these levels did not receive the benefit of underwriting.[61]

This complex piece of legislation was designed primarily to subsidise the industry, and to attempt to guide it towards meeting demand, instead of continuing to produce goods in excess of market requirements. The necessity for such legislation was the result of many years of subsidies which only served to keep the farmers in a state of poverty because subsidies tended to encourage increased supply which reduced the market price of their products. It is worth quoting Ian Sinclair to illustrate how far the Country Party had come from its 'protection all round' philosophy of the McEwen era to a recognition that subsidies without production controls had led to the disastrous situation in which most of the national industry found itself:

> 'It is the prime responsibility of the industry itself to produce those kinds of dairy products that are in accord with market requirements and to market those products in a way that will stimulate consumption and maximise industry returns. The

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[59] *CPD (H of R), Ian* Sinclair, Questions without Notice*,* Vol. 104, 21 April 1977, p. 1990.

[60] *Queensland Year Book*, 1977, p. 448.

[61] *CPD (H of R),* Ian Sinclair, *Dairy Industry Stabilisation Amendment Bill*, Vol. 109, 6 June 1978, p. 3090.

> marketing arrangements which have operated for many years for manufactured dairy products have tended to operate against product innovation and the development of effective marketing techniques. The selective underwriting arrangements will place greater responsibility on the production decisions…'[62]

That statement should have sounded the warning bell that eventually the national industry would have to take action on its own behalf either to find more markets, or come up with a scheme to control production, or both, just as the Tablelands industry had managed to achieve.

By 1977, the British guaranteed market had disappeared with its entry into the Common Market, and the Australian dairy industry was faced with competition from New Zealand. When Pat Rowley, a dairy farmer from Dayboro in south-east Queensland, was elected President of the ADFF, he realised that the situation was unsustainable, and began a campaign to convince the farmers in all States to implement changes to the industry.[63] It was obvious that both nationally and in Queensland, the time for a large-scale shake-up of the dairy industry was fast approaching. For too many years the industry had been kept afloat on a tide of legislation designed to keep farmers producing for an export market that was fast disappearing, and for a domestic market in which supply exceeded demand, and which was being challenged by imports from New Zealand, and in the case of cheese, from Denmark and the European Economic Community.[64]

Real Rationalisation: the Kerin Plan

When the Hawke Labor Government was elected in 1983, John Kerin was appointed as Minister for Primary Industries. Kerin was that rarest of rare breeds, a successful farmer and an economist, who had struggled to establish his farm and had earned his qualifications by studying at night. He also had a profound sympathy for farmers, and understood the basic reasons for the difficulties they were facing. He recognised the stark

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[62] *CPD (H of R),* Ian Sinclair, *Dairy Industry Stabilisation Amendment Bill*, Vol. 109, 6 June 1978, p. 3092.

[63] Interview with Pat Rowley, Dayboro, June 2005.

reality of the situation in which a country with a relatively small population such as Australia did not have the resources to subsidise primary production to the extent of Europe or Japan. He also recognised the foolishness of setting an elevated domestic price for products in order to subsidise exports. Therefore, all farmers, and the government, were faced with the simple choice: primary producers had to become either internationally competitive without subsidies, or shrink to the point where only the domestic market was supplied.[65] Other economic imperatives such as the floating of the currency and deregulation of financial markets led to disadvantages for Australian exporters dealing on corrupted world commodity markets.[66] Agriculture in general, and the dairy industry in particular needed, and received, a massive restructuring.

The position of the Victorian farmers was particularly bad, because the drought of 1981-82 had left many close to bankruptcy, in spite of being the most efficient producers in Australia.[67] Victorian milk was used mainly for manufacturing, and therefore, the farmers' incomes were about half of those producing market milk. This led to increasing levels of agitation by the Victorian farmers who were looking at the lucrative Sydney milk market with speculative eyes.[68] In 1994, in contravention of the agreements in operation at that time, one supermarket chain in New South Wales rocked the industry by bringing in Victorian milk as a generic brand and selling it at less than the regulated price. A challenge

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[64] *CPD (H of R),* John Kerin, Questions without Notice, Vol. 131, 19 May 1983, p. 754. In 1982 imports of cheese from the EEC rose by 54%, and in the first six months of 1983, by a further 25%.

[65] The underlying assumption was that the Australian market would establish the domestic price. However, later calculations by the Productivity Commission used world parity pricing to establish the consumer transfer to Australian farmers.

[66] John Kerin, responses to written questions, November 2003.

[67] Victorian farmers have lower costs than other Australian farmers because of several factors. One is climate, which allows year round production among the three districts. Therefore each district is able to plan calf drops at specific times of the year to maintain milk supply. As a consequence, Victorian farmers produce milk for 10 months of the year. The rest of Australian dairy farmers plan for year round calf drops, and have to supplement feeding regimes by up to 15% in summer to maintain production 365 days of the year.

[68] *CPD (H of R)*, Mr Cunningham, Dairy industry Debate, Vol. 140, 26 March 1985, p. 903.

in the High Court affirmed the legality of the move, and the cracks in the foundations of the State- regulated milk market began to appear.[69]

In order to keep Victorian milk on its side of the border, Kerin proposed a scheme of equalisation based on the All Milk Levy (much like the Patterson Scheme of the 1920-30s) which would guarantee the producers of manufacturing milk the same price as those farmers producing market milk. The plan also included provision for a reduction of 1.3 billion litres of milk per annum, and a gradual reduction in the price of market milk to world price parity over six years. The Kerin Plan also allowed State marketing arrangements to remain intact.[70] This move was defeated in the Senate, and was also opposed by the States and the Australian Dairy Farmers' Federation (ADFF). However, the industry was under threat from New Zealand imports of Ultra Heat Treated (UHT) milk and cheese, production was declining, and exports shrinking.

Rowley worked on a modification of the plan which included changed marketing and research arrangements, and made funds available for market innovation and factory manager training. Implicit in the plan was the strategy to reduce support for uneconomic exports, and removal of export pooling arrangements so that manufacturers received actual returns on sales of their products.[71] The plan, introduced on 1 July 1986, worked for a time but was destined for failure because of pressures exerted on the economy by other initiatives of government.[72] The cost of this scheme to the Tableland farmers was enormous, and farmers reported that the cost of the levy was up to $5000 each per month.

On a visit to the Tablelands in 1986 Pat Rowley assured the dairy industry that he was sure that it would survive the deregulation process because of its geographic position which allowed it a "virtual captive market", and said that its future lay in the factory's ability to market its product.[73] The Tableland industry did cope well despite world and national

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[69] Todd, *Milk for the Metropolis*, p. 218.

Interview with Pat Rowley, June 2005.

[70] *Ibid.*

[71] Bureau of Agricultural Economics, *Quarterly Review of the Rural Economy,* 7(2), May 1985, p. 159.

[72] John Kerin, responses to written questions, 2003.

[73] *The Tablelander*, 3 June 1986.

surpluses of dairy products. In the decade 1980 to 1989, in spite of a slow decline in farmer numbers, production continued to increase, (see Fig. 21) and the directors and management of the factory continued to introduce efficiencies in production of a diversified range of products. The directors, aware that the inevitable consequence of the Kerin Plan would result in complete deregulation of both the manufactured milk and market milk sectors, planned for the survival of the industry. This was done by a combination of aggressive marketing which included differentiation of its products (see Fig. 22), and massive investment in factory upgrades to maximise efficiency.[74] Although farm costs of production escalated to the point where once again cost of production equalled the returns to the farmers and the terms of trade for farm enterprises declined by 22% between 1980 and 1985,[75] production continued to increase to 87.7m litres by 1987. Market dominance in the Northern Territory was challenged by Western Australian products entering the Alice Springs market, and the establishment of a feed-lot dairy at Katherine. However, this was more than offset by the sales of products to Papua New Guinea. [76]

The Tableland industry ended the decade in a very strong position. The number of suppliers had dropped from 274 to 223, and the average herd size had increased from 91 cows to 112. Factory revenue was $52.6m. Products included a range of market milks, including low-fat products, in a variety of packaging, as well as butter, cream (fresh and thickened), cheese (mozzarella and cheddar), yoghurt (flavoured and plain), and casein.[77] However, the refusal of the State Government to grant an increase in the retail price of milk reduced profitability of both the processing facility and farm production. Another looming threat to the national industry was the Closer Economic Relations Agreement (CER) with New Zealand. Although Minister Kerin denied that it was Government policy to import more dairy products from New Zealand, the inevitable result of CER was that the Australian industry came under increasing pressure from imports cheaper than could be produced in Australia.[78]

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[74] Annual Report of ATCDA Ltd, 1986.

[75] *CPD (H of R),* Mr Fisher, Governor-General's Speech, Vol. 140, 25 March 1985, p. 843.

[76] Annual Report ATCDA Ltd., 1986.

[77] *Ibid.,* 1989.

[78] Interview with Pat Rowley, June 2005.

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Illustration 37: Range of products.
Advertising illustrating the range of products produced by Malanda Milk in the 1980-1995 period. The products are juxtaposed with the iconic Millaa Millaa Falls.
Source: Statham, *Cows in the Vine Scrub*, p. 305.

In such an economic and political climate, the management and directors of ATCDA Ltd. recognised that the survival of a small, isolated industry was very problematic. They began to plan for a merger or amalgamation with a national company which would take over manufacture and marketing of their products on a national basis. They had a very desirable dowry of 220 efficient farmers, modern processing facilities, 13% of Queensland's milk production and a 14% share of the market milk trade, on offer to any attractive suitor.[79] By the early 1990s, the milk processing companies of Australia, realising that deregulation would have a profound impact on their operations, also began contemplating amalgamations and mergers. Initially, two companies showed interest in the Tablelands operations. One was Queensland United Foods (QUF), and the other was Australian Cooperative Foods (ACF). At that time, all of the market milk processing was carried out by five companies, of which only ACF was a cooperative.

With assistance from facilitators from Macquarie Corporate Finance, the Tablelands directors calmly calculated what they required before they would commit themselves to any deal. High on the list were supplier milk security, tradability of shares, share capital appreciation and external equity, the last three of which were not features of cooperative ventures.[80] The bidding for ATDCA Ltd. became more intense, with QUF, ACF, and National Foods expressing interest. After protracted negotiations which involved some change in the cooperative structure of ACF, the Tablelands directors agreed to the merger. ATCDA Ltd. was split into two entities, the processing part, to be known as Malanda Dairy Foods Ltd., and a new farmers' cooperative to supply all the milk for processing. Members of the supply cooperative would own 100% of that entity, which in turn would own 50% of the processing entity. Members would then be able to sell 50% of their personal shares of ATCDA Ltd. at market value to ACF. If all the shares were sold to ACF, it would then hold 40% of the shares in Malanda Dairy Foods Ltd, but the farmers would retain control through a majority of Board members. In November 1994 94% of the farmers voted for the proposal, and amalgamation with ACF was complete. Thanks to the foresight of the directors and management in the 1970s, the farmers had shares to sell at $11.80 per share, which gave them an injection of cash to be used as they saw fit.[81] Another condition of the amalgamation was a two-year trial period during which Malanda Dairy Foods would consider a full merger with ACF.

As the two-year period drew to a close, both entities had to consider all the implications of a full merger. The major issues were milk prices, share valuations, the autonomy of Malanda Dairy Foods, and the issue of Board representation. These were all satisfactorily

[79] Todd, *More than Milk,* p. 84; Interview with John Reynolds, 2005.

[80] Todd*, More than Milk,* p. 90; Interview with Reynolds, 2005.

[81] Tod*d, More than Milk,* p. 94; Interview with Reynolds, 2005.

dealt with, and in 1997, the farmers voted overwhelmingly in favour of full merger. However, one of the down-sides to the merger was a change of name. From 1 July 1996, ACF adopted the market brand The Dairy Farmers' Group for trading purposes,[82] and the brand Malanda Milk was subsumed into the new brand. ACF then controlled the milk distribution for North Queensland, and a large proportion of the franchised portions of southern Queensland.[83] Therefore, the position of the Tablelands dairy industry was strengthened by the merger with a national company with strong market dominance nationally, and a very strong marketing strategy, but lost the brand identification which had attracted consumer loyalty for so long.

The next major challenge was the lead-up to the farm-gate price deregulation of the milk supply industry. The processing and distribution sectors of the industry had been undergoing the process of deregulation for some time. Barriers to inter-state and intra-state trade in milk had been lifted, price control in wholesale and retail sectors phased out, and the expensive, labour intensive system of daily deliveries to homes by vendors ended by late 1998. However, the Queensland Coalition Government, in recognition of the importance of the dairy industry to key regional areas, conducted a review of the *Dairy Industry Act 1993*. The review found that application of the public benefit test, required by National Competition Policy, revealed significant social, regional and economic costs across the State in moving quickly to a deregulated industry. Consequently, the Government amended the Act to extend the regulated minimum farm gate price of milk for five years to 31 December 2003. In the Address in Reply in the Parliament, Mike Horan, the National Party for Toowoomba South, outlined the likely outcome of deregulation.'If deregulation of the dairy industry were introduced, all we would see, as we have seen in other States, is a shift of income from the country towns to the three big retailers---Woolworths, Coles and Franklins. We would see the actual price of the product in the supermarkets go up. The price to dairy farmers would decrease….it is the last thing we want when it comes to looking after our regional and rural communities.'[84] He was later proved to be right.

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[82] Todd, *More than Milk*, p. 136.

[83] *Ibid.,* p. 106; Interview with Reynolds, 2005.

[84] *QPD*, M.J. Horan, Address in Reply, 6 August 1998, p. 1762.

The Tablelands farmers had not been included in the market milk quota system imposed on the southern farmers by the Queensland Dairy Authority, but had managed the payments for milk at the farm gate by a pooling system which blended the returns from market and manufacturing milk. In a submission to the Dairy Investigation Committee, the Industry Commission stated that the pooling system created inefficiencies in production because all farmers benefited from the higher price of market milk.[85] The Industry Commission did not acknowledge the fact that this was a purely internal matter for the grower cooperative which not only supplied the milk to the processing facility, but processed the milk into both market milk and value-added products, both sold into a regulated retail price regime. Although the milk was pooled farmers were paid on the proportion of the total which went into market milk, and into manufactured milk, generally a 40 -60 split. The consumer was not disadvantaged by this internal arrangement, in spite of the Commission's assertion that the consumers were subsidising the dairy industry to the tune of over 200%.[86] However, impending deregulation meant that any restructuring package had to be distributed by some system which produced equality of distribution of the available funds, and the *Dairy Industry Amendment Bill 1998* extended the supply management arrangements (quotas) existing in the south of the State to the whole of the Queensland industry, and imposed the quota system on the Tablelands industry.[87]

The uncertainty engendered by the impending deregulation of the industry contributed to the loss of the National Party seat of Tablelands to the One Nation Party in the election of 1998 by 100 votes. Although there were several factors which led to this result, an analysis of the voting patterns shows that every polling booth in the dairying areas swung solidly to One Nation. Farmers reported that one factor was the action of the former Member, Tom Gilmore, in negotiating a State funded restructuring package for the tobacco industry. This was considered to demonstrate his lack of concern for the dairy industry. Another factor was the Federal Government's gun buy-back scheme which was bitterly resented in the

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[85] Industry Commission, *Submission to the Queensland Dairy Industry Review*, November 1997, p. 21.

[86] *Ibid.,* p. 21. The calculations were based on the export price of manufactured milk, about 25c. per litre. The higher price for market milk milk was therefore regarded as a consumer subsidy to the farmer.

[87] Queensland Parliament, *Dairy Industry Amendment Bill 1998*, Explanatory Notes.

farming areas.[88] The result was the election of a young and inexperienced Member whose enthusiasm for grand gestures such as pouring a can of milk on the steps of Parliament far outweighed his ability to negotiate any State assistance for the Tablelands electorate from the $100m in Competition Policy payments gained from the deregulation of the dairy industry.[89]

The threat of deregulation galvanised the Australian Dairy Farmers' Federation, led by Pat Rowley, into protracted negotiations with the Commonwealth Government for a restructure package to compensate the farmers. Rowley had to negotiate not only with the Government, but the Senate, dominated by the Australian Labor Party, and all of the State Governments, and the State dairy farmers' organizations. All had competing interests and different agendas, which made a final determination of a package very difficult. Eventually, a scheme was agreed to by the Commonwealth, which offered a $1.8b. structural adjustment package to the farmers, provided that every State agreed to implement deregulation legislative changes from 1 July 2000.[90] Agreement to the scheme guaranteed the States payments under National Competition Policy. Of this, Queensland's share was $100 m., none of which was used to assist the dairy industry.[91] The package was based on a payment to farmers of 46.2c per litre on all market milk and 8.96c. per litre on all manufacturing milk produced during the 1999-2000 year. [92] It was funded by a levy of 11c per litre on all retail milk sales over a period of eight years.[93] The package had three components, the Dairy Structural Adjustment Package (DSAP), the Dairy Exit Program (DEP), (see Appendix Two), and the Dairy Regional Assistance Program (Dairy RAP).

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[88] Interviews with farmers D1, D9, and D10, May 2005.

[89] Lawrence Springborg, Leader of the Opposition, Letter to the Editor, *Queensland Country Life,* 19 May 2005. No State money was allocated for the restructure of the dairy industry in Queensland.

[90] Hon. Warren Truss, Media Release, 'Dairy Industry Restructure Package', Department of Agriculture, Forestry and Fisheries, Parliament House, Canberra, 28 September 1999.

[91] *Queensland Country Life*, Springborg, Letter to the Editor, May 19 2005.

[92] Interview with Pat Rowley, June 2005.

[93] Truss, Media Release, September 1999. Although the dairy farmers' negotiating group wanted cash payouts up-front, this was not possible because under WTO rules it would have been considered a direct subsidy to the farmers. By spreading the payments out over eight years the Government avoided WTO censure. There is also a suspicion that Treasury found it easier to deal with money in-money out rather than having to find $1.8b. in any one budget period.

