

Yes, we could have bananas – if only the Government would let us

(Article by Saul Eslake, Director of the Productivity Growth Program at the Grattan Institute, published in the business pages of the Melbourne Age newspaper, and in the online edition of the Sydney Morning Herald, under a slightly different heading and with some other editorial amendments, on Monday 14th February 2011)

Imagine if, in the aftermath of the collapse of Ansett in September 2001, Qantas had raised its airfares by 500%, and kept them there until Virgin Blue (or some other airline) had increased its capacity by enough to make up for that lost upon the demise of what had been Australia's second domestic airline. There would have been enough Wailing and Gnashing of Teeth to make the reaction to banks raising their mortgage rates by more than the official cash rate look and sound like the raising of a few eyebrows. The ACCC would have been down on them like a ton of bricks.

Actually, Qantas did no such thing. But it *is* exactly what those banana producers who weren't affected by Cyclone Larry did five years ago. And it's what those banana producers not affected by Cyclone Yasi appear to be set to do in coming months, albeit perhaps not on quite the same scale, given that it would appear that a smaller proportion of this year's crop has been wiped out by Yasi than was by Larry. It's also what producers of a variety of other fruit and vegetables not affected by the earlier Queensland floods have already begun to do.

Let's be clear: the higher prices which we are all now paying for fruit and vegetables will *not*, for the most part, do *anything* for the producers whose crops have been damaged or destroyed by floods and cyclones, the ones who *are* deserving of our sympathy and support. Rather, the revenue from these higher prices will go to growers elsewhere in the country who have *not* been affected by floods and cyclones.

Those higher prices will put upward pressure on inflation, although (fortunately and properly) the Reserve Bank has indicated that it will 'look through' (that is, ignore) these effects when assessing the need or otherwise for changes in interest rates at its monthly Board meetings.

But that may be of little comfort to households already 'battling' or 'shtruggling' (as politicians feel compelled to say these days) with rising electricity, gas and water bills, ever-increasing health insurance premia and higher mortgage interest rates or rents, who will be obliged to pay substantially more for these fruit and vegetables, or (alternatively) go without them.

Yet this behavior on the part of primary producers who have been entirely unaffected by the recent examples of Nature's wrath attracts no opprobrium whatever. Words such as 'greedy', 'grasping', or 'price-gouging', routinely applied to (for example) banks, oil companies and airlines, pass nary a lip when it comes to fruit and vegetable growers.

Yes, these movements in fruit and vegetables are the result of 'supply and demand'. But no less so are movements in mortgage rates, petrol prices and the various 'add-ons' that with which airlines routinely get away.

I suppose the difference reflects the fact that when it comes to fruit and vegetables, we're talking about 'our' farmers, who have been 'doing it tough' through drought and now tempest – as opposed to someone else's big, profitable corporations, run by highly-paid suits – so that we don't begrudge them the occasional opportunity to indulge in a spot of 'price-gouging'.

It doesn't *have* to be this way.

The Government could minimize the impact of the Queensland floods and Cyclone Yasi on the prices of fruit and vegetables whose domestic supply has been sharply reduced, by allowing sufficient supplies of those fruit and vegetables to be imported, until domestic production has recovered to normal levels.

Of course, the Government would have to be prepared to weather the storm of outrage and protest from those whose opportunity to profit from their fellow-growers' misfortunes would be thereby circumscribed, and from crude populists like North Queensland MP Bob Katter. That storm would probably rival Yasi in its intensity.

Those who do seek to profit from the misfortunes of others (or to secure their votes) will no doubt trot out the usual canards about 'biosecurity' and the ever-present threat of disease associated with 'third world' fruit and vegetables.

Yet on closer scrutiny (something to which this self-interested scare-mongering is rarely if ever subjected), these arguments have about as much merit as the suggestion sometimes made by Japanese rice-growers that Japan should continue to impose tariffs of up to 700% on rice imports because Japanese people have 'longer intestines' and therefore can't digest 'foreign' rice.

Australian farmers – and their political representatives – don't buy that nonsense when it is served up by foreign farmers and their mouthpieces in other countries' Agriculture or Trade Ministries. Yet they expect their fellow citizens to swallow it when they spruik it themselves.

It is true that banana plantations in places like the Philippines and Central America are prone to diseases such as Tropical Race Four Panama or black Sigatoka (yes, I have done my homework). But these are *soil-borne* diseases. They are not carried in or by the fruit themselves. No-one is suggesting that we import banana *trees* into Australia.

If bananas and other fruit or vegetables are imported into southern ports, such as Melbourne, Adelaide or Sydney, and subject upon arrival to appropriate inspections, they are no more likely to spread diseases damaging to Australia's own banana industry than the importation of cooked and packaged Canadian salmon has done to Tasmania's salmon industry (another example of protectionism masquerading as 'biosecurity' where, unusually, commonsense and the interests of consumers ultimately prevailed).

Another disconcerting turn of events in the aftermath of Cyclone Yasi has been the unilateral decision by the major supermarket chains to charge consumers higher prices for bananas that were bought wholesale before the cyclone, and (so they say) 'back pay' the resulting higher proceeds to growers whose crops have been damaged or destroyed by the cruel winds. I am not suggesting that Woolworths and Coles aren't acting with the best of intentions. But it's not the job of large corporations to impose *de facto* excise taxes on consumers in order to provide disaster relief. That's the job of governments, and the supermarket chains are usurping it.

At least households aren't going to be slugged with another tax increase to pay for the costs associated with repairing the damage caused by Cyclone Yasi, as they have been for part of the costs arising from the earlier floods in central and south-eastern Queensland. The challenge for the Gillard Government is to make inroads into what they, when in Opposition, described (rightly) as wasteful and extravagant spending on the part of the Howard Government, but about which they've done remarkably little since coming to office.