



# Market liberalisation and drought in New Zealand: A case of ‘double exposure’ for dryland sheep farmers?



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## ABSTRACT

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Market liberalisation/globalisation and climate change are two great global political/economic challenges of our time. Researchers have noted that the coincidence of these events has resulted in ‘double exposure’ where the positive or negative effects can overlap creating a pattern of winners and losers, particularly in the agricultural sector. However, existing research has been focused on developing economies leaving the issue of double exposure in economically developed economies relatively under-researched. To address this gap, this paper examines three droughts that occurred in North Otago/South Canterbury (New Zealand) over the last 30 years, and focuses on how market liberalisation in 1984 influenced dryland sheep farmers’ ability to cope with drought. From in-depth farmer interviews we find that neoliberalism’s impact has changed as the neoliberal project has developed from a position where there were few winners (1980s), to few losers (1990s), and, currently, to increasingly sectorally based winners and losers (2000s). We relate this to the developing influence of neoliberalism and suggest how neoliberalism may be influencing the vulnerability of agriculture to future droughts. A key finding is how neoliberalism has promoted the reconfiguring of rural space around the expanding dairy industry and how this is now influencing the vulnerability of both dryland sheep and dairy farmers to future droughts. Finally, we briefly consider the implications of the findings for the ‘double exposure’ framework.

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## 1. Introduction – neoliberalism and climate change response’

Global politics have recently been dominated by two major themes. The first is the attempt to restructure global economies around the philosophy of “neoliberalism” – a “near-global project over the past few decades to reconfigure economic and political governance in line with many of the founding precepts of liberal theory, most notably faith in the ‘self-regulating market’, as the institution and guiding metaphor most likely to produce optimal social outcomes” (McCarthy, 2005: 997). The second concerns international political efforts to both adapt to and mitigate the climatic changes that are endangering the planet. Despite recent attempts to derail agreements on greenhouse gas emissions – most notably “climategate” (Salinger, 2010) – governments are pushing ahead with climate change programs as evidence for anthropogenic climate change continues to strengthen (IPCC, 2013; World

Meteorological Organization, 2013). Consequently, on one hand, there are global efforts to promote a self-regulating and globalised market while, on the other, global efforts to regulate