On the Tablelands, those farmers who had diversified and reduced production during this time were therefore denied compensation from the Dairy Restructure Package at their historic levels of production. Although this was challenged through the appeals process, and the decision was found in favour of the appellants, all available quota had been allocated. Therefore, if the appellants were to be justly treated, quota had to taken off the other farmers. This led to division within the Tableland industry, and caused rifts between previously harmonious groups of farmers.[94] Very few of the Tableland farmers were eligible for assistance through the DEP because of the conditions imposed.[95] In addition, very few of the Tableland projects which applied for funding from Dairy RAP were approved. In spite of the wide-spread suspicion that the area was being "punished" because of its parliamentary representation by a State One Nation Party member and the Federal Independent Member for Kennedy, it is more likely that the quality and timing of the submissions were critical factors.[96]

Deregulation of the farm-gate price of milk came into effect on 1 July 2000. The immediate result was a drop of 33% in the price farmers received for their milk.[97] The Tableland farmers had not anticipated that the price would immediately drop to world price parity, expecting that the dairy processors would be able to negotiate better prices with the supermarket chains. However, Coles and Woolworths called tenders for the supply of milk for their generic brands[98], and the largest dairy cooperative, Dairy Farmers, aggressively tendered, securing the price at about 25c per litre. Although Tableland production was maintained for a time, it too began a steady decline from 107 million litres per annum in 2000 to 90 million litres in 2005. There was a constant attrition of farmers from the

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[94] Interview with dairy farmer D3, May 2005.

[95] DEP provided a tax free grant of $45 000 to farmers willing to exit the industry. However it was subject to asset tests which excluded most farmers because of the price of land and the equity in their farms.

[96] Interview with Harold Brown and Vern Rudwick, Department of Primary Industries, Brisbane, June 2005.

[97] Interview with Reynolds, 2005.

[98] Most people do not realize that generic brands are manufactured to different specifications from the factory brands, and contain fewer kilojoules of energy, and less quantities of protein, fat, carbohydrates and calcium per serving. See Table 4.

industry, and by the middle of 2005, approximately 100 farms were still in operation as suppliers to the local processing facility. (See Figs. 23 and 24). It is generally expected within the industry that there will be further reductions in both farmers and production. According to *Dairy* 2005: *Situation and Outlook,* only 50% of the remaining farmers, representing 27% of current production, are expecting to be in the industry in three years time[99] This would put production at 65.7 m litres per annum, which is approaching unviability levels for the processing factory.[100]

Decline in the Number of Farmers 1995-2005

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Fig. 23: Decline in the number of farmers 1995 to 2005.
Source: Farm Liaison Officer, Dairy Farmers, Malanda, May 2005

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[99] Dairy Australia, Dairy 2005: Situation and Outlook, Sydney, June 2005, pp.83-4.

[100] Interview with Kim Williams, Manager of Dairy Farmers, Malanda, May 2005. Williams estimated the level at 60 m. litres per annum.

Atherton Tableland Milk Production 2001-2005

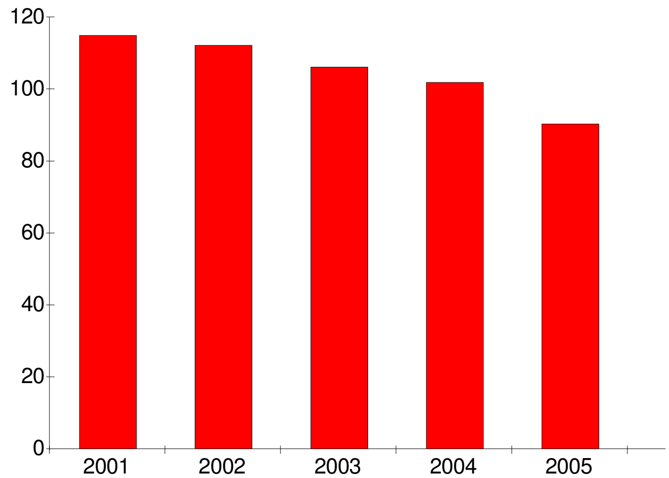

Fig. 24: Milk production (millions of litres), 2001-2005

Source: Steve Spencer, *Dairy 2004, Situation and Outlook*, Ridge Partners, Sydney, 2004; and Dairy Farmers, Malanda, 2005.

However, as local demand for market milk is between 45 and 50 million litres per annum, a fall in production to that level would mean that milk would be diverted from manufactured milk products, and the majority of the output would go to the market milk trade. Although this would be a reasonable outcome for the farmers, it would mean a loss of jobs in the factory, with a flow-on effect to the community.

The benefit to the consumer which deregulation was supposed to have brought about has been difficult to assess. The average retail price of milk steadily rose over the ten year period 1995 to 2005, approximately with the rate of inflation until 1999 when the full effects of retail price deregulation were felt. It then rose in excess of the rate of inflation after 2000 when the farm gate price was deregulated (See Fig. 25). However, deregulation did allow a tendering process to supply milk to the large grocery chains. They, in turn, used the cheaper milk to manufacture generic brands, with lower specifications for protein and fat content, which are sold at a discount. (See Table Six). The price of generic milk set the bench-mark price of retail milk with the branded milk companies able to charge very little more for the premium quality milk. It would appear that the consumer has benefited little, if at all, while the profit margins of the retail chains, and to some extent those of the processors, have increased.

Table 4: Composition of generic and branded milk

Nutritional information per 250 mls serving	Woolworths	Dairy Farmers
Energy	662 kj	683 kj
Protein	8.0 gms	8.5 gms
Fats	8.5 gms	9.0 gms
Carbohydrate	12.2 gms	12.0 gms
Sodium	110 mgs	123 mgs
Calcium	285 mg	290 mgs

Source: Labels from milk containers

Retail Milk Price 1995-2005

Fig. 25: Retail milk price vs Nominally adjusted price.
Average retail price of milk, cents per litre, in Brisbane, measured at the June quarter, compared with the average retail price of milk adjusted for a nominal 3% inflation rate (base year 1995).
Source: ABS, Retail Price Index, June Quarter, 1995 to 2005.

How the Farmers Coped

By 1999 it was clear to the farmers that deregulation of the farm-gate price for milk was imminent, but few expected it to have such an immediate effect on their businesses. Post deregulation farm incomes dropped by a third, as the bench mark price plunged to the Victorian export manufacturing milk prices, driven by the two largest grocery chains. Every farm enterprise reacted to deregulation differently, and there was no consistent pattern of change in either the structure of the businesses or farming methods to adjust to the lower prices for the raw milk.

Many of the farmers had been planning for a change in the structure of their enterprise for some time, but most stopped spending immediately, creating difficulties for the service and supply industries of the Tablelands.[101] The compensation package, which was able to be accessed in different ways to suit the circumstances and long-term planning of the farmers, allowed some to exit the industry immediately. Some of these also sold their farms on a depressed market, and employed a local firm to invest their funds. Unfortunately, the previously highly reputable firm had been taken over (without a change of name) by financial advisors who allegedly absconded with an estimated $13m of the farmers' money, leaving them destitute.[102]

Others followed the advice of the economists, and enlarged their businesses by using the package funds to invest back into the farm and increase production substantially. For some, increased production also meant acquiring up to $2m in debt for additional land, more cows, and new technology. However, this strategy also required more labour, beyond the capacity of most families, and therefore necessitated mergers with other families' operations, or partnerships. It was these enlarged operations which brought to the Tableland industry the necessity for a different accounting system, which to ensure fairness to all the parties, required the allocation of available funds so that living wages were paid, and gave the partner supplying the herd and the infrastructure a return on

[101] Personal communication with Mary Lyle, former Mayor of Eacham Shire, 2002.
[102] *Ibid,* 2003.

capital.[103] These were items which hither-to had been rarely, if ever, factored into the cost of production, and still were not in the smaller production units.

Others went against the trend, and reduced production so that the farm operation could be managed by a couple alone. However, this strategy entailed a drastic reduction in expenditure, so that living expenses, as well as maintenance and infrastructure development, were curtailed dramatically. Where possible, off-farm income, usually by the wife gaining employment, was used to supplement the family living costs. It was these farms which were able to operate with the lowest cost of production per litre in the short term. The danger in this approach was that the farm would become run-down, weed control minimised, and pastures neglected, to the possible detriment of continued high levels of production per cow. However, sooner or later, infrastructure would have to be replaced, and the farmers would have to make the hard decision to go into a debt which they could not service, or consider leaving the industry.[104]

Some farmers, with access to suitable land, tried to diversify into crops such as sugar cane and potatoes, but found themselves producing on glutted markets, both export and domestic. Inevitably, the cost of growing additional crops added to the debt burden of the farmers, and as the crops had been chosen for a quick return, but had not provided one, debts multiplied. Many of these farmers then attempted to increase milk production, but by that time the price of land had almost doubled, and the capital costs again entailed enormous debt levels. As one farmer said, 'It was degrading. We had always paid our way, and when we had to decide which creditor we would pay this month it almost became too much. One Christmas, we had to choose between eating or buying presents for the kids.'[105]

Yet others, nearing retirement age, and without sons to take over the dairy, used the money to convert their herds to beef cattle production, or offered their land to others to agist cattle, both dairy and beef.[106] One of the most consistent findings was that very few

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[103] Interviews with dairy farmers, D5 and D4, April 2004.

[104] Interviews with dairy farmers D3, D6, and D7, April 2004.

[105] Interview with dairy farmer D3, April 2004.

[106] Interview with dairy farmer D2, April 2004.

of the farmers had any significant amount of superannuation. As one farmer explained, 'We thought of the equity in our farm as our super. If the farm allowed us to live comfortably through our working lives, then the capital appreciation would allow us to sell it with enough to retire on.'[107] For those selling out immediately after deregulation, when the price of dairy farms went down to $1 000 per acre, this expectation did not materialise. The majority of farmers had few or no off-farm investments, having ploughed any surplus income back into the farm. Only one farmer claimed to earn most of his income from sources other than the dairy herd.[108]

The definition of 'comfortable' was one which did not accord easily with community standards in Australia. One farmer shamefacedly admitted that he and his wife took a holiday once every ten years, and that they felt guilty about it. Another stated that he worked from before daylight to after dark every day of the year except for one weekend, when he went fishing.[109] Others relied on relief milkers who allowed them to have the occasional weekend away from the dairy, but at $1.00 per cow per day, not many of the farmers could afford more than the occasional break.[110] In general, the working hours of the farmer and his wife increased as hired labour was reduced. As dairying is a 365 days in the year occupation, this meant that the farm family was working harder and longer for a reduced return. Yet, when asked why they were farmers and enduring such a life-style, every farmer responded that he enjoyed the autonomy farming accorded him, and the challenge of being able to produce a quality product.

The women were not quite so sure that their life-style choices had been as satisfying. All of the female farmers had taken on the job of keeping the farm accounts and herd recording, as well as either working in the dairy or off-farm. Many found that they were unable to provide their children with the time to take them to extra-curricular activities associated with their schools, or to sporting or cultural events. They also reported that their social lives had been severely constrained by the work regime.[111] However, most considered that they

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107 Interview with former dairy farmer D8, May 2004.

108 *Ibid.*

109 Interviews with dairy farmers, April and May 2005.

110 For a small herd of 150 milkers, the cost of relief milkers would be $300.00 for a weekend.

111 Interviews with farmers, April and May 2005. Work on a dairy farm starts at 4 am every day of the year. After milking ends by about 9 am there is farm work to take care of until the afternoon

were better off than those people who were working for wages, in spite of the constant grind and poor returns. More than anything else, this demonstrated a denial of their own circumstances, and an ignorance of working conditions and rates of pay of the average Australian. Significantly, very few of the farms will be taken over by sons[112] when the parents retire. It is evident that children of dairy farmers have no illusions about the benefits of farming compared with life-style options afforded workers in the towns and cities.

Another strategy used by some farmers to accommodate the loss of farm income was to rationalize their agronomic practices. Every farmer noted that the poor returns did not enable the optimum management of the ecology of the farm, and that land degradation was one of their constant fears. Water application to replenish pastures had been one of the more expensive inputs, and farmers began to consider ways and means to reduce it. One farmer conducted large-scale experiments to establish the optimum 'fertigation'[113] regime for soil types on his farm, and was able to reduce costs of production substantially.[114] Others, in higher rainfall areas, abandoned watering pastures, and instituted a management plan for dry-time feeding of the herd, claiming that this strategy reduced labour and water application costs.[115]

All farmers struggled to maintain their land and infrastructure at a level required by the plethora of rules, regulations and legislation imposed on them by all levels of government. They are required to comply with Workplace Health and Safety regulations which involve education programmes not only for themselves and workers, but for visitors to the farms. Farm Management Plans which incorporate land and water usage are a requirement which usually involves the services of an agronomist consultant. Dairies have to be

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milking. The day generally ends at about 7 pm. Not many Australians would regard such a work regime as 'comfortable'.

[112] In all of the interviews there was not one reference to a daughter wanting to take over the family farm. In fact, several of the women farmers stated that their daughters made a deliberate decision not to marry farmers and wanted nothing to do with farming in their adult lives. Most of the children have been educated to have a career choice away from the land.

[113] 'Fertigation' is the application of fertlisiser through irrigation systems.

[114] Interview with D1, May 2005.

[115] Interview with D10, May 2005.

maintained to a standard which ensures strict hygiene, and herd registration and recording are an additional expense to be managed from a diminishing return.

One of the greatest dangers facing the dairying areas of the Atherton Tablelands is that farmers will not be able to afford to spend the money required to maintain their land in a sustainable condition. Dairy Australia has estimated that the cost of production is between 33c and 35c per litre for milk at the farm gate.[116] At the current price of 32c per litre,[117] Tableland farmers are working at a loss. For those observers who care to look, the signs of degradation are already evident. Pastures are not being maintained as well as before because of the cost of fertilizer, irrigation and cultivation. Weeds are appearing because of the costs of herbicides and labour to remove them manually. Where there should be gravel walkways for the cows, on some farms there is mud. Some farmers have resorted to using less expensive semen in breeding regimes, likely to cause a decline in herd quality. As one farmer said, 'If it comes to a choice between fixing up the bank and fixing up the back gully, the bank will win every time.'[118] This has long-term implications for the health of the land, a subject which should be exercising the collective minds of every government in the country.

Although the price of dairying land fell immediately by 50% to approximately $1000 per acre, the prices quickly recovered to between $3000 and $4000 per acre due to the general boom in land prices in Australia from 2003, and the sustained high prices for beef cattle. The latter led to a demand for farms for cattle fattening. Graziers considered the dairy farms of the Tablelands ideal as they had good pastures, the climate was relatively benign, and all facilities were readily available. However, the relatively small size of the farms could lead to over-grazing on the cultivated pastures which will cause erosion of gullies and slopes. Similarly, people choosing 'life-style' blocks for week-end retreats or retirement properties were attracted to the beauty and convenience of the area. It is questionable that the market-driven 'best and highest' use of this land will be in the best interests of its ecology. It is not too pessimistic to suggest that a week-end or retirement block may quickly become beyond the capacity of its owners to maintain or sustain.

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[116] Interview with Pat Rowley, June 2005.

[117] Interview with Kim Williams, Manager of Dairy Farmers, Malanda, May 2005.

[118] Interview with D11, June 2005.

Economic and Social Effects on the Southern Tablelands

Prior to deregulation, the Atherton Tableland dairy industry was worth almost $51.31m. with a flow-on effect of 5-1. Across the three shires of Atherton, Eacham and Herberton, this translated to $293m in 1999-2000. In the Eacham Shire, the direct value of dairy farming was $33.9m in 1996-1997. In 2000-2001 this had dropped by 28.4%, but the value of cattle and calves slaughtered had risen by 123.6% because of the exit of so many farmers from the industry. Between 1996 and 2001, the number of part-time jobs remained static, but the number of full time jobs declined by almost 15%. The median income per week was $200-299 compared with the rest of Australia of $300-399.[119] A survey of businesses conducted immediately after deregulation showed that farmer spending had dropped by an estimated 44%.

Some businesses supplying machinery and services to the industry closed, with a subsequent loss of employment. Employment in the agricultural, fishing, forestry and mining sectors fell from 553 in 1996 to 479 in the Eacham Shire in 2001. Employment in the retail industries fell from 337 in 1996 to 295 in 2001. In the manufacturing sector employment fell from 243 to 218 over the same period. Between 1999 and 2001 there was a nett loss of population of 375 people, or 6%.[120] The loss of the younger people was of most concern. Of the cohort of 331 persons aged between 0-4 years in 1981, only 170 remained in the shire by 2001. Most of the out-migration occurred between 1996 and 2001, which reflected the loss of job and career opportunities in the area. In contrast, there has been a significant increase in the population aged over 40 years. This group comprised 50.4% of the population in 2001.[121] The replacement of productive farmers with retirees with limited incomes has had a significant effect on businesses providing goods and services to the area.

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[119] *Atherton Tableland Community Profiles 2003*, pp.143, 148.

[120] *Atherton Tableland Community Profiles 2001*, p. 78, and Atherton Tableland Community Profiles 2003, p. 126.

[121] *Ibid.*, p. 128.

A reflection of this demographic trend is that banks reported that lending to start-up businesses was non-existent, reflecting a stagnant economy.[122] Bank managers also reported that farm and business debt levels were rising but the ability to service the debts was decreasing. As noted previously, in Atherton, the main service centre for the Tablelands, ten retail businesses closed immediately post-deregulation. All of the small business owners reported that they had reduced their staff levels and were working longer and harder themselves. As also previously noted, motor vehicle registrations dropped by 30% between 1996 and 2001, and two dealers in agricultural machinery and/or commercial vehicles closed down. One engineering works closed down, as did two cabinet making factories.[123]

Socially, the effect of the down-turn in the economy was reflected in the rate of marriage break-up. One school reported that 60% of the families represented were 'split', and that 50% of families relied on Social Security. Twenty children from one school transferred out of the area as a direct result of parents losing jobs through deregulation.[124] Enrolments in TAFE courses increased by 50%, indicating the lack of employment opportunities. Drug related crimes increased by 113%, with subsequent increases in crime against property and persons.[125] Patterns of consumer spending changed with the purchase of discretionary items being relegated to discount sales or not at all. The manager of the largest retail grocery outlet reported that generic and cheaper brands comprised the bulk of sales.[126]

The effect of deregulation was felt across the whole of the community in varying degrees. However, from 2003, there was some evidence of an adjustment, although statistics are not yet available to verify this. Retailers reported increases in sales of consumer goods, and Real Estate agents reported increased demand for houses and land. Growth across the three shires most affected is at 1.6% per annum, below the State average, but positive.The number of empty shops in Atherton is declining. Although there are signs of recovery, there is no doubt that deregulation of the dairy industry contributed significantly

[122] TRACS, *Summary of the Economic Status of the Atherton Shir*e, p. 8.

[123] *Ibid.*, pp. 10-11.

[124] *Ibid.,* p. 15.

[125] *Ibid.*, p. 16.

[126] *Ibid.*

to community distress, change in some families' circumstances, and disruption to the social fabric of the district.

