

## Farmers look back on the tough times

**1987 was an annus horribilis for farmers. Commodity prices were low and dairy farmers were being paid not to produce milk. Wintec journalism student *Kathy Graham* talks to two who survived.**

THE LATE 1980s were tough for farmers and in 1987 predictions were that 8000 - one-tenth of New Zealand's farming population - would be forced to walk off their land.

Subsidies had been removed, the price of land had plummeted, interest rates were up to 23 per cent, and falling commodity prices and increasing on-farm costs had slashed farmers' incomes.

Because of low international prices, the New Zealand Dairy Board took the unprecedented step of paying farmers not to produce milk.

Waikato dairy farmer Stuart Bay, who at the time was farming 630 jersey cows in partnership with his parents on a 143ha farm at Manawaru near Te Aroha, says it was a harrowing time.

"The New Zealand Dairy Board said that with low international prices we can't sell increased production, so they introduced a milk supply limitation scheme that year and paid farmers not to produce milk.

"You had costs going up, production going down and the forecast for milk dropping.

"It was a big psychological barrier for people to handle all those issues. Farmers' equity was dropping and there was a lot of debt."

The Government introduced a debt reduction scheme through the Rural Bank late in 1986 and by June, 1987, more than 8000 farmers had applied for help.

And not only dairy farmers were suffering.

Michael and Margaret Oliver farmed beef and sheep on what had been Michael's family hill-country farm at Whitehall, east of Cambridge. Michael Oliver says he took on more debt in an attempt to diversify.

"Suddenly when the subsidies were removed without warning the outlay set up for that diversification was unsustainable.

"When we realised we were coming under pressure, we sold our surplus livestock and started taking on graziers and then sold more and more livestock until it was all gone."

The Olivers sold the beach house Michael had built and Margaret went back to work full-time as a registered nurse. They also took their three eldest daughters out of boarding school.

Michael Oliver says the bank, which the family had been with for 50 years, and the family's stock firm began to apply pressure. Both institutions demanded



***SURVIVOR: Stuart Bay did it tough farming in the 1980s.***

Oliver says that during the hard times farmers cut back on everything bar the necessities. "I didn't top-dress for seven or eight years."

Stuart Bay, who is now chairman of the Livestock Improvement Corporation, says he also concentrated only on the fundamentals.

"Any discretionary expenditure would be put to one side."

He says herd-testing halved. "Farmers were putting away their chequebooks. Of 1.4 million cows, only 710,000 were herd tested that year (1987)."

Bay says the milk price dropped by 44c a kilo of milk fat to \$3.55 and, although it wasn't as low as expected, it was still the biggest drop to date.

Oliver ran his farm on his own for seven or eight years, helped during the school holidays by his four daughters. He says it wasn't uncommon to finish feeding stock at 10pm after spending all day in the shearing shed.

At the time lamb prices had slumped from around \$40 to between \$10 and \$14.

He recalls a farmer offering his local MP several hundred ewes as a donation to party funds. The MP gratefully accepted but then discovered he couldn't sell the ewes to the works as they were worthless, and instead ended up with a bill for their slaughter.

"I think the farmer made his point," Oliver says.

Today, Oliver says he doesn't look back on the tough times with anger. "I like to reflect upon them with a wry grin."

He says as a youngster he was paid to work long hours and the farmer who employed him said it would stand him in good stead. "He told me if I ever had to work hard again I would know how to do it." The advice paid

detailed monthly cashflow forms - in different formats.

"I was running the farm single-handed and that was a heavy burden in itself. I think the strategy behind forcing two separate cashflows on different forms was a process to get us to sell the land. We had a monthly interview with our money manager at the stock firm and he told us that our land was worth less than two-thirds of our government valuation, almost half. He said, 'look: if you sell, we'll get it back in two or three years time for half of that again'."

Oliver believes it was a tactic to force farmers under pressure to sell their land at low prices. At the point when the couple was possibly facing legal action to stay on the land, the National Bank offered a lifeline.

"They said 'don't worry about cashflow; just get on with the job of farming'. We've been with them ever since."

off.

For Stuart Bay and his wife, Beth, 1987 also had some highlights.

In that year, they won the Gallagher Dairy Farm of the Year. The prize was a holiday to Norfolk Island - their first overseas holiday with their children. Today both farmers still farm the same properties they fought to hold on to in 1987.

\* Footnote: The prediction that 8000 farmers would lose their farms in 1987 did not eventuate. A total of 800 (about one per cent of the total number of farms) faced forced sales.