Conclusion

The Atherton Tablelands dairy industry was advantaged by its geographic position and a regulatory regime which protected it from competition. It enjoyed a virtual monopoly for its product, and avoided the problems of chronic oversupply which plagued the national industry. It was fortunate that in its later history it was able to attract the services of far-sighted and competent managers, backed up by visionary Boards, which were able to guide it to its status as one of the most profitable and viable dairy areas. However, in spite of its isolation, it is part of a national industry, and therefore became mired in the changes necessary to rationalize the tensions between chronic over-supply and the dependence of key production areas on the vagaries of the global markets. It exists today in a state of uncertainty. All farmers recognized that the threat posed by the Victorian industry always had the potential to destabilize any marketing arrangements imposed by regulation. When asked what they would change if they had the power to do so, every one answered that the stranglehold on the industry by the retail grocery chains was preventing any certainty of an adequate price for their milk, and therefore reduced their ability to plan for infrastructure upgrades or address the sustainability issues emerging on their farms. A return to certainty of income would enable them to plan for their futures within the industry. In a deregulated market, this is clearly impossible.

Politically, the dairy industry of Australia has caused problems for legislators for almost its entire history. Over-supply with consequent poor returns demanded political intervention, most of which did little to solve the problems. The 'final solution', that of total deregulation, and unleashing the forces of the market on the industry certainly let the politicians off the hook for assuming responsibility for the well-being of the industry, but it was at the expense of most of the farmers, dubious benefit to the consumers, and created wind-fall profits for the grocery chains and the processors. It is yet to be seen if decline in production will lead to the point where demand outstrips supply, and the price to the farmer will be pushed upwards.

The threats facing the Tableland industry at the moment are economic, agronomic, environmental, and social, all of them inter-linked. Farmers are ageing, and very few will be replaced by family members taking over the farms. The price of land has escalated to a point where no farming enterprise could expect a decent return on capital. Declining production will almost certainly lead to the processing facility being forced to choose between processing market milk or manufactured products. The worst-case scenario is that Dairy Farmers will find the through-put unviable and close the factory. With modern processing, transport and refrigeration it would not be impossible for the whole of North Queensland to receive its milk supply from the south. If that occurs, the use of land and resources will change dramatically and potentially dangerously. Most of the land used for dairying consists of steep slopes of unstable volcanic soils and is most suitable for growing trees, and if the high capital cost of land militates against this, it is likely that the land, exposed to over-stocking by beef cattle or to hobby farming, will revert to weeds, erosion and degradation within a generation.

However, a more likely scenario is that when Dairy Farmers (a Cooperative) lists on the Stock Exchange as predicted, it will rationalize its operations and either down-size its operations to a bottling/packaging plant for market milk only, or sell to either a consortium of the remaining farmers through a demerger process, or to one of the other processors which will use it to supply only the milk requirements of the local market. All of the farmers are confident that there will be a demand for their product in the foreseeable future, but unless there is a reduction in national production to the point where demand is not met,[127] and therefore the price of milk is pushed up, dairy farming on the Tablelands will remain a marginal enterprise, with only the labour capacity of the farmers between sustainability and land degradation. It would appear at this stage, that the Tableland industry is in the throes of being slowly strangled by the combined forces of the deregulated market and advances in technology which could provide northern Australian consumers with milk from the south of the country with little or no loss of quality, but a rise in the retail price.

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[127] Pat Rowley predicted that a combination of drought and decling production in the southern areas would decrease supply to less than the demand in the next two years. There are indications that this is happening, and that milk processors are now “scrambling” to source enough milk to fill export contracts. Australian Broadcasting Commission, “Landline”, 26 June 2005.

IMAGE REMOVED DUE TO COPYRIGHT RESTRICTIONS

Illustration 38: Plan of the subdivision of a Tablelands dairy farm.
The previously viable farm will be sold as life-style blocks.
Source: Kevin Burton, Topaz.

Chapter Nine: The Tobacco Industry 1960 – 2004

Case Study Three (Continued)

Introduction

The post-stabilisation period of the tobacco growing industry in the Mareeba/Dimbulah area initially meant a measure of certainty for the farmers; massive changes in cultivation and management of the crop; generational change in the leadership; and ultimately, a slow decline into extinction. The latter period was particularly traumatic, not only for the farmers, but for the whole community which was faced with the demise of the major revenue producing crop in the area. The tobacco growing industry in North Queensland was killed by a lethal combination of vested interests and government policy. Australian tobacco production was used as a pawn in negotiations to allow export industries into lucrative foreign markets, notably the USA. Various governments accepted the logic of the health lobby which pointed out the absurdity of government support for an industry which had serious effects on the health of smokers and therefore costs to the health system. The manufacturers continued to affect farmers' livelihoods through manipulation of the sales process, and also in lobbying government for the right for unrestricted access to foreign produced tobacco in order to maximise their profits. In the end, the industry was simply too small and electorally insignificant to be a player on the national economic stage.

The deregulation process was protracted and painful in spite of Queensland Government attempts to ease the death of the industry with money to assist farmers to leave or to diversify into other crops. In its wake, some farmers managed to diversify early enough to establish themselves successfully in other industries. Some of the older farmers left the industry altogether and their farms were bought by farmers for other crops. At the death knell there were still 115 farmers left. They were the real victims. They were left with farms too small for large-scale cropping; farm infrastructure so tobacco specific that it could not be used for other purposes; debts which had accumulated in attempts to achieve efficiency through expansion and mechanisation; and a great deal of bitterness towards those institutions which they considered had robbed them of their livelihoods. The Commonwealth Government continued to use tobacco products as a major revenue raiser through excise duty. Consumers continued to be able to buy tobacco products, but at increasing price levels due to government charges. The manufacturers were freed from all compulsion to buy Australian tobacco, and were therefore free to import tobacco from their overseas plantations (usually in low-cost countries), and from the USA. The winners were tobacco farmers in foreign countries, and the manufacturers which thus enjoyed larger profit margins.

The academic literature on the deregulation of the North Queensland tobacco industry is sparse, and to date consists of a study by Dr Peter Griggs. In it, he outlines the transformation of land use as tobacco growing declined in the MDIA.[1] However, there is a wealth of primary material available, much of it in the form of IAC reports, newspaper reports, and industry sources. Interviews with farmers, industry leaders, both past and present, as well as former Ministers in State and Commonwealth Governments gave valuable insights into the processes and effects of deregulation. This chapter records those processes, and analyses the effects on the farmers, land and resource use, and the district, both socially and economically.

Post-stabilisation

The stabilisation of the tobacco industry was a painful one for the farmers who were forced to agree to a cut in production levels and a reduction in the average price of their crops. Nevertheless, it did provide a mechanism for reducing the degree of rapid expansion in the industry, which had threatened its viability. From 1965 there was a steady decline in acreage, though with better control of pests and diseases and cultivation practices, also an increase in production. (See Figs.26 and 27). The value of the crop also increased until the cessation of the stabilisation scheme in 1995. (See Fig. 28).

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[1] Peter Griggs, 'Changing Rural Spaces: deregulation and the decline of tobacco farming in the Mareeba-Dimbulah Irrigation Area, Far North Queensland', *Australian Geographer,* Vol. 33, No. 1, 2003, pp. 43-61

Area Planted to Tobacco 1965-2000

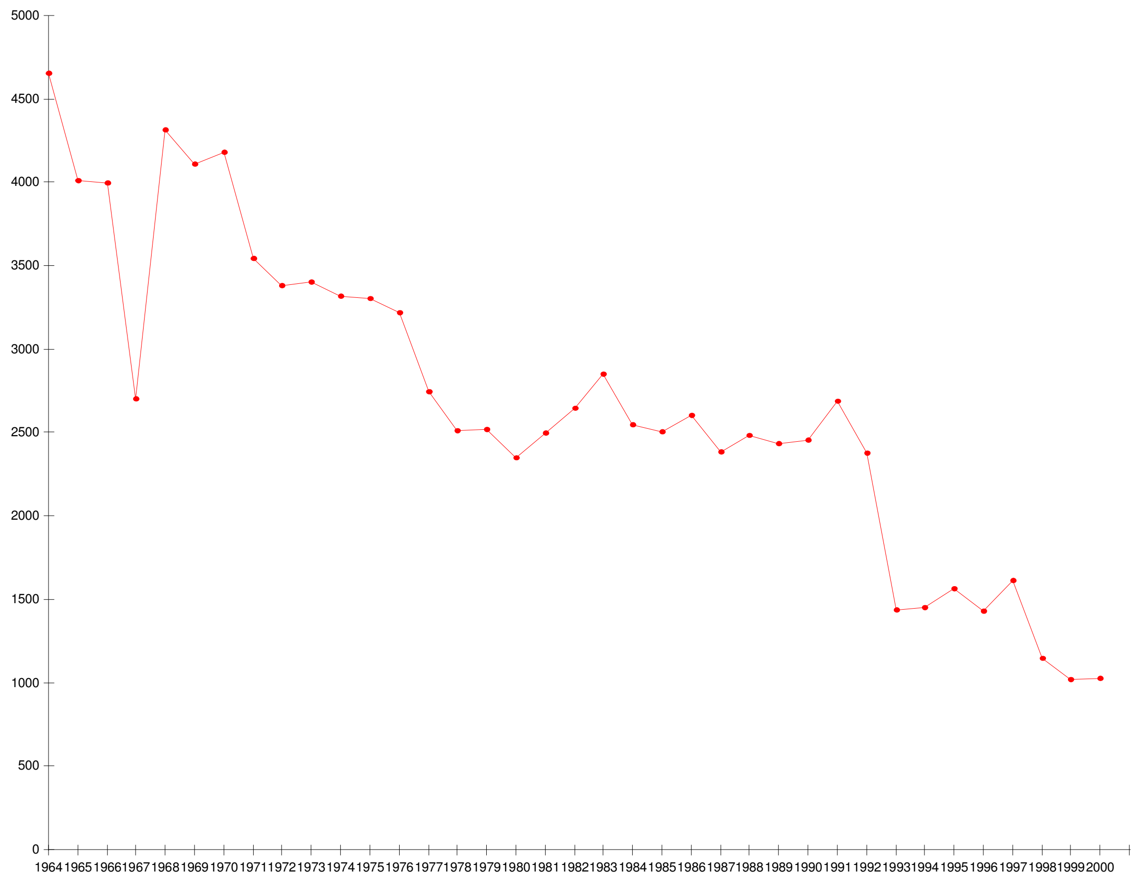

Fig. 26: Area (hectares) planted to tobacco in Australia 1965-2001, showing the decline in plantings post- stabilisation.

Source: Annual Reports of QTLMB and QTM, 1965-2001.

Quantity of Australian Tobacco Produced 1965-2000

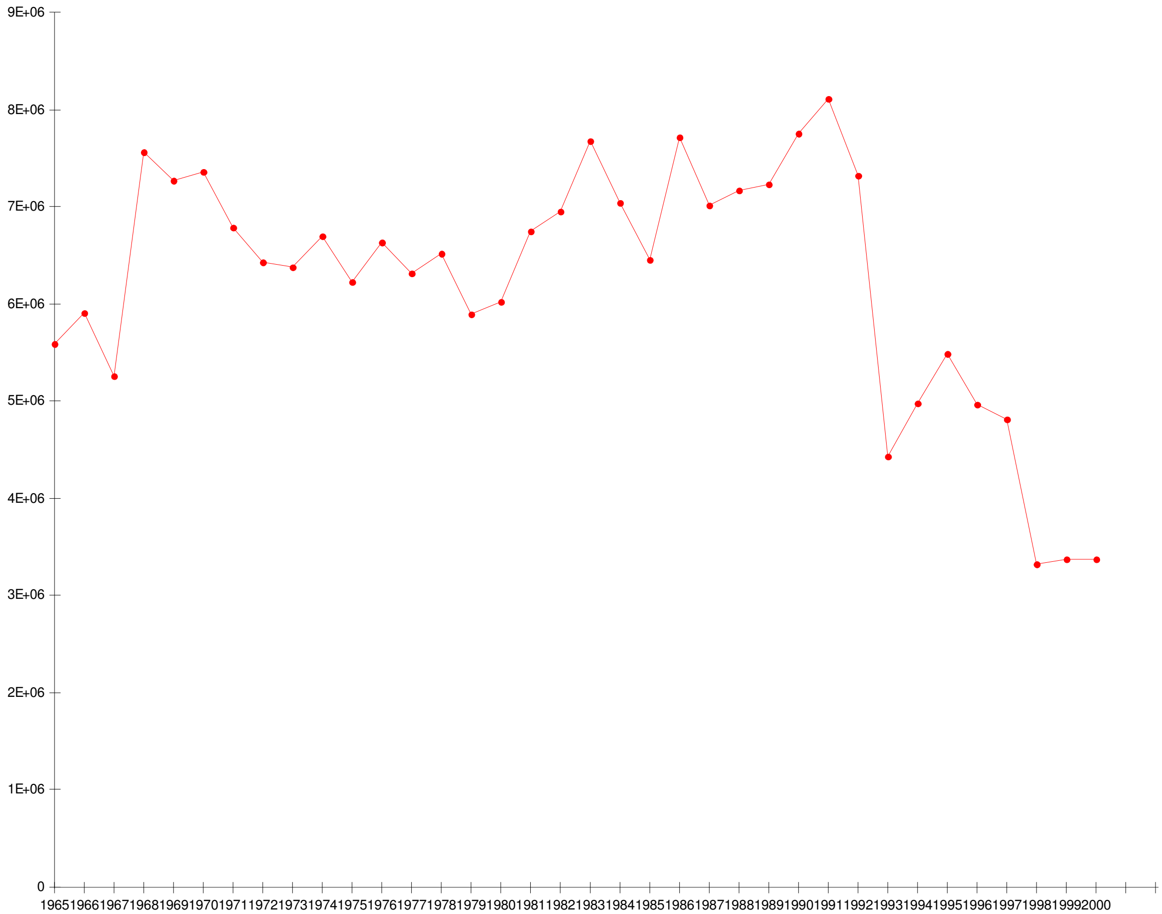

Fig. 27: Tobacco produced post-stabilisation.

Quantity of Australian tobacco produced (million kilograms), 1965-1994, showing the beginning of the decline in production following deregulation.

Source: Annual Reports of the Queensland Tobacco Leaf Marketing Board and Queensland Tobacco Marketing, 1965- 1995.

Value of Tobacco Post-stabilisation 1964-2000

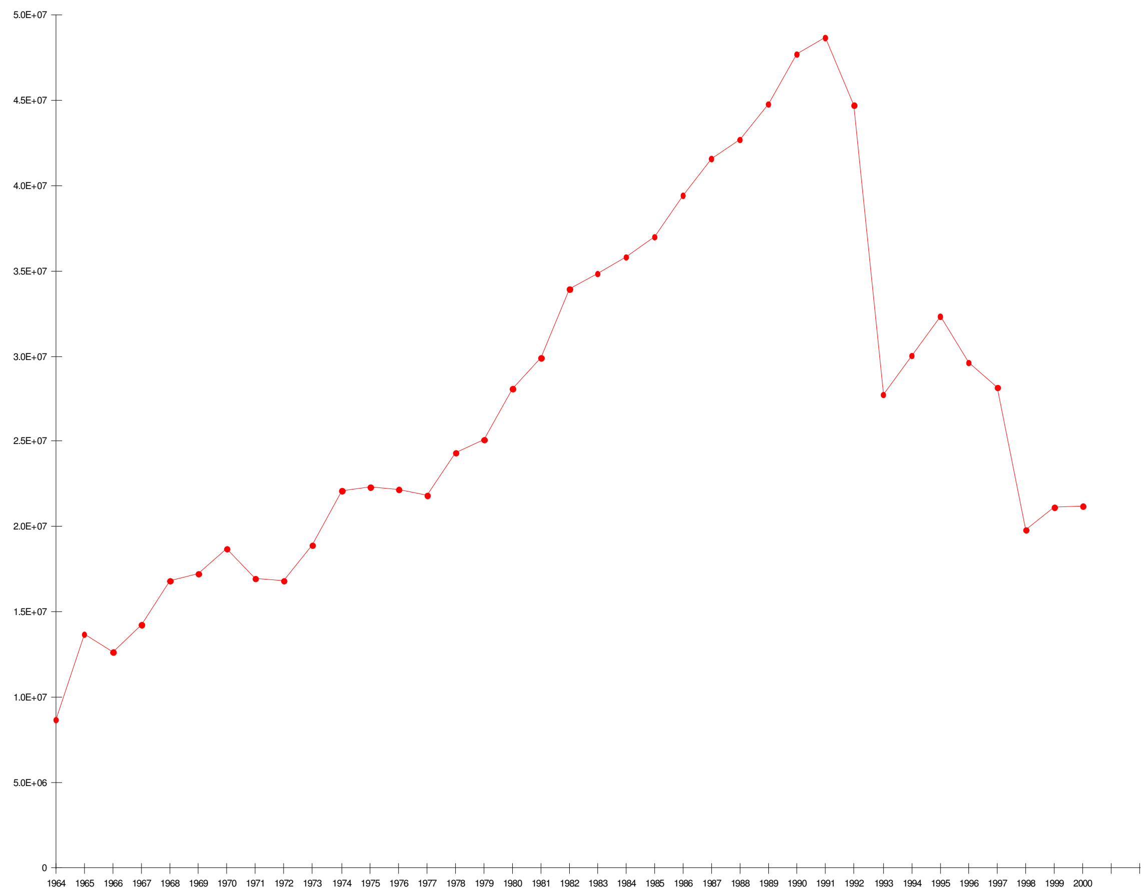

Fig. 28: Value of Australian tobacco post-stabilisation.

Value of Australian tobacco purchased (million dollars), 1965-1995, showing the steep decline following deregulation in 1994.

Source: Annual Reports of the QTLMB and QTM, 1965-1995.

The Tobacco Industry Stabilisation Plan (TISP), agreed to by the Commonwealth and State Governments, manufacturers, and farmers, vested control of tobacco growing and marketing in the Australian Tobacco Board (ATB). This organisation, representative of growers, manufacturers and governments, had prescribed powers of compulsory acquisition, vesting and sale under the various Commonwealth and State Acts, which complemented each other to avoid a court challenge under Section 92 of the Commonwealth Constitution. Under the TISP, the farmers were restricted to a quota of leaf of a saleable quality, and the manufacturers compelled to buy the offering at a price commensurate with the price/grade schedule which was to be negotiated and announced prior to the growing season. The price/grade schedule was originally intended as the minimum price per grade of leaf offered, so that competition at the auction could only drive the price upwards. Any leaf which did not reach the reserve price at auction would be passed in, and go to arbitration by the government appointed arbitrator who would establish the grade, and therefore the price. At that point, the last bidder would be required to buy the leaf at the arbitrated price.[2] The manufacturers would also be required to maintain stocks at not less than 1½ times annual usage. The farmers would be restricted to an annual quota of 26m. pounds of tobacco for a period of five years, at an average price of 125d. per pound.

There was a degree of resistance on the part of the manufacturers to this arrangement. They were holding accumulated stocks estimated to be between 10-13m pounds of tobacco - an enormous capital investment.[3] It was expected by all participants that excess stocks held by the manufacturers would be cleared by the end of the stabilisation period, and that this would pave the way for an increase in the percentage of Australian tobacco to be used in manufacture. However, this reduction in stocks did not materialise, and the Chairman of BATC, Noel Foley, stated that that the stockholdings brought about by changes in market share of the manufacturers '...represented a serious threat to the future of the stabilisation scheme'.[4] The Government was anxious to have this cleared as no excise was due until the stocks were removed from bond. As consumption began to fall steadily from 1965 (see Fig. 29), the problem of excess production combined with the stock holdings of the manufacturers, compounded the difficulties experienced by the industry.

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[2] Interview with D.R. Hastie, Chairman of the Queensland Tobacco Leaf Marketing Board, 1966-1987, September 2003, Mareeba.

[3] Growers' submission in relation to the implementation of the stabilisation plan for Its second period of five years, c. 1967, QTLMB, document held in the records of QTM, Mareeba.

[4] *The Queensland Country Life*, "Tobacco has a new problem", 23 March 1967.

Decline in Consumption of Tobacco Products 1970-2002

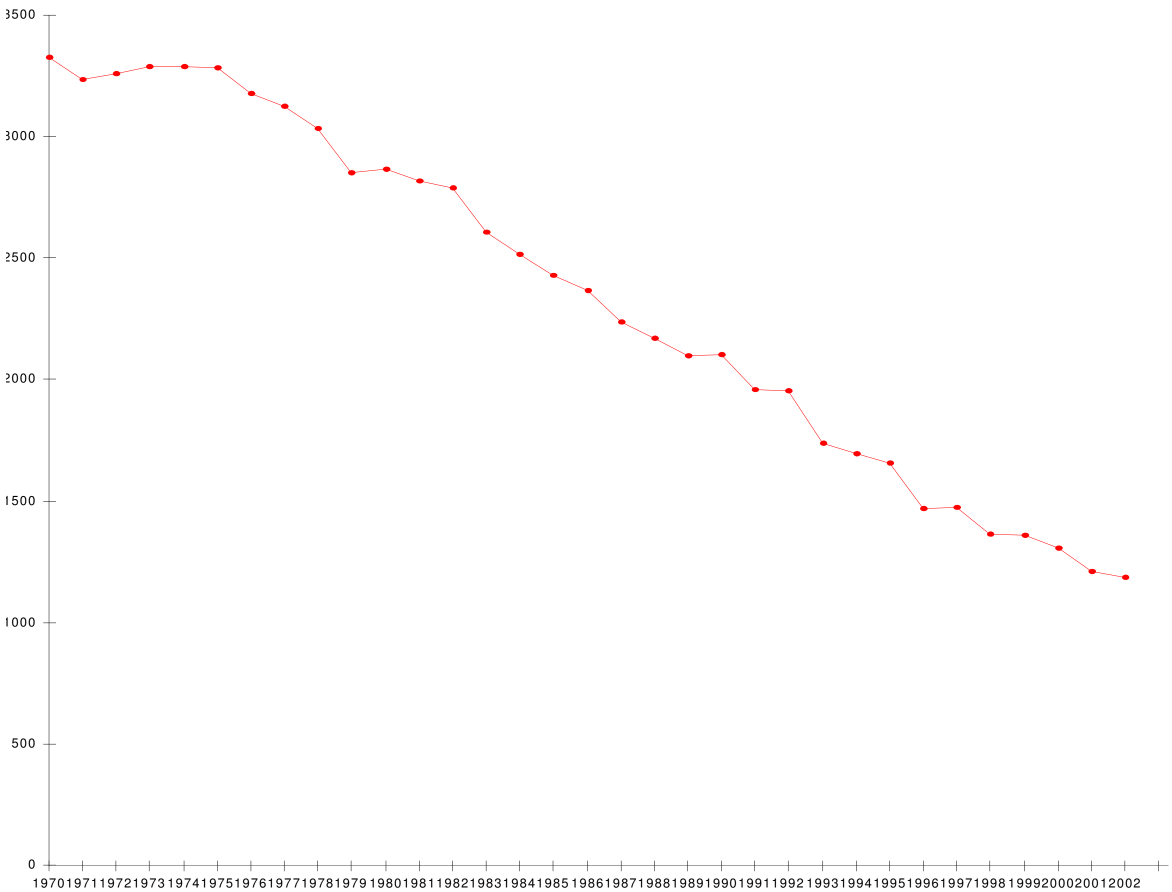

Fig. 29: Decline in consumption.

Decline in consumption of tobacco products expressed as grams per person per annum, 1965-2002. (1998-2002 are estimates)

Source: www.vctc.org.au/tc-res/consumption.pdf. Table 2.2

The TISP was viewed with alarm by the US government which strongly objected to it through appropriate diplomatic channels.[5] Imports of tobacco from the USA had steadily declined from 1957, and American tobacco growers and the trade expressed doubt that the TISP would curb production to the point where American tobacco imported into Australia would reach levels achieved prior to 1957. In spite of American misgivings, the Australian Government went ahead with the TISP.[6] However, the American government

[5] *The Queensland Country Life*, "Tobacco Plan a Threat to Aust. Wool", 14 March 1965.

[6] *Foreign Agriculture,* "Australia increases its tobacco protection", 5 April 1965, p. 4.

made it plain that tobacco was very much on the agenda during negotiations to allow Australian wool and meat access to the lucrative American market. During the Kennedy Round of trade negotiations in the mid-1960s, the Australian government offered to hold production of Australian tobacco at 50% of local consumption, leaving the other 50% to America. In addition, production would be managed so that any increase in production would be shared between local farmers and the USA. This was done to ensure a reduction of 5% in the American tariff on imported wool. However, the American negotiators demanded that all percentage requirements for inclusion of Australian leaf in local manufacture be dropped. This would have effectively destroyed the Australian tobacco industry, a fact recognised by the Australian government. As it happened, powerful American lobby groups of farmers and wool processors caused American negotiators to pull out of the process, much to the chagrin of Australian wool producers who blamed McEwen's protection of the tobacco industry for the fiasco.[7]

Table 5: Australian vs American Tobacco Leaf Content in Manufactures.

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Estimated use of American tobacco by Australian tobacco manufacturers, 1959-62 compared with the percentage of Australian leaf in manufactured blends.
Source: "Australia increases its tobacco protection", Foreign Agriculture, 5 April 1965, p. 4.

[7] John McEwen , *Address to the United Farmers' and Wool Growers' Association of New South Wales*, 17 July 1967, held in the records of QTM., Mareeba.

The TISP got off to a poor start. Two of the manufacturers, Rothmans of Pall Mall (Australia) Ltd. and W. D. and H.O. Wills Co. refused to buy 382 000 pounds of the offering at the first sales held under the plan, claiming that the quality was too poor to use in their products. Under pressure from the Commonwealth Government, the manufacturers offered to buy the tobacco for £100 000 and stated that they would destroy it, or use it to demonstrate the poor quality of the leaf.[8] The Government, obviously determined to make the TISP work, simply stopped payments of rebates until the leaf was cleared.[9] However, this action on the part of the manufacturers precipitated a review of the grade/price schedule to comply with the requirements of the manufacturers in view of the quantity and quality of the stocks they were holding.[10] The ploy by the manufacturers was to force the review and to push high quality leaf down the schedule and lower quality leaf off the schedule entirely. This was achieved *de facto* by the manufacturers' behaviour at the leaf clearances during which the majority of the offerings were passed in and forced to go to arbitration, and from there knocked down to the original bidder at the minimum price. Thus, the reserve price, originally envisioned as the minimum price on the grade-price schedule, became the sale price. During the first period of stabilisation prices paid to growers rarely exceeded the set average price of the schedule, a direct consequence of lack of market competition and what farmers saw as collusion between manufacturers.

However, according to Don Hastie, Chairman of the Queensland Tobacco Leaf Marketing Board (QTLMB) 1966-1987, the manufacturers were also captives of the market for their products. The requirement for manufacturers to allow tobacco to mature in store for at least eighteen months before manufacture meant that accurate prediction of market share was crucial to the optimum purchase of leaf suitable for their individual blends. Therefore, if one manufacturer captured a share of another manufacturer's market for cigarettes or tobacco products, the second could be left with an excess of stocks of a particular type of tobacco. That would remove the necessity for that buyer to purchase from the relevant section of the price/grade schedule, and therefore further depress the competition on the sales floor. The whole business of tobacco supply chain management was made more

[8] *Cairns Post,* 2 October 1965.

[9] *Ibid.*, 4 October 1965.

[10] *Ibid.*, 23 October 1965.

complex by the TISP. Not only were farmers required to grow a notoriously difficult crop to precise specifications and volumes to maximise their incomes, but manufacturers had to balance their blending requirements across a projected market eighteen months into the future and at the same time to buy a pre-determined volume of tobacco from a pre-determined price schedule.

The manufacturers claimed that financing their purchases also caused difficulties. The maturation period was expensive for manufacturers in that stored and paid-for tobacco cost a lot of money in storage, maintenance and interest. One of the attractions of the TISP for growers was that they were paid for their crops, in full, a maximum of fourteen days after purchase. In order to make financing of their purchases easier for the buyers, Des Lappidge, Director of Marketing for the QDPI, brokered a deal between an unidentified bank, growers and manufacturers, to provide finance at favourable rates. The Tobacco Industry Leaf Finance Authority (TILFA) was a shadowy entity which raised cheap money to enable the manufacturers to pay growers for their tobacco almost immediately. The source of the money was never made public, but it is a reasonable assumption that it originated through manipulation of the short-term money market by the bank involved.[11] However, it did have the tacit approval of all the State Governments and the Commonwealth Government through their representatives on the ATB.

Therefore governments, at both State and Commonwealth levels, were intricately involved in the tobacco industry from seed production to the sale of the crop. It was fast becoming one of the most regulated and protected industries in Australia, a situation not lost on other struggling primary producers, notably the wool, wheat, beef, dairy and sugar export industries.

By 1967, farmers were hard put to maintain any sort of profit margins. The cost of growing the crop had risen 8.25c per pound above the average schedule price[12] and production per acre was rising because of better field control of diseases such as blue mould and looper

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[11] Interview with Bill Kidston, former Director of Marketing, and Queensland Government representative on the Australian Tobacco Board, October 2003.

[12] Statistics prepared by the Bureau of Agricultural Economics, Division of Tobacco Growing, 1967, held in the records of QTM, Mareeba.

caterpillars.[13] In 1968 it was announced that the TISP would be extended to the 1973-4 season, and that the marketing quota would be increased from 26m. pounds to 28.5m. pounds in 1969. The extra quota was to be allocated to growers with small quotas who were facing financial difficulties.[14] Again, this caused dissension among the farmers. Those farmers who had suffered the biggest initial cuts in production clearly felt that it was their turn to be allocated an increase in quota, whilst those farmers with small quotas wanted to remain viable.[15] Increase in usage of raw tobacco by manufacturers allowed an increase in quota to 32m pounds for the 1970 crop, of which Queensland's share was 17. 23m pounds, an increase of 23% since the inception of the TISP in 1965.[16] However, on the question of price increases, the manufacturers continued to insist that farmers' profits should come from efficiencies in production and not from price increases. The Board pointed out that cigarette prices had increased in the relevant period, and as tobacco was such a small component of the end cost of production, then a price increase to the farmers would not be an unbearable burden for the buyers. This argument was repeated many times over the following years, with every price increase to the farmers being wrung out of the manufacturers with maximum difficulty.[17]

By 1970, the cost of production per pound of tobacco in the Mareeba/Dimbulah district had risen to 103.3 cents per pound, whilst the average price received was 112 cents per pound. The calculations for the cost of production did not include a cost attached to family labour, or for management and farming skills of the farmer. The cost of interest on debt was not included either, although capital cost (interest on the total capital investment), was costed at 4.3 cents per pound.[18]Since the average farm debt was in excess of $12 000[19], the 8.7 cents per pound was required to pay for interest and redemption on debt, as well

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[13] *QPP*, Annual Report of the Department of Primary Industries, Research Division, Vol. 1, Part 2, 1968, p. 27.

[14] *QPP,* Annual Report of the Department of Primary Industries, Vol. 1, Part 2, 1968, p. 27.

[15] Annual Report of the Queensland Tobacco Leaf Marketing Board, 31 December 1969, p. 6.

[16] *Ibid.*

[17] Interview with D.R. Hastie, September 2003.

[18] J.Van Haeringin, *Production and Marketing Costs in the Australian Tobacco Industry*, Division of Marketing, Department of Primary Industries, Queensland, 1970, p. 50.

[19] Bureau of Agricultural Economics*, The Australian Tobacco Growing Industry, Report on an Economic Survey 1970-73*, AGPS, Canberra, 1976.

as provide a salary for the manager/farmer, and any family labour used during production of the crop. It was obvious that profit or even a living wage was not a concept related to farming in any of the calculations used to establish the cost of production.

De-stabilisation

The election of the Whitlam Government in 1972 was not greeted with joy by the tobacco industry. Their fears were realised when costs began to escalate through the reduction of the fertilizer bounty. Although the cut of 25% in all tariffs was supposed to reduce costs of chemicals, the reduction was marginal, and was negated by massive increases in wages. There was also an increase in the excise of 4c per packet on tobacco products which had the effect of reducing demand. Although the TISP gave the tobacco farmers predictability of income, the IAC in 1982 stated that it provided farmers with a net subsidy equivalent of $27m in 1979-80.[20] The Commissioners recommended that assistance to the growing industry be reduced gradually over seven years. They found that the manufacturing industry was protected to a moderate degree against imports of manufactured tobacco products, and recommended that the current level be maintained at 15% *ad valorum* tariff.[21] These recommendations were not implemented, but some of the growers were able to sense that the prevailing economic thought was not in favour of the TISP continuing.

Up to this time, the quotas attached to farms and farmers were only transferable with the sale of the farm. An outbreak of root-rot in Victoria prompted Minister Kerin to allow inter-state transfer of quota between licensed tobacco growers.[22] However, the Victorian government would not allow quota to be transferred out of Victoria, and most of the quota transferred came from New South Wales. Most of this quota was bought by North Queensland farmers. This allowed farmers some lee-way against falling levels of consumption reducing the requirement for leaf by the manufacturers and therefore reducing the size of individual quotas. Later, quota rules were liberalised so that farmers

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[20] Industries Assistance Commission, *The Australian Tobacco Industry Report,* AGPS, Canberra, 1982, p. iii.

[21] *Ibid.,* p. iv.

[22] John Kerin, written responses to questionnaire, November 2003.

were able to sell or lease quota at will. This resulted in a restructure of the industry with many of the small quota holders electing to leave the industry, or conversely to buy more quota. From 1983 to 1988, 149 quotas were either transferred or amalgamated. The result was a decline in the number of quota holders from 580 to 431, and a general increase in the size of individual quotas.[23] The facility to sell or lease quota had a deleterious effect on negotiations for price rises to the farmers. Manufacturers claimed that if quota could be transferred for up to $6 per kilo, then farmers obviously were able to make a profit with the average price of tobacco leaf at about $6 per kilo. Transfer of quota also pushed up land prices to the point where the only crop which could be grown profitably was tobacco. This locked in resource use and discouraged diversification.[24] if farmers who wished to exit the industry for whatever reason had been able to sell their farms, but not their quotas, land use would have changed in response to market forces, and quota would have been retired from the pool, causing a natural decrease in production which may have more closely reflected changes in consumption levels.[25]

The Stabilisation Scheme created a false sense of security for farmers and their leaders. The long administration of Don Hastie was a time of relative prosperity for those farmers who grew good tobacco. His administration concentrated on forging good relationships with the manufacturers, in the mistaken belief that the farmers would be looked after. This strategy worked only as long as the government continued to allow the industry to survive through tariff support. However, forces of economic change were gathering strength. In hindsight, it would be easy to say that industry leaders did not see disaster approaching, and take steps to ensure that the farmers were able to cope with the break between total protection and total deregulation.

The IAC implemented another inquiry in 1987.[26] The Commissioners again recommended the phasing out of the TISP over a period of five years. This was to have been done by abolishing all restrictions on the sale and purchase of quota. This would have enabled the manufacturers to purchase quota from individual farmers, and then to retire it, thus

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[23] Internal paper generated by the Queensland Quota Committee, Gilmore Family Papers.

[24] Interview with Don Hastie, September 2003.

[25] *Ibid.*

[26] Industries Assistance Commission, *The Tobacco Growing and Manufacturing Industries,* Report No. 405, 24 September 1987, AGPS, Canberra, 1987.

reducing the amount of Australian tobacco they had to buy to gain the concessional rate of tariff. Price increases were to be negotiated between the manufacturers and the growers, but held to a ceiling of 3.5% annually. In conjunction with this, manufacturers' minimum stock holding requirements would be phased out as soon as possible.[27] The farmers resisted, and their lobbying resulted in the delay of the inevitable abolition of the TISP until 1995 .[28] In all of the Commission's inquiries, the tobacco manufacturers insisted that they had a vested interest in the continuation of the local tobacco growing industry, citing consumer preference for the local product.[29] However, the farmers were suspicious of the real intentions of the manufacturers thanks to bitter memories of the way in which they had been treated in the past.[30] There was an inherent tension between the public pronouncements of the manufacturers, their unwillingness to pay prices much above the cost of production, and constant demands for change in the production of tobacco.

In 1988, Queensland Premier Bjelke- Petersen retired and was replaced by Mike Ahern. Bjelke- Petersen had resisted the imposition of a tax on the sale of tobacco products in Queensland. However, the New South Wales Government did have quite heavy tax imposts on tobacco. This resulted in a cross border trade in which tax-free tobacco was purchased in Queensland, taken across the border, and sold cheaply in New South Wales. Ahern bowed to pressure from the New South Wales Government, and imposed a tobacco tax. This drew an immediate protest from the tobacco industry, and in particular from the Member for Tablelands, Tom Gilmore. Gilmore negotiated with Ahern for a $10m compensation package to tobacco farmers to be distributed by QTLMB. The package was not intended to restructure the industry, but to compensate the growers in some measure for an anticipated decline in consumption following the imposition of a tax on the product.[31] The directors of QTLMB had wanted the $10m to be used to relocate the Bundamba packing and processing facility used by Rothmans to Mareeba. However, Rothmans would

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[27]Industries Assistance Commission, The Tobacco Growing and Manufacturing Industries,1987, p. viii.

[28] John Kerin, responses to questionnaire, November 2003.

[29] Queensland Department of Primary Industries, *Annual Report, Directions Programme*, 2000, Attachment I, Structural Adjustment Interim Report, p. 43.

[30] Letter from T.V.Gilmore to Hon. John Kerin, Minister for Primary Industries, 13 September 1990, Gilmore Family Papers.

[31] Interview with Tom Gilmore, Mareeba, October 2003.

not agree to the proposal on the grounds that it would add to their freight costs. Therefore the money was paid directly to the farmers and allocated on the basis of Grower's Basic Quota (GBQ). The money was required to be spent on-farm and was intended to assist farmers to modernise and update their farming operations. In retrospect, this money would have been better spent to retire quota, so that the remaining quota would have been closer to the level of consumption.

Notwithstanding the provision of $10m compensation, the farmers viewed the money as evidence of perfidy on the part of the Government, with many claiming that "Joh would never have done such a thing to farmers."[32] Bjelke- Petersen and his developmental policies had achieved iconic status among many farmers. This was later transferred to Pauline Hanson, whose similar combination of compassion for the virtuous "battler" and contempt for "elites", resonated with farmers who increasingly considered themselves under siege from uncontrollable forces.[33]

Although the number of Queensland tobacco producers had reduced to about 400 by 1989, the IAC inquiry of 1994 found that there were '...too many growers, and too much capacity to over-supply the demand for local leaf'. Although acknowledging that the Australian grown product had no hope of competing with imported tobacco on price, it recommended that '...assistance for tobacco leaf and tobacco products be converted to tariff-only support, ... prior to implementation of the agreement reached for the conversion of local content schemes under the Uruguay Round of trade negotiations.'[34] This recommendation effectively sounded the death knell of the local tobacco growing industry. It just took some time to die. The abolition of the Tobacco Industry Stabilisation Scheme in 1995 meant that the farmers, for the first time since 1936,[35] were cast upon their own resources. It was obvious to all the players that the farmers would struggle to compete against imports from low-cost countries, and that although manufacturers promised that

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[32] Interview with farmers T1 and T2, Dimbulah, October 2003.

[33] Geoff Dow, "The Political Economy of Extremism: Liberalism and the One Nation Phenomenon", *Queensland Review,* Vol. 5, No. 2, December 1998, p. 34.

[34] Industries Assistance Commission , *The Tobacco Growing and Manufacturing Industries*, Report No. 39, Australian Government Publishing Service, Canberra, 29 June 1994, pp. xxix – xxxii.

[35] As noted in Chapter Five, in 1936 tariff rebates were tied to a requirement that manufacturers use a percentage of Australian tobacco in their blends.

they would continue to buy Australian tobacco contingent upon quality and price, the future of the industry was very bleak indeed.

During the period 1985-1995, manufacturers' specifications for tobacco leaf changed. Instead of the heavier, aromatic, and high tar content leaf, they now required lighter, brighter leaf with a lower nicotine content, and a higher sugar to starch ratio. The farmers adjusted their cultural practices to produce leaf conforming to the new requirements which entailed different times for planting and harvesting, and altered fertiliser regimes. Changes in manufacturing technology in the factories allowed tobacco leaf to be handled much more efficiently than it had in the past. Consequently, the manufacturers required a change in the method of preparing tobacco before it appeared at the factory. Up until then, leaf had been cured, hand tied onto sticks, and then placed in kilns (barns), which were wood or diesel fired, with humidity controlled by the use of flues. The cured leaf was then 'bulked"[36], matured, graded, tied and baled before being presented for sale. Farmers invested in bulk curing units, with electrical heating, from the late 1970s, in conformity with the manufacturers' requirements for a change in the presentation of tobacco. This amounted to savings in handling of tobacco post-harvest, as leaf could then be taken from the barn after curing, and plant position sorted[37] and baled immediately in loose leaf form. However these changes also meant a capital investment in bulk curing units at a cost of approximately $30 000 each. A farm with a quota of 60 000 kgs would require eight of these units. The fuel cost component also increased. Therefore the cost of production of tobacco was not substantially reduced. Consumption of tobacco continued to decline. (See Fig. 29). The decline was exacerbated by the manufacturers using a technique which "fluffed"[38] tobacco reducing the amount of tobacco in cigarettes.[39]

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[36] 'Bulking' meant that the cured leaf , with a certain moisture content, was taken from the barn and cut from the sticks. The leaf was then placed in a 'bulk' with the rest of the cured crop, weighted down, and left to mature for some time before being taken out of the bulk shed to be graded, tied into 'hands', and then baled in 200 pound (later 100 kilos) bales ready for sale.

[37] Plant position sorting meant that the complex system of grading was no longer a requirement. The leaf was sorted into grades based on the position on the plant, and as it would be picked and cured in that order, grading then became minimal.

[38] Changes in the technology used in manufacture enabled less tobacco to be used in each cigarette. This added to the decline in consumption.

[39] Interview with John Collins, former Manager of NQTGCA. , Mareeba, October 2003

IMAGE REMOVED DUE TO COPYRIGHT RESTRICTIONS

Illustration 39: Mechanically assisted spraying of insecticides.
Source: *Tobacco in Australia,* p. 14.

Deregulation and Restructure

The Australian tobacco growing industry was totally deregulated in 1995. Until then, regulation had been structured on cooperation between the States and the Commonwealth to maintain complementary legislation which would bypass the requirements of Section 92 of the Commonwealth Constitution guaranteeing free trade between the States. By 1994, declining consumption and growing resistance to the purchase of Australian tobacco by the manufacturers convinced the Victorian growers that the only hope of survival for them was to form an alliance with manufacturers based on an unregulated industry. Phillip Morris Australia moved its re-drying plant from Melbourne to Myrtleford, where costs were much lower. The Victorian farmers convinced the Victorian Government to withdraw from the Commonwealth-State agreement which had underpinned the industry since 1965. Although the Queensland grower representatives on the ATB tried to resist, they were powerless in the face of the Commonwealth Constitution. The Queensland representatives of the industry were told by the Commonwealth government to deregulate immediately under their own terms or it would be done under terms imposed by the government.

The Australian Tobacco Board, and all of the State SMAs were abolished. QTLMB was reconstituted as a marketing cooperative known as Queensland Tobacco Marketing (QTM). Although it was now theoretically possible for manufacturers to negotiate contracts with individual farmers to supply tobacco to them, the farmers unanimously elected to vest the sale of the tobacco in QTM. The memories of the farmers were long, and folklore about the tactics of the manufacturers in screwing down prices paid for tobacco ensured that there were no dissidents.[40] The function of QTM was to negotiate contracts, allocate the total amount of tonnage of leaf required by manufacturers to the farmers on an equitable basis, arrange and oversee the sales, and fulfil a role in lobbying government for the benefit of farmers. Remzi Mulla continued his leadership role as Chair of QTM, and NQTGCA continued to act as selling agent.

A major restructuring of the industry was required to enable farmers who wished to exit the industry to do so with resources to enable them to establish a new life elsewhere. Bill Kidston, the Queensland Government representative on the ATB, proposed to the Queensland Government that the industry should be closed completely. This was to be achieved by buying all the tobacco farms, resurveying them into bigger lots, and selling them to farmers who would grow different crops for the open market. The cost would have been $120m, and was refused by Treasury.[41] The tobacco industry had very few friends in any positions of power, but Queensland Treasurer Keith DeLacy, possibly because of his and his father's involvement in the tobacco industry, realised that the future of the entire industry was at risk without assistance. He brokered a deal between the Queensland and Commonwealth Governments and the manufacturers to provide $2 per kilo of quota each to buy out quota from those wishing to exit, and to reassign the remaining quota to the remaining growers to ensure that they remained viable. However, the original $6 per kilo of quota was reduced to $4 when the Commonwealth Government refused to commit to the deal. It has to be stressed that the growers' representatives did not lobby the Commonwealth Government to commit to the scheme because they could see that further assistance may have been required at a later date.[42]

Although the concept was that aged, infirm and widowed farmers would be given preference, legal advice was that this would contravene the provisions of anti-discrimination legislation. Therefore, the offer was made on a 'first in' basis over a forty-eight hour period, with applications to be lodged in Brisbane. The only requirement for

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[40] Interview with Peter Soda, manager of QTM, Mareeba, October 2003 .

[41] Interview with Bill Kidston, Surfers' Paradise, October 2003.

[42] Interview with Remzi Mulla, Chairman, QTM , Mareeba, November 2003.

farmers to qualify for assistance to exit the industry was that they be *bona fide* tobacco growers, and that they be able to get their applications organised within the specified time. This resulted in over-subscription of applications by those farmers with good organisational skills, but many of the aged, infirm and widowed farmers were not able to submit their applications early enough for consideration.

Keith DeLacy was no doubt motivated by his family association with the industry, and by his own experiences within it as a tobacco farmer, and had the welfare of the farmers at heart. However, the effect of the package was to prove divisive within the community. The policy of applications being accepted on a first-in basis, meant that many of the more deserving were not able to get their applications into the Queensland Rural Adjustment Authority in time. Therefore, the buy-out meant that many of the older farmers were left in the industry, and younger, more fleet of foot farmers were able to exit. In 1996 there were still 295 tobacco farmers left in Queensland. However, that result was not the least of the saga. Seventy growers instituted a class action against the scheme, and the preliminary hearing in the Magistrate's Court found that there was probably a case to take to the Supreme Court. However, the action was withdrawn by the farmers three days before the hearing. According to Remzi Mulla, this was because the dissenting group realised the difficulties that their action could cause for their own exit from the industry. At a meeting with the group he suggested that they form a committee to establish criteria for qualification to receive the buy-out, and that everyone who had qualified under the first-in requirements would then re-submit their applications to an independent committee for evaluation against the new criteria. Of course, this meant that many who had received a package would then miss out in favour of others better qualified under the new criteria. The package had resulted in the exit of many growers, but as events unfolded, it became obvious to some in the industry that it was headed for disaster, and more would have to be done to look after the interests of the farmers.

Tom Gilmore was appointed Minister for Mines and Energy in the Borbidge Government in 1996. He had lobbied hard for the development of the Tablelands and had been successful in assisting a number of projects such as the establishment of a prison, and a sugar mill. He recognised that the Government would have to raise revenue to carry out its own policy initiatives. He suspected, rightly, that an increase in tobacco taxes would be high on the list. In anticipation of this, he had managed to convince the Central Council of the National Party that further tax increases on tobacco products were not an option. Consequently, Cabinet also agreed that there would be no further increases in tax on tobacco. In spite of this, Premier Borbidge informed Gilmore in 1996 that taxes on cigarettes would be raised in an attempt to balance the budget. Gilmore vigorously protested this decision, but the Premier was insistent. It must be emphasised that this decision was made entirely by the Premier and Treasury, and was contrary to both National Party and Cabinet policy. Therefore, Gilmore negotiated with the Premier and Treasury officials for funds to ameliorate the effects of the extra tax and at the same time to allow many of those who had missed out in the previous package to exit the industry. He was successful in getting both parties to agree to a package of $30m (subsequently known as QTAP 1997), (see Appendix Four) managed entirely according to principles established by himself in consultation with industry representatives. Treasury officials determined that no tax liability should accrue to the farmers whom it was designed to assist.[43] According to Harold Brown, DPI Brisbane, no Queensland government had previously allocated so much money to restructure a primary industry.[44]

Gilmore worked with Remzi Mulla to develop a scheme which would avoid the community dissension caused by the 1995 package. They developed three options. The first would allow a farmer to immediately exit the industry with a pay-out figure based on Growers' Basic Quota at the rate of $4.50 per kilogram. The criteria were based on age, infirmity, or lack of skills in the growing of tobacco related to the death of a partner, i.e. widows. There were no caveats on how these recipients could spend this money. This option allowed forty-seven farmers to leave the industry, and their quota was retired from the pool.

The second option allowed farmers to stay in the industry for a specified period of five years, over which time they would receive $4.50 per kilo of GBQ in five equal instalments of 90 cents per kilo. After this time they would have to exit the industry entirely. The object of this option was to allow farmers the time and funds to diversify by growing other crops.

The third option was for the farmers who wished to stay in the industry. Its purpose was to assist the farmers to enhance their on- farm long term financial viability. Those farmers

[43] Interview with Tom Gilmore, Mareeba, October 2003.

[44] Interview with Harold Brown, DPI, Brisbane, December 2003.

were also paid $4.50 per kilo of GBQ, but they had a choice of how they received the money. They could elect to receive the full $4.50 as a productivity payment, in which case the money would have to be used on approved projects on farm. These could be, but were not limited to, reduction of debt; purchase of tobacco-specific equipment; acquisition of additional farming land; diversification into alternate crops; or any other project acceptable to an independent panel. Alternately, the farmers could elect to receive 30 cents per kilogram for five years in an untied grant, and 60 cents per kilogram for five years for the purposes outlined above.

The farmers' submissions applying for Option 1 were assessed by a panel consisting of Lieutenant-General John Grey (Ret.), the Reverend Tony Hall-Matthews, former Anglican Bishop of Carpentaria, and Bill Cummins, economist. There were no objections or appeals against the outcome of the process.[45] The applications of farmers applying for Options 2 and 3 were assessed by a panel of two industry representatives, one from the Department of Primary Industries, and one from the Queensland Rural Adjustment Authority. Although the package was well received by the remaining tobacco farmers, other farmers, who had left the industry and diversified into other crops with no assistance, saw the package as a threat to their own markets. They considered that the tobacco farmers would use the money to diversify into crops which already had the capacity to over-supply the market.[46] The resentment of the farming population of this and successive Commonwealth governments' policies in implementing micro-economic reform was fuelled by the populist rhetoric of Pauline Hanson's One Nation Party. Tom Gilmore lost the seat of Tablelands in the 1998 election to the One Nation candidate. With this the tobacco farmers also lost the last supporter they had with influence in any sphere of government. They had run out of political capital.

The 1997 package reduced the numbers of farmers growing tobacco in the MDIA to 151 in 1998. They shared the available quantities of tobacco to be grown as per contracts offered by manufacturers according to the proportion of GBQ held by each. The amounts of leaf contracted by the manufacturers continued to decline. The aftermath of the 1995 scheme

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[45] Interviews with Tom Gilmore and Remzi Mulla, Mareeba, October and November 2003.

[46] Queensland Department of Primary Industries, *Directions Annual Report,* Attachment I, Structural Adjustment Interim Report, Mareeba Economic Development Corporation, Mareeba, 2000, p. 55.

was still simmering, and had a very bad effect on the community. Hatreds were generated which to this day have not been resolved. So intense was the resentment of some of those who did exit the industry at that time, that they formed a group of 215 former tobacco farmers, known as the VORTI group (Victims of a Restructured Tobacco Industry), specifically to lobby the Commonwealth Government to be included in any compensation package which those left in the industry may have been able to negotiate. The grounds for this appear to be complex, but grew from one of the conditions of the 1995 package. This was the decision that from 1995 quotas[47] could no longer be leased or sold.[48] Therefore many of the younger farmers who had opted to exit had made their decision based on the understanding that the industry would become less flexible, and that they might be locked into growing tobacco in the same or reducing quantities without the opportunity to either buy or lease more, or to sell or lease their quotas to other farmers. The decision on the selling and leasing of quotas was later reversed, leading the exited growers to believe that they had been misled.[49] For this reason, they felt that they had as much right to compensation as the growers who had opted to stay in the industry. Their submission to Deputy Prime Minister Anderson was supported and generated from the Mareeba office of the One Nation Senator for Queensland .[50]

The Commonwealth Government recognised that the demise of the industry would have a devastating effect on the economy of the MDIA.[51] The Board of QTM, led by Remzi Mulla, had been negotiating with the Commonwealth for some time to provide a complete buy-out for the remaining farmers, not including the VORTI Group. At that stage, the Commonwealth was offering support to be funded by an increase in the excise on tobacco

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[47] Technically, quotas ceased to exist when the industry was dregulated in 1995. However contracts with the manufacturers were issued on the basis of Grower's Basic Quota.

[48] This decision was based on a request from the manufacturers, and was not mandated. However, so many farmers incapable of growing a crop were left in the industry that a mechanism for them to have an income was needed. Therefore the twelve-month moratorium on sale or lease of quota was terminated.

[49] Interview with Fred Catterossi, Mareeba Shire Councillor, and former tobacco grower, Mareeba, October 2003.

[50] Interview with Remzi Mulla, November 2003.

[51] Bureau of Transport Economics, *Atherton Tablelands Regional Analusis*, Department of Transport and Regional Services, Canberra, c. 2001, p. 61.

products. However, after receiving the submission from the VORTI Group, Anderson refused to deal with what he considered a split industry, and sent the Board of QTM back to heal the divisions within the community before approaching him again.[52] Instead of buying out the remaining 115 farmers, as they wished, Anderson offered the entire Atherton Tablelands community $18m under the Sustainable Regions Programme.[53] This package was managed by a committee consisting of the four Shire Mayors[54], an academic, and an economist with expertise in regional development. This amount of money was not meant to replace the annual production value of tobacco, but was designed to build a regional economy which would be balanced in terms of primary, secondary and tertiary industries, as well as building capacity to adjust to change. To date it is too early to determine if these funds have had a significant impact on the economy of the area.

In 2003 the last crop, a fraction of the earlier GBQ, was harvested and sold. BATA had declined to offer any contracts to North Queensland growers from 2001. The reasons for this were based on the price differential between production in North Queensland and Victoria. The company had been reviewing its domestic leaf purchasing policy since deregulation in 1995. BATA, which had merged with Rothmans and WD and HO Wills to take 42% of the market in 1999, was dealing with problems of its own. Consumption was declining by 3% per annum and profitability was maintained only by slashing 1200 jobs from its factory in Sydney. Its share of the Australian market was challenged by the chop-chop trade in illegal tobacco estimated to be about 6% of consumption, and also by products imported from low-cost countries such as China. BATA suggested to the Government that they would continue to support the Australian industry if the Government would agree to a four-point plan. The plan entailed allowing the manufacturers to pay their excise once per month instead of weekly. This would have saved them $20m. The Government, which would have lost the $20m, declined that offer. The second was that the price of cigarettes not be subject to indexing. That too was declined. The BATA then

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[52] Interview with Remzi Mulla, November 2003.

[53] The Sustainable Regions Programme was set up by the Commonwealth Government. Its purpose is to provide funds for regions identified as particularly disadvantaged by the micro-economic reform process. It is administered through the Department of Transport and Regional Services (DoTRS).

[54] The Shires of Atherton, Eacham, Herberton, and Mareeba.

asked the Government to eliminate the chop-chop industry which the company claimed had made significant inroads into retail sales.[55] The Government, although losing more than the manufacturers through the loss of excise, obviously could not guarantee this condition. The fourth was that the Government would not instigate litigation against the tobacco manufacturing companies. The Government obviously could not agree to pre-empt any actions in the future. Therefore, the proposals failed.

BATA then proposed to the Directors of QTM that the North Queensland growing industry could be rationalised by the Company offering the farmers a rolling, decreasing contract over six years to enable smaller growers time to exit the industry.[56] This offer was declined by the Board on the grounds of solidarity, and the fact that they did not want "a slow death", but a buy-out from the Commonwealth Government.[57] BATA offered the farmers $1m to be managed through John Anderson's office. This money was intended to assist them to find alternate crops to grow. To date, this offer has not been taken up.

Up to 2000, successive governments had levied the excise tax on the weight of tobacco sold. This calculation was then changed to the number of sticks (cigarettes) sold, which substantially increased the total value of the excise to the government. However, it cost the manufacturers 10% of volumes sold due to consumer resistance. The introduction of the Goods and Services Tax made further inroads into sales of tobacco products. The linkage of the rate of excise to movements in the Consumer Price Index also caused the price of products to rise approximately 41% in the period March 1999 to September 2000.[58]Therefore, manufacturers also found themselves squeezed between rapidly rising taxes which caused massive increases in retail prices, and therefore increases in consumer resistance; increased public awareness of the dangers of smoking, also leading to decreases in sales; and illegal trading in chop-chop and counterfeit brands which further eroded market share. It was becoming more difficult for the companies to maintain

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[55] Interview with Gary Krelle, Managing Director, British American Tobacco Australia, Sydney, December 2003. Krelle stated that the chop-chop trade supplied 6-7% of the Australian market. Tobacco products in this trade sold for approximately half the retail price. This would equate to a loss of approximately $200m retail per annum to the tobacco companies.

[56]*Ibid.*

[57] Interview with Remzi Mulla, Mareeba, November 2003.

[58] Interview with Gary Krelle, BATA, Sydney, December 2003.

profitability, and therefore, cuts in costs had to be made wherever possible. It was almost inevitable that the axe would fall on the North Queensland tobacco growing industry because its product cost more than the Victorian tobacco.

In 2000, the grower representatives on the Tobacco Industry Taskforce, established by the Minister for Agriculture, Warren Truss, expressed the view that Australian farmers would not be able to compete with the price of foreign imports, and that because of being as efficient as possible saw no further savings in the cost of production. Consequently, BATA announced in November of that year that they would cease purchasing North Queensland tobacco following the completion of the 2001 crop purchase. The company then entered into a rolling agreement to purchase tobacco from the Victorian farmers for a five year period. The company maintained that support for the Victorian industry would ensure the viability of at least that area for some time, and fulfil the company's commitment to the maintenance of the Australian tobacco growing industry.[59] This would also enable it to continue manufacturing the Winfield brand of cigarettes which required at least 40% of Australian leaf content to enable it to be advertised as an Australian brand.[60] In 2002, Phillip Morris Australia, the other manufacturer left in Australia, also announced that no further contracts would be offered to North Queensland farmers. By November 2003, all of the contracted tobacco had been sold, but 320 tonnes remained in farmers' sheds. This caused great anxiety for the Australian Tax Office, which recognised the potential for all or part of that tobacco to find its way into the chop-chop trade, which would lose the ATO approximately $85m in excise.[61]

How the Farmers Coped

The farmers' responses to the slow death of their industry were diverse. Some went into a state of denial, not believing that the government would allow the closure of the industry. One of the farmers explained that his identity as a person was inextricably linked to his identity as a producer of extremely fine tobacco. A relatively young man, he bought his

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[59] British American Tobacco Australia Limited, *A Social Report 2001-2002*, BATA, Sydney, 2002, p. 53.

[60] Interview with Gary Krelle, BATA, Sydney, December 2003.

[61] Excise is levied at the rate of $280 per kilogram.

farm from his widowed mother at the market rate some years ago. She stayed on the farm in the expectation that she would be able to live on payments for the farm, and that she would have a secure future. The farmer[62] bought extra quota from neighbours wishing to exit the industry and built up a substantial holding. He also borrowed heavily to buy bulk barns, a bigger tractor, and more water and irrigation equipment. He believed that as North Queensland tobacco farmers were producing some of the best tobacco in the world, and that it was a legal crop, he would be able to grow tobacco for the rest of his farming days. He did recognise that the industry would diminish, and borrowed again to plant tea-tree, and to install the equipment necessary to extract the oil. This venture faded into insignificance after two years, and he was not able to recoup his investment. A crop of watermelons returned less than the cost of production, and there was no buyer for the pumpkins which he grew in an attempt to establish a small cash flow. At that time there were 120 tonnes of pumpkins left to rot in another farmer's paddock, and yet another farmer was offering free pumpkins to anyone who wished to pick their own. This man cannot see a future for himself as a farmer, and is actively seeking work off-farm, as is his wife.

Another farmer had foreseen the down sizing of the industry and had invested heavily in equipment to grow sugar. At the time of writing, sugar was not returning the cost of production, and the farmer was going into further debt to grow more sugar in the hope that the price would increase. Other farmers diversified into exotic crops such as Australian wild flowers. This market collapsed when Peruvian farmers started to grow the same cultivars, and were able to supply the New York flower market with the same product as the Australian farmers for one third of the cost.[63] Others invested in mangoes, exotic fruit, stone fruit, grapes, and a range of other products. With the exception of mangoes, which has one profitable production cycle in three, all of these crops proved unprofitable because of the cost of production, freight costs to markets, and competition from established producers. Other farmers refused to believe that the industry would close, and so did nothing. In many ways, these were the ones who made some savings, because they did not spend money from the restructure packages on attempting to set up to grow other crops.

[62] Interview with farmer T7, Mareeba, October 2003.

[63] Interview with farmer T5, Dimbulah, October 2003.

Those farmers who took Option Two of the QTAP 97 were in the best position as they had untied money to invest elsewhere, whilst still able to grow some tobacco. The farmers who exited the industry entirely had the benefit of either being able to sell their farms for use other than tobacco, or to pay off their debts. The third group, who elected to take Option Three, and whose payments were partly tied into farm development, did so on the understanding, given to them by at least one manufacturer,[64] that they would be in the industry for the long haul.

The 115 remaining tobacco farmers in the MDIA are now facing the reality of having a large but worthless investment in tobacco specific infrastructure. Their farms have reduced in value by at least 70%[65], and the banks have now declared the Dimbulah district a poverty area and will not lend to farmers there. The two attempts to restructure the industry, in 1995 and 1997, had succeeded in removing most farmers from the industry. However, those remaining did so in the full expectation that there would remain a viable industry for many years. For this reason, many of the older farmers sold their farms to their sons, the debt to be paid when the farms became viable. Therefore, the average age of the farmers is 49, and most of them have families at the critical age of requiring secondary and tertiary education, as well as being responsible for aged parents still living on the properties because they have not been able to realise the debts owed by the sons. Generally speaking, the farmers have no skills other than farming, and the steady decline of the industry over twenty years has resulted in the closure of any businesses or small industries, in the towns, which may have provided employment in the past. The average debt of the farmers to the banks, and excluding debts to family, is $220 000. A survey conducted by QTM has revealed that only six of the 115 farmers have off-farm investments. A few of the farmers in the 55-70 age group have a limited amount of superannuation upon which they are able to draw. The aged parents are ineligible for any Social Security payments because the debt owed by their sons is counted as an asset. The younger members of the families are also ineligible because their farms are held to be

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[64] Interview with farmer T4, Mareeba, October 2003.

[65] Interviews with farmers and Remzi Mulla conducted during October and November, 2003. The farmers wished to remain anonymous, but all reported that recent valuations of their farms had declined by at least 70% in the last five years.

worth more than the upper limits allowable for assets. To qualify for assistance under the Rural Adjustment Scheme, they must prove that their enterprise is viable. They are unable to prove this. It would be possible for the farmers to obtain a re-establishment grant of up to $48 000 to enable retraining and settling elsewhere. This grant is subject to an asset test, and reduces significantly for any assets over the value of $100 000. This amount would not buy a house or a business. They could also be eligible for Newstart Allowance as household support. However, when asked what Social Security support he had attempted to access, one farmer replied 'We don't want bloody Centrelink. We want a crop to grow. We want to work. We are farmers, not dole bludgers!' There are no alternate crops which they could grow without encountering stiff competition from farmers who diversified their production into other crops previously. In addition, growing other crops would entail the investment of considerable funds in seed, fertiliser and sprays. The prospects of these people are not good, and most have succumbed to despair. Stress related illness is rife among the farmers and their families, and most have reported that they do not know what to do next.[66]

There were many factors at work within the industry which lulled many of the growers into a state of denial. One was the relative lack of education among the farmers. Many of them had come from Southern European migrant stock, principally from Italy, Yugoslavia and Albania in the great wave of post-war migration. These families had little financial capital, but an enormous capacity for hard work, and a burning desire to succeed. They believed passionately that all that was required to be a good farmer was the will to work, and an experience- based knowledge of plant production. Education in marketing, commerce, agricultural economics, agronomy, politics or land use and conservation was considered a waste of time and money. Most of the original generation could not read or write in English, and belief in the traditional farming methods meant that many of their sons and most of their daughters were denied education beyond the age of fifteen. Those sons who were educated served time in trades which were deemed to be of use on the farm. Although this is a generalisation, it does appear to be the dominant pattern for those who stayed in the industry to the end. Those who did exit the industry earlier perhaps had the critical ability to analyse trends and make informed decisions.

[66] Interviews with farmers carried out during October 2003 in the Mareeba and Dimbulah areas.

Another factor which led to the denial of the inevitable may be attributed to the leadership. When Don Hastie retired in 1984, the Chair of the Tobacco Leaf Marketing Board was taken by Remzi Mulla. Mulla was young, had impeccable integrity, and quickly was accorded iconic status by the farmers.[67] He was also an innovative farmer, willing and able to adapt his own farming practice to changing circumstances. He led the industry through demands for change from the manufacturers, successfully adapting to the required type of leaf, the curing regime, its presentation on the sales floors, and personally monitoring the allocation system[68] so that discrimination from buyers became a thing of the past. Mulla maintained a positive attitude to change, always believing that he would be able to negotiate a secure future for the industry. He communicated this belief to the farmers, who continued to attempt to maintain their self-image as tobacco growers of an excellent product, imagining that they would always be able to grow tobacco.[69] This view was reinforced by the statements of the manufacturers' representatives. In 1995, they placed an advertisement in all of the local newspapers stating that '…tobacco manufacturers look forward to a continuing partnership with growers…'.[70] In 1999, an executive with Rothmans, during a visit to farmers in Mareeba, stated that "You and your sons will be growing tobacco for many years to come."

A third factor was the fear of the unknown. Many had seen their neighbours exit the industry and diversify into other crops, and therefore have to deal with the exigencies of the market place as individuals, without a strong marketing organisation to work for their interests. Without experience in marketing, and observing many farmers fall prey to the various agents and merchants handling their crops, most of the remaining farmers decided to stay with what they knew best. Investing in another, unknown crop was seen as a risk, and the experiences of those who did diversify into flowers, tea-tree, vine fruits, stone fruits

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[67] Interviews with farmers carried out in in Mareeba and Dimbulah, October 2003.

[68] Manufacturers were required to conform with an allocation of grades for which an average price must be paid. It was suspected that this system was manipulated by the buyers so that favoured growers were paid more for their tobacco, and others were paid less to conform to the average price allocations.

[69] Interview with Remzi Mulla, Mareeba, November 2003..

[70] *Cairns Post,* 29 March 1995.

and other crops reinforced this view.[71] In the end, the farmers saw themselves as victims of an uncaring government which refused to support them by forcing the manufacturers to buy their product. The absurdity of that proposition in the prevailing climate of economic rationalism and non-government interference in the market place was not at all evident to them.

In spite of State Government and industry support, in the form of restructure packages and research into alternate crops, which totalled $52m, the remaining 115 farmers are now, for the most part, destitute. There is a legacy of bitterness within the community because of the expectations generated by the restructure packages. The electorate of Tablelands as a whole turned to the nostrums of One Nation in the unrealistic hope that that party would turn back the clock and restore all the farmers to their comfort zones. In doing so, they lost any capacity they may have had to leverage a better deal at the political level. In 2001 and 2004, Bob Katter, formerly National Party, was returned as the Member for Kennedy as an independent member. The farmers then lost any influence they may have had with the Commonwealth Government as well. In both spheres of government, they became electorally irrelevant, to the point where Mulla has been denied access to the Federal Minister for Transport and Regional Services. However, an analysis of the voting patterns for the electorate of Tablelands in 1998,[72] reveal that the only areas where the National Party received more votes than either One Nation or the Australian Labor Party were the tobacco growing areas. Therefore Mulla's claim that the 115 tobacco growers are being penalised for the voting behaviour of the rest of the electorate appears to have some validity.

Economic and Social Effects on the MDIA

Prior to 1980, the economic base of the MDIA was extremely narrow. Its primary base was tobacco, with a limited number of service industries built around it. For example, NQTGCA had expanded its operations to include light manufacturing, and had acquired the rights to

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[71] Queensland Depertment of Primary Industries, *Directions Annual Report*, Attachment I, Structural Adjustment Interim Report, Mareeba Economic Development Corporation, 2000, p. 43.

[72] Electoral Commission Queensland, *Queensland Election 1998*, Electoral Commission Queensland, Brisbane, 1998, pp. 198-9.

produce the Canadian Powell Curing System (bulk barns), for the tobacco industry. Apart from acting as the selling agent for the tobacco, it also supplied fertiliser, chemicals, and other farm requirements. There was a range of other service providers in the district, all dependent, to a greater or lesser degree, on the production of tobacco. As farmers left the industry and diversified into other crops, service industries adapted and changed, but inevitably the scale of operations declined. In 2001, the Mareeba Shire Council commissioned KPMG to conduct a study into the effects of the decline of the tobacco industry on the Shire. This study found that the annual average loss in net generated income in the retail trade was estimated at $4.7m; wholesale trade $1.11m; construction $1.93m; property and business services $2.3m.[73] It also found that the elimination of the tobacco industry resulted in losses of sub-regional gross output of $39.82m; value-added of $22.43m; and of 194 full time equivalent jobs by 2001.[74]

Although other industries such as mangoes, sugar, citrus, exotic fruits, flowers, tea-tree, coffee, bananas, and paw-paw growing had been established in the period 1990-2000, some of these had proved to be unsustainable, some had proved to have a profitability cycle of one year in three, others were suitable only for limited niche markets, sugar has been in decline since establishment, and none has proved to be able to equal the value of tobacco as at the end of the stabilisation period. However, the economic picture can be contradictory, with gross agricultural production in the Mareeba Shire rising slightly from 1997 to 2001, but this figure reflects a much lower value than would be expected had tobacco production survived. The following table illustrates this.

Table 6: Estimated Percentage declines in Regional Aggregates

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Source: KPMG, *Community Impact Assessment,* Mareeba Shire Council, Mareeba, 2002, p. 133.

[73] KPMG Consulting, *Community Impact Assessment,* Mareeba Shire Council, Mareeba, 2001, p. 127.

[74] *Ibid.,* p. 136.

The effect is particularly marked in Dimbulah, which relied exclusively on tobacco for its existence. Most of the farmers who remained in the industry to the end had their farms in the Dimbulah district. The shopping precinct has only three businesses now operating full time, the supermarket run by NQTGCA, the hotel, and the butcher. The other shops have either closed, or open for a few hours per week. The local transport company and engineering works have down sized considerably.[75] It is this area, which was the last to diversify and had the worst losses from attempts to grow other crops, which has borne the brunt of the loss of the tobacco industry. However, Mareeba too has had its difficulties in the last five years, with many businesses struggling to survive. The only growth in the services sector has been the accountancy businesses and the employment and training networks.[76]

The social effects have not been restricted to the farming population.[77]The restructure packages did not address the needs of a community which was adversely affected by the closure of the industry. Businesses had to make adjustments, and some closed down. Unemployment rose from 9.5% in 1996 to 11% in 2000, higher than the Queensland and national rates of unemployment. In June 1999, 5 430 people, from a population of 18 789 (28.9%) were in receipt of Social Security payments.[78] By 2003 the population had declined to 18 096.[79] Social Security was the single largest generator of funds in the Mareeba Shire. However, by 2003 there were indicators that the MDIA was beginning to adjust. New businesses are planning to set up in Mareeba, and several community projects, such as the Mareeba Wetlands have become sustainable. In the words of one Councillor, the community has moved on and on the whole the mourning period is over.[80]

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[75] Interview with farmer T7, Dimbulah, November 2003.

[76] Interview with Murray Smith, President, Mareeba Chamber of Commerce, November 2003.

[77] Glenys Bimrose, *Social Impact of Tobacco Industry Restructure*, Mareeba Shire Council, 2001, p. 2.

[78] Bureau of Transport Economics, *Atherton Tablelands Regional Analysis*, DoTaRS, Canberra, 2001, p. 16.

[79] Atherton Tablelands Sustainable Regions Advisory Committee (ATSRAC*), Atherton Tablelands Strategic Framework & Prospectus for Regional Development 2002-2005*, DoTaRS, Canberra, 1003, p. 24.

[80] Interview with Tom Gilmore, Mareeba. October 2003.

There has been a significant change in land and resource use.[81] Farms have amalgamated, resulting in the number of farms reducing from 960 in 1932 to 700 in 2003. Tree crops are now being grown on suitable land, and land use has been adapted to other crops such as sugar. The change required upgrades in the district's infrastructure. Roads were not suitable for the transport of sugar, and required progressive upgrading which was an expense borne partly by the Shire Council and partly by the State government as part of the diversification package negotiated by Tom Gilmore. The Tinaroo Dam, which had been designed for the tobacco crop which is a modest user of water, proved not to have the capacity to provide water for the alternative crops, as well as the demands from the expanding Cairns region.[82] Another source of water is urgently needed, but government and the environmental lobby are not receptive to the idea.

The remaining tobacco farmers have not moved on. Other farmers look upon the tobacco farmers with suspicion, in the expectation that they will become competitors for scarce markets for their produce. In the climate of distrust, distress, and fear of poverty, many have become socially isolated, withdrawing into the safety of their immediate family circle. Poverty has forced many families into reassessing their children's futures, and in some cases, denying them education past the compulsory attendance age. Others have had to defer university education, and look for work to support their parents. The farmers feel isolated from the mainstream of the community and feel that no one cares about their plight.[83] They were clinging to the one thing of value that they have left---their licenses to grow tobacco. These are issued by the Australian Tax Office (ATO) to farmers deemed to be fit and proper persons to grow tobacco. The farmers are resisting all requests by the ATO to surrender the licenses in the hope that they can be used as a bargaining tool for a compensation package, as is being offered to the fishing industry following closure of 30% of the Barrier Reef for fishing purposes.[84] Until this matter is resolved, there will be no closure for these farmers, and they will cling to the hope that the Government will come to

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[81] Peter Griggs, "Changing Rural Spaces', p. 58.

[82] *The Cairns Post,* 1 June 1995.

[83] Interviews with farmers, Mareeba and Dimbulah, October-November 2003.

[84] Interview with Remzi Mulla, Mareeba, November 2003.

their rescue. This hope is looking more forlorn by the day particularly as the Government is attempting to withdraw those licenses.[85]

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Illustration 40: Stored tobacco specific equipment for which there is no longer any use.
Source: Remzi Mulla family collection.

Conclusion

The history of the North Queensland tobacco industry was a story of dependence from the start. It is difficult to see its inception as fitting into any policy initiative other than the ‘good idea at the time’ category. ‘The time’, or context, included a looming world depression, the perceived necessity to populate the ‘empty’ north of Australia, and an economic imperative to conserve precious dollar reserves to purchase goods which could not be produced or manufactured in Australia. To the policy makers in far away Canberra and Brisbane, the

[85] The attempt by the Commonwealth Government to withdraw the tobacco growers’ licenses is subject to an appeal to the Administrative Review Tribunal. To date, no determination has been made.

concept of self-sufficiency in a socially desirable and legal, but expensive, commodity which would also have the effect of providing thousands of land-hungry men and their families with a living, must have appeared as one answer to their problems. The revenue raising capacity of the commodity would not have been lost on them either.

However, the seeds of the destruction of the industry were always there, a fact recognised by successive governments at both State and Federal levels, evidence for which are support mechanisms put in place from 1936, when the tariff on imported tobacco was linked to a local leaf content scheme. From 1948, the leaders of the industry assiduously cultivated close and personal ties to key decision makers in government. This strategy worked, so long as it was perceived that a local tobacco growing industry was in the best interests of the nation. The process of deregulation of the tobacco industry was extremely long-drawn out. It took ten years, from 1985 when it became obvious to most observers that the growing industry was doomed, to the point of total deregulation and the removal of government support in 1995. It then took a further eight years, to 2004, for the process to come to an end. The industry then had nowhere to turn.

The history of the North Queensland tobacco industry mirrors the evolution of Australian governance as identified by Wanna and Weller.[86] Its establishment in 1929 was part of the Developmental Settler-State government mind-set, by which thousands of men and their families would populate the 'empty' north, turn the land to good use, and ultimately save precious dollars which then could be used for manufactured goods. It was a scheme which was doomed to ultimate failure, but in the meantime, it did establish many people, including successive waves of migrants, on farms and gave them the opportunity to become self-sufficient. The support of the governments in using tariffs and the local content scheme to keep the industry alive mirrored what Wanna and Weller describe as 'Civilising Capitalism: the Distributive State'. This was described best by Chifley's stirring '...light on the hill' statement which placed the role of government as providing happiness, help, and security for the great mass of the population. This was carried forward by the Menzies and McEwen Governments which interpreted Chifley's 'help' as 'protection all round'. This served the nation well whilst it had the security of favourable trade

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[86] John Wanna and Patrick Weller, 'Traditions of Australian Governance', *Public Administration*, Vol. 81, No. 1, 2003, pp. 63-94.

agreements with Britain, and markets for primary produce in a hungry post-war world, but once Britain elected to join the Common Market, Australia suddenly had to re-evaluate its economic strategies.

The emergence of neo-liberal economics in the 1970s gave Australia an economic framework which offered an alternative to the protectionist quagmire which was its legacy from the previous fifty years. Manufacturing industry was not competitive with foreign imports, transport systems were archaic and cost inefficient; export industries such as mining and agriculture were stifled by high costs of production; and the consumers were paying the price of protectionism. At the same time world trade was undergoing fundamental change.[87] The collapse of the *Bretton Woods Agreement* which had based currency exchange rates on a fixed price for gold, led to changes in the value of the Australian currency, and in 1983 the floating of the Australian dollar against all other currencies.[88] The massive devaluation of the Zimbabwean and Malawian currencies at that time also reduced the cost of imported tobacco from these countries.[89]

The policy of the Hawke/ Keating Government to free up the domestic economy through the removal of tariffs lowered the cost of the imported leaf still further. The global movement towards more flexible currency arrangements allowed the multi-national tobacco companies to manipulate the cost of foreign tobacco to their financial and tax advantages.[90] The realisation that tobacco smoking was the cause of major health problems, which were expensive in terms of public health costs, also led the Government to campaign directly against smoking and to increase the excise on tobacco products to

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[87] John Kerin, written response to questionnaire, November 2003.

[88] The International Monetary Fund was set up at the end of World War Two at Bretton Woods. The system of fixed exchange rates against the value of gold became known as the "Bretton Woods System". In 1971 the Smithsonian Agreement allowed Australia to fix its exchange rate against the $US. However, fluctuations in the value of $AUD against $US, finally led to the floating of the $AUD in 1983. Douglas McTaggart, Christopher Findlay, Michael Parkin, *Economics,* Fourth Edition, Pearson Education Australia Pty Ltd, Forest Drive NSW, 2003, pp. 609-10.

[89] John Kerin, November 2003.

[90] Interview with Remzi Mulla, November 2003. It is alleged that multinational companies are able to artificially raise the price of foreign tobacco, particularly when purchased from a subsidiary company. The repatriated profits would then be lower, thereby providing a tax advantage.

make its use less affordable to consumers. This led to a steady decline in consumption. Technology also played its part in the reduction of consumption by providing the manufacturers with the means to put less tobacco in every cigarette. The use of the Australian industry as a pawn in trade negotiations also played a major part in the withdrawal of government support. Therefore, the impact of reduced consumption, lower prices for imports, and changes in government willingness to support the industry through direct intervention, were all factors in the eventual demise of the industry.

In retrospect, there was no way that North Queensland farmers could survive in that economic and social environment. Many farmers did see this and left the industry, either through quota transfer or farm sale. The Queensland Government assisted more to exit. However, it is plain that although the Industries Commission in its various inquiries into the tobacco growing industry foresaw that it could not compete with imported tobacco, no government actually planned the closure process. Restructuring packages were put together in haste in reaction to political pressures applied to Treasury by Keith DeLacy and Tom Gilmore. Both of these packages resulted in envy and resentment which have torn the previously cohesive community into pieces. The Commonwealth Government had no plans in place for an orderly and relatively painless closure of the industry, and to this day denies responsibility for the fate of the farmers who, through blind faith in the integrity of the manufacturers, and belief in political leverage through the industry leaders, stayed in when they should have gone out in spite of manufacturers' assurances. In their defence, there was never enough money in the restructure packages to assist all the farmers to exit the industry. Nor was there a viable low-volume high-value industry which could take the place of tobacco growing. The reactionary rise of political fundamentalism and the election of essentially powerless representatives militated against sympathetic treatment of the remaining farmers' problems.

The Australian tobacco growing industry is a study in government interference in a process which, if it had been left to market forces in the beginning, would never have survived for more than two or three years. The infant industry was nurtured because various governments considered it in the national interest. However, when the adult industry was expected to walk alone because of fundamental changes in policy, it failed to do so. The human tragedy entailed in the slow and painful death, and the unwillingness of government to either kill it quickly, or to cure it through edict, was something that with foresight and proper policies could have been avoided. The period between 1984 and 2003 was one of faith and hope, grasping at straws, and denial. It was, in the words of one farmer, ‘The longest mourning period ever suffered by any agricultural industry in the history of this country.’[91] Its legacy is a developed area, water infrastructure, and many skilled farmers who now must find another crop to grow. It has also left disillusionment, despair, debt, and depression.

The principal beneficiaries of the death are the tobacco manufacturers who are now free to import tobacco from third world countries, or from the government- subsidised European and American industries.[92] While people elect to smoke tobacco, the Government will continue to extract revenue from excise and the death of the industry will have no loss of revenue benefits for it. The market will take care of the land lying idle, and other farmers will take advantage of the loss of value of the land to buy the farms for other purposes. The economy of the district is changing to accommodate the loss of the industry, and substitutes are appearing regularly. The principal losers in the process of deregulation are the 115 farmers who ran out of influence, and who are so numerically and electorally insignificant that they can be ignored with safety by government at all levels. In the total absence of policy or planning, particularly at Commonwealth level, the killing of the tobacco industry could not be said to have been managed. The end was as ad hoc and reactionary as the rest of its history, but the effects, economic, social and environmental, will continue to be felt for some considerable time.

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[91] Interview with Joe Moro, Chairman of the Fruit and Vegetable Growers’ Association, Mareeba, November 2003.

[92] The British American Tobacco Company, through its Brazilian subsidiary, grows thousands of hectares of tobacco by contracting peasant farmers on third world wages. The company has recently been granted exclusive rights to grow tobacco in Italy. The leaf is subsidised by the government for AUD$6 per kilo. The USA tobacco growing industry is also heavily subsidised.

Conclusion to Section Three

The period of deregulation of the three Tableland industries encompassed thirty years of wholesale change from protectionism to a market driven economy in Australia. In agriculture, systems which had been put in place to protect industries from the predations of the 'middleman', and to keep farm families on the land primarily for closer settlement purposes were phased out. The processes and consequences of deregulation were different for each one and varied in effect on the communities and district.

In the case of the maize industry, essentially a local industry with no likelihood of earning significant export income, and under the control of State legislation, there was no government planning for an orderly change-over from a monopolistic control over supply of the raw product to a market driven situation. There was no compensation offered to either the farmers with shares in the cooperative monopoly, and certainly no assistance to allow the manufacturing business to adapt to the changes. The challenge for the Board of Directors to ensure the survival of the cooperative manufacturing enterprise ended in a disaster brought on by nothing more than managerial incompetence. The consequences were dire for the farmers who lost a considerable amount of money, and for service industries which lost business because of it. However, farmers on an individual basis adapted their farming practices, and were able to recover from the set-back through diversifying into other crops. The changes to sizes of land holdings, and adoption of sophisticated machinery, better cultivation techniques, new cultivars, and better fertilizer and weedicide regimes made quick crop changes possible. The farmers were able to take advantage of a number of processors competing for their product by demanding forward contracts, so that they had greater certainty in budget planning. Although it took a number of years for the industry to stabilize, deregulation was beneficial to both the farmers and the health of the land by forcing diversification.

The land itself, over a long period of time, recovered from the monocultural practices of the early years, and with crop rotations and better conservation practices, is now enormously productive. The maize industry was the one example on the Tablelands which proved that market forces do sometimes work in favour of farmers, provided that there are at least three competitors for the product in the market, and that the farmers do not rely solely for their incomes on one crop. It could be said that the maize industries' woes were cured by the deregulation of the seventy-five year old marketing arrangements which had allowed the farmers to develop and establish their farms.

The dairy industry, on the other hand, was subjected to strangulation. As a supplier of both the domestic and export markets it was inextricably tied to a maze of legislation enacted by both Commonwealth and State governments. Many years of regulation had resulted in a chronic state of over-supply, with prices mandated by government at a level which allowed survival. The Tablelands industry, peripheral and isolated as it was, was not able to avoid being caught in the fall-out from the Victorian farmers' understandable wish to gain their share of the more lucrative domestic milk market. Deregulation of the entire industry disadvantaged the Tablelands farmers in that they were forced to compete with Victorian farmers who had the advantages of a more benign climate and better conditions. Deregulation is slowly strangling a very good local industry whose only comparative advantage was distance from large markets, and which was able to utilise technology to extend the boundaries of its market. However, in a free market situation, the more competitive Victorian milk producing industry also was able to utilise technology to overcome the problem of distance to snatch away what was previously a monopoly market for the Tablelands industry.

Of all the agricultural industries being deregulated on the Tablelands, the dairy industry was the one most subject to meticulous planning and generous compensation from the Commonwealth Government. The reason was that it is part of a national industry which happened to exist in a number of government – held parliamentary seats. It is also a significant export earner, and as the world's third largest exporter of dairy products, needed to be kept alive in the most efficient producing areas. Therefore, it was in the interests of the government to rationalize the less efficient producing areas out of existence, but slowly and with fewest electoral consequences. The Tablelands, represented in the State parliament by the One Nation Party, and in the federal parliament by an independent, is electorally insignificant. So long as there is a constant supply of fresh milk to consumers, the slow strangulation of the Tableland industry is of no moment to either governments or consumers.

However, if the industry does survive, it will be in a form far different from the one it enjoyed in its heyday. A few farmers will continue to supply the processor until the critical mass of milk throughput declines to the point where the factory is no longer viable, and shuts its doors. As the farmers age they will move out of milk production and into beef fattening, agistment, or growing any crops which their land allows. The production of market milk, if it exists at all, will decline to meet purely local needs or niche markets for organic products. When and if the processing company pulls out of the area, it is possible that the remaining farmers will form a cooperative to process high quality market milk for the local market. It will remain a small enterprise relying on brand loyalty because it will not have the capital to compete with the marketing campaigns which the three big supermarket chains and national processors are able to command.

The tobacco industry fared much worse. Although the industry had ample warning of its eventual demise, the process of deregulation was *ad hoc* on the part of the State Government, and unplanned on the part of the Commonwealth Government. The farmers resisted to the bitter end, and many were forced to sell their water rights[93] and any portable infrastructure in an effort to feed their families for a time, reducing the value of their land. The withdrawal of the manufacturing industry was compounded by the Commonwealth Government's denial of the farmers' pleas for compensation for the loss of their livelihoods. This final act was the killing blow to the industry and the few farmers who were left had no compensation, no crop to grow, and land greatly diminished in value. The manufacturers and government policy, which favoured export opportunity over a small domestic industry, had killed the tobacco industry of the Atherton Tableland.

The histories of the three industries demonstrate the inconsistent nature of the deregulation process and the farmers' attempts to overcome the effects of it. Although the process for the dairy industry was meticulously planned over a relatively long period of time, the nature of the market regime dictated by the grocery chains resulted in the decline of the only tropical dairying area in the southern hemisphere. Similarly, there is now no tobacco grown in North Queensland, arguably the most suitable area for the crop in

[93] Water rights are bought at auction from the Queensland Government water authority. The rights then allow the farmer to draw a specific amount of water from Tinaroo Dam to irrigate crops. They are a tradable commodity, and can be sold to other water users.

Australia. The treatment meted out to the maize industry demonstrates the flexibility of farmers provided that the conditions of land ownership, adequate finance, market competition, and suitability of land are optimal.

Therefore the thesis that the process of deregulation was unplanned and inconsistent is partly proven. The process did lead to hardship for all of the farmers in that the tobacco farmers lost their livelihoods, the dairy farmers were reduced to a state of subsistence, and the maize farmers lost considerable amounts of money before the industry was able to stabilize. Politically, the ascent of One Nation, and its continued representation in the electorate of Tablelands, is an indication that the farmers have not come to terms with the difficulties associated with a market driven economy, and continue to hope that the forces of change can be reversed. This is not likely in the foreseeable future.

However if Governments at all levels had recognized that industries, established in response to policies which were no longer relevant, required policy initiatives which took into account the needs of the people, the local economy, and the environment in specific areas, the outcomes could have been more positive. One such scenario pertinent to the Atherton Tablelands would have been a recognition that the marginal dairy land of the Malanda/Millaa Millaa area was more suited to the growth of trees than to the maintenance of an industry whose need had passed. Given that the production of cabinet timbers is a long term project not likely to produce a profit for some considerable time, such a project would be more suited to government ownership as a public 'good' (such as public ownership of health and educational facilities), rather than to private enterprise. The establishment of the CSIRO Forestry Research Centre in Atherton, and the Australian Tropical Forestry Institute at James Cook University in Cairns would point to government recognition of this.

Therefore, restructure funds could have been spent on a buy-back of the land to establish sustainable forests of cabinet timbers as were in the original rain forest, and the existing farmers offered the option of retraining in forestry development, and paid a salary to stay on the farms and grow trees. Obviously, such a solution would have been long-term, and the benefit not seen for generations. This would repair the original environmental vandalism of past policies, and provide an environmentally sustainable industry for generations in the future. It would also have had the effect of reducing green-house gases, and contributing to the alleviation of global warming.

In the case of the tobacco industry, the failure of policy went back to the ever increasing scaffolding of support. However, the one decision which prevented an organic evolution of diversification was that which allowed the trading of quotas. Therefore, if this had not been allowed, the industry would have diversified as farmers became aware of threats to the long-term viability of tobacco production, subject as it was to corrupted world trade in a high value product. The decisions by Queensland governments to assist the industry with restructuring were ill-conceived in that they were based on the assumption of a continuing industry. If, therefore, both the Commonwealth and State governments had worked together from the start of the deregulation process to phase out the industry by buying back quota over a specific period, the farmers may have adjusted to life without tobacco as the source of income. However, given the peripheral nature of the area, the smallness of the farms, and the limitations this imposed on the production of other crops, only a similar low-volume, high-value crop would have saved this particular farming area. Perhaps the establishment of a regulated medicinal poppy enterprise as exists in Tasmania would have been the answer. Certainly this would not have imposed demands on water and resources which replacement crops such as sugar have done.

The three industries of the Atherton Tablelands which have been subject to changing government ideology over the past one hundred years illustrate that an evolutionary approach to agriculture would probably have resulted in much the same situation as has been arrived at today. That is, a maize industry which is part of integrated farming practices; no, or a very small and localized, dairy industry; and no tobacco industry. However, the poverty, pain and anguish of the farmers and their families would have been avoided.

The most disturbing elements of this study are those which are emerging as a result of the shift to neo-liberal economics. These are the effects on land and resource usage, and the future of Australia's domestic food supply. These will be dealt with briefly in the final chapter.

Conclusion, Discussion and Implications

"The field is wasted, the land mourneth"
The Holy Bible, Book of Joel, Chapter 1, Verse 10.

Introduction

Within the context of world agricultural production, globalization has been the cause of profound shifts of production to countries which enjoy natural comparative advantages of land, resources, climate, and established production systems. However, efforts to make world markets free of tariff barriers, subsidies (both overt and covert), and border protection barriers have proved difficult. Those countries with the greatest natural comparative advantages also have the greatest political and economic advantages which have been used to effect in trade negotiations. As Ha-Joon Chang points out, developed nations such as Britain and USA became strong and wealthy through their protection of infant industries. These nations are now espousing neo-liberal economic ideologies and urging the developing countries to abandon protection for their emerging industrial base, while at the same time protecting their own domestic agricultural industries.[94] It is becoming clear that bi-lateral and multi-lateral trade agreements such as NAFTA and the EU have advantaged developed countries at the expense of subsistence farmers in less developed countries.[95]

Australia, though considered developed, has removed protection from its agricultural sector in order to bargain for better international markets for its export industries. Today, agriculture in Australia stands at a cross-roads. Restructuring of the Australian economy over the last thirty years has had a profound and ongoing effect on regional areas such as the Atherton Tablelands. Industries have contracted to areas which enjoy comparative advantage of proximity to markets and/or favourable climatic conditions, and have disappeared from other regions. Such a contraction has inevitably caused economic distress, but at the time of writing, it is not clear if deregulation of the principal industries

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[94] Ha-Joon Chang, *Kicking Away the Ladder,* p. 139.

[95] Weiss, On a Precipice, 2003; Baylis, Agricultural Trade and Trade Barriers, 2003; Joseph Stiglitz, *Globalisation and its Discontents,* Penguin Books, London, 2002, p. 5.

will have long-term deleterious effects on the economic and social lives of people in the regions. The available data (statistical and anecdotal) appear to confirm a change in land and resource use, and the ‘sea change’ and ‘tree-change’ demographic shifts of ageing people to desirable areas such as the Tablelands would certainly confirm that this is a long-term trend. The implications for land care as professional farmers yield to hobby[96] or part-time farmers should give concern to consumers and government alike.

Although this study was limited in scope to a very small area of Australia, the experiences of the farmers and the wider community were congruent with those in other parts of the world in that the economic outcomes were entirely predictable, but the social consequences were, in the short term at least, problematic at best and devastating at worst.

The Necessity for Change

However if, *ex post facto*, we consider the question of the necessity for the implementation of competition policy this study shows that consumer benefit from the deregulation of the maize, dairy and tobacco industries has not occurred to any marked degree. In the case of maize, deregulation allowed competition from processors to enter the market, giving farmers the benefit of demand for their product, and therefore sustainable prices. In the case of the dairy industry, the processors to a limited degree, and the major grocery chains, were the beneficiaries. As for tobacco, the only entities to take profit from the demise of the North Queensland tobacco industry were the multi-national tobacco manufacturers. Apart from these, none of which are end-users, the major beneficiaries are the large agricultural export industries--- beef, wheat, dairy, and cotton. By using the domestic industries as pawns in trade negotiations and implementing competition policy as a demonstration of good faith in the attempt to force other nations to reduce trade barriers, foreign markets have increasingly accepted these exports from Australia. However, although the tariff regimes of the USA and EU countries are slowly being reduced, it would appear that it will not be Australia’s example which will force the issue.

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[96] Marcus Elgin, quoted by John Wasiliev, ‘…the nature of hobby farming as a part time, poorly resourced life style often results in land degradation, unhappy animals, weed infestation, and unhappy neighbours.’ *The Australian Weekend Financial Review,* 4-5 March 2006.

As the Dohar round of WTO trade negotiations proceed and with the pressure on the developed nations to alleviate poverty in the world, the trade in agricultural products will become increasingly subject to scrutiny. To date, Australia and the Cairns Group have demanded that the EU, USA and Japan progressively lower trade barriers to allow the entry of produce into their respective countries. Australia has led the way with reductions in tariff barriers, but has maintained quarantine and phytosanitory standards which reduce the risk of imported pests and diseases to nil. These standards have ensured that Australia has maintained its status as 'clean and green'. However, the WTO standards are far less stringent, in that the risk is defined as "acceptable", that is, that the scientifically determined likelihood of disease transfer is low, but not likely.[97] The EU has sent clear signals that if Australia wants further access to European markets, then it must lower its quarantine standards to those of the WTO.[98] This would have the inevitable effect of not only allowing into Australia floods of produce subsidized at a rate higher than Australian farmers receive, but also jeopardize the country's status as free of many of the pests and diseases endemic in other parts of the world. It would need only one case of Foot and Mouth disease, Bovine Spongiform Encephalitis (BSE), or any one of a host of other animal and plant diseases to close many of our export markets, and to wipe out many of our crops and herds. The recent outbreak of citrus canker in the Emerald area of Queensland, is ample proof of that.

Another subject for consideration is the hygiene standards under which many foreign crops are grown. Australia has stringent standards of production, handling and manufacture for the production of food within Australia, which add to the costs of production. It cannot be assumed that other countries have the same standards. It is common practice in China to fertilise crops with human ordure.[99] One grocery chain which advertises itself as 'The Fresh Food People' has been importing produce from China for some time, and after it has been subjected to heat treatment and fumigation with Methyl

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[97] William Roberts, *WTO Principles and Procedures for Quarantine Access,* Department of Agriculture, Fisheries and Forestry, Commonwealth of Australia, 2004.

[98] Mariann Fischer Boel, 'Farm subsidies: others must play their part too', *Weekend Australian Financial Review,* 23-24 July 2005. Madame Boel is the EU's chief agricultural negotiator in the Dohar Round of trade negotiations.

[99] This practice was personally witnessed by the author when in China in 1999.

Bromide, it can hardly be described as ‘fresh’. However, labelling laws in Australia do not require an importer to specify the conditions under which crops are grown, or the quarantine regime required for their entry into Australia.

Therefore, as a nation, we have to ask ourselves if the pain documented in this study has been worth the result. If, as Quiggin[100] has claimed, the original premise of falling productivity in comparison with the other members of the OECD was not correct, then many individuals and the regions in which they worked have been targeted as expendable for no good purpose. In the light of outbreaks of BSE in Canada, Britain, France and USA, which caused importing countries to ban imports of beef from those countries, it is doubtful that Australia’s exports of disease free animal products would have been jeopardized by the retention of a North Queensland tobacco industry, or a viable dairy industry supplying a peripheral region. If, as is likely, the reduction in tariff barriers in major foreign markets will result from social pressure demanding the alleviation of poverty in developing countries and not Australia’s example of self-flagellation, then again, the pain and suffering will have achieved nothing but wind-fall profits for the ‘middle-men’.

Effects and Implications

The implementation of competition policy in Australian agriculture has had a profound and on-going effect on both export commodity producers (wheat, cotton, dairy products, meat and minerals) and domestic commodity producers (milk, fruit, tobacco and vegetables). The large export commodity producers will increasingly enlarge their operations as corporate farms; and the smaller producers of domestic commodities will become increasingly subsistent as their produce comes under increasing pressure from low-wage producers such as China or high subsidizing areas such as Europe and USA. Inevitably there will be environmental hazards from both these scenarios. Unfortunately, unlike Canadian governments,[101] reformist governments in Australia have not differentiated

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[100] Quiggin, *Great Expectations*, pp. 32-33.

[101] Canadian governments have implemented WTO rules differently from Australia. Domestic production has been streamlined by implementing supply chain management for efficiency gains, thereby decreasing the need for freight and other subsidies. The Canadian Provincial Governments under which Marketing Boards are instituted have been able to argue that the Boards in no way infringe WTO rules. This has left marketing boards and pooling arrangements in place, so that

between these two sectors. Indeed, it could almost be construed that the domestic producers have been sacrificed to the need for export industries to gain access to foreign markets, with no real benefit to domestic consumers.

The key question, of course, is whether governments and their advisors foresaw the inevitable result of WTO rules which, when fully implemented, will allow the ingress of a flood of food, both fresh and transformed, into this country. The answer is that economic theory is quite clear on the subject, as pointed out by Quiggin.[102] In the case of the Tablelands dairy industry, which had a natural monopoly in terms of its production of a highly perishable product in a remote area, the application of competition policy simply led to expensive duplication, through transport costs, of alternative products from New South Wales and Victoria, which has not resulted in a benefit to consumers, but has resulted in the slow strangulation of a previously viable regional industry. Likewise, the demise of the tobacco industry could never have resulted in a consumer benefit because of pricing regimes emanating from the multinational nature of the manufacturing companies and the excise regime of the Commonwealth government, neither of which appears to be subject to competition policy. As these facts were obvious to economists and governments alike, it appears that competition policy, as an instrument of deregulation, was used to dismantle protective arrangements for domestic industries to facilitate exports. As Minister for Science Peter McGauran said in Parliament, 'There are a great many of Australia's commodity groups who want as free trade as possible---sheep, wool, grains, dairy, beef and many others…'[103]

Free trade means increased imports of food, and the question governments and consumers alike should be asking is not only if foreign food is produced to the same stringent standards of hygiene and pesticide residues, but with the same regulation of environmental impact, as is mandated for Australian products.[104] As Australian farmers

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Canadian producers of domestic products are able to market collectively instead of individually. Michele M. Veeman, 'Marketing Boards: the Canadian Experience Revisited', *American Journal of Agricultural Economics,* December 1997, Vol. 79, No. 5, p. 1563.

[102] Quiggin, *Great Expectations,* p. 54.

[103] *House Hansard*, Peter McGauran, *Excise and other Legislation Amendment Bill*, 21 June 2004.

[104] A quick inspection of the author's local Woolworth's supermarket revealed rice bubbles from New Zealand (New Zealand does not produce rice); tinned fruit from Poland, South Africa and

come under price competition from such products, their ability to stay in business, least of all to nurture the fragile environment, will become problematic. Subsistence farmers do not have the resources to farm their land to optimally sustainable conditions. For instance, in Jamaica the impact of trade liberalization has resulted in a flow of food, both fresh and transformed, from the USA. This has diminished the role of the farmers, many of whom have relocated to the city. The remainder have been forced to subsistence farm their land, but do not have the resources to control soil erosion.[105] This is amply confirmed on the Atherton Tablelands by the erosion and land degradation of the maize farms up until the 1970s; once carefully nurtured tobacco lands fall prey to opportunistic weeds and erosion; and dairy farms show the first signs of neglect.

Numerous examples of the social results of trade liberalization and the deregulation of domestic economies around the world are emerging. For instance, Sanderson documents the impact of agricultural trade liberalization in Mexico which resulted in the replacement of locally grown maize, pulses and coarse grains with imports from USA. In turn, Mexican farmers were forced off their land and into poverty in the cities, existing on an already over-burdened welfare system.[106] While the Atherton Tablelands can in no way be compared with Mexico, the results were the same: farmers were forced off their once-productive lands and welfare-funded to go somewhere else.

The political implications arising from the restructuring of the economy are clear. Australian farmers producing food for domestic consumption no longer have access to a political party dedicated to their interests. The National Party at a Federal level has espoused the cause of the large exporting industries; the Liberal and Labor Parties are both dedicated to the total restructure of the economy; the Greens are regarded with suspicion and down-

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Thailand; cheeses from New Zealand and Denmark; pork and fish products from Canada and Denmark; tinned vegetables from Italy and Brazil; fresh mangoes from Mexico; grapes, oranges and cherries from USA; garlic and pears from China. All of these countries either have subsidies or have low-wage regimes.

[105] Tony Weis, On a Precipice, pp. 152, 226, 241, 294.

[106] Stephen E. Sanderson, 'Mexican Agricultural Policy in the Shadow of the US Farm Crisis', in David Goodman and Michael Redclift, (Editors), *The International Farm Crisis*, Macmillan, London, 1989, p. 224.

right hostility by the farming population;[107] the Democrats are a spent force; and the One Nation Party has died. The problem for farmers is that no party appears to appreciate the effects, at production level, of liberalised trade regimes. As John Kerin remarked, 'The ALP does not lie awake at night worrying about farmers. They are only four percent of the vote'.[108] While ever farmers are perceived as votes rather than as producers of essential commodities, they will continue to be voiceless in spheres of power no matter which party is in government.

Policy Implications

The implications for government policy arising from this study are twofold. The first is that profound change must be managed at the grass-root level to circumvent the difficulties faced by the example of the farmers in the tobacco producing area. Policy planning should not be *ad hoc* and put in place as a stop-gap measure in reaction to unfolding dramas. It was clear that everyone concerned with the tobacco industry, from the highest levels of government to the farmers at the work-face, recognized that the industry was unsustainable without massive and continuing assistance from government. Why, therefore, was it treated like a pariah to be crushed without mercy, and not killed quickly and cleanly with adequate assistance from the Commonwealth government to alleviate the distress of the farmers? Only time and the opening of the Commonwealth archives will provide the answer but it is hard to escape the conclusion that the parliamentary representation of the One Nation senator and the independent Member for Kennedy were impotent to negotiate adequate levels of assistance for a few farmers growing a crop acknowledged to be a health hazard. At the State level, it was only the personal intervention of two Ministers which provided any type of relief at all, inadequate though it was for the closure of the entire industry. However, it is safe to say that the problems encountered in the closure of the tobacco industry were compounded by successive failures of policy which occurred many years before the final act.

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[107] Although the Greens policy of sustainable agriculture (not clearly defined in the policy document) is probably the only direction for agriculture in Australia, the Party is regarded as the 'enemy' by farmers generally, and Tablelands farmers in particular. It is more likely that market demand for organic / biodynamic produce will push farmers in that direction. There is one successful biodynamic dairy enterprise on the Tablelands.

[108] John Kerin, personal communication, May 2003.

Although the restructure of the dairy industry received high levels of planning, and adequate levels of compensation for the farmers, there was but token recognition and concern that some areas would ultimately be over-taken by the forces of competition and would close down. Although the Dairy Regional Assistance Programme was designed to counter the effect of dairy restructure on regions, the process was flawed in that individuals had to apply for the funding under stringent guide-lines which precluded the success of many applicants. Without adequate assessments of the effect on regions of the closure of an industry, allocation of funding on an individual basis was a band-aid treatment at best. If ABARE had been asked to measure the likely outcome for each region, and policies developed specific to the needs of each region to counter those effects before the implementation of closure or restructure, the economic and social effects would not have been as difficult for the regions concerned, and funds used for the long-term sustainability of the area.

Another area of policy worth exploring would be the implementation of Farm Management Plans including environmental management and sustainability of resource use. Although the economist rationalists would argue that farmers will nurture their land because it is the source of their incomes, this overlooks the fact that environmental management costs money that farmers, subject as they are to market forces which push farm-gate prices to the lowest level possible, are unlikely to have incomes which support the implementation of environmental and sustainability plans. Therefore, one policy option, if the nation values the environment and sees sustainability as too important to leave to the forces of the market, would be to pay farmers to implement such plans, as suggested earlier.

Future Research

One of the most disturbing issues to arise from this study is the poor quality of policy development that failed to take into account the needs of the environment. Indeed, the only environmental conservation policy applied to the Tablelands over the period of more than 100 years was the soil conservation initiative of the 1960s and 70s.[109] Therefore, there is a ripe area for research which investigates the nexus between government policy, farmers' incomes, and protection of the environment.

One of the striking issues which emerged from the study is the complicated mix of Commonwealth and State legislation which impacts on agriculture. A fruitful area for future study may be the extent to which governments at both levels were able to avoid responsibility for detrimental outcomes by blaming the other, or expecting the other to take remedial action.

Another area for future research is the long-term implication for the decline in the number of farmers from a region. As farms become larger, and corporatised farming takes over from the small family farm, there will be implications for the environment as well as the demographics of regional areas.

Concluding Remarks

Although the histories of the Atherton Tableland farmers are not unique in Australian agriculture, or indeed farming around the world, they are an example of the manipulation of agriculture through the various phases of the development of Australia. Governments and economists alike hid behind the assumption that any sane person who elects to be a farmer must be doing it for the inherent benefits of a romantically perceived lifestyle, and therefore did not require any great remuneration for their work. Farmers were used to settle the country as well as for their productive capacity, which implied that smaller land units would settle more people in a given area, regardless of how sustainable those farms might be over the long term. In this process land was degraded and lives were ruined. It required further government intervention over a period of seventy years to maintain industries which had no capacity for survival when exposed to the winds of a market economy. However, the policy was considered an outstanding, if expensive, success. Northern Australia never became hostage to the 'yellow hordes'.

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[109] World Heritage listing of the Atherton Tableland rain forests could be interpreted as a conservation measure, but the outcome of that was the export of the timber industry to countries without adequate sustainability safe-guards. On a global level, it was not a clever move.

Now that Australia's economy has been transformed by neo-liberal economic ideology, and changes in the technology of war has made a settled population redundant as a bulwark to invasion, no government acknowledges the necessity for its food producers to be protected or give them the advantages of collective bargaining. What then is the future for areas like the Atherton Tablelands? What is needed now that industries are rationalized to the point of subsistence is a re-look at policies which safe-guard the environment. If paying farmers to nurture the land is classed by the WTO as 'protection', then perhaps Australia, as a nation with one of the most fragile environments on earth, must choose between protecting its resources and ensuring the continued prosperity of the large export industries. By and large, it has not been the domestic market producers who continue to inflict environmental damage on the landscape, but the farmers who have exploited marginal lands to produce export crops and animals. That the small domestic market farmers have been marginalized to protect the export farmers is a failure in policy for which Australia will be paying far into the future. As one farmer pointed out, 'There are more consumers than farmers and [electorally] it does not matter if every farmer in the country goes out of business. There is more than enough food in the world for those who can afford to buy it'.[110] Whether the export of the nation's food production capacity to feed more than twenty million people is ethical in the light of global environmental problems is also questionable.

In the end, Governments' deregulatory rhetoric about the benefits has been based on reducing costs to consumers and not on the existence of an efficient, environmentally responsible domestic farming sector providing safe food to a carefully monitored standard. In terms of the health of consumers, and the well being of the land itself, the market could provide choice to some consumers able to grow their own food, or purchase from niche products such as those produced under expensive organic or biodynamic conditions. Whether the consumers of Australia want to go down that track is a moot point.

[110] Interview with D1, May 2005.

Appendices

- 1. Voting patterns on the Atherton Tablelands 1887 – 2004
- 2. Dairy Industry Restructure Package
- 3. Comparison between generic and branded milk compositions
- 4. Queensland Government Tobacco Assistance Package 1997

Please see attached disc.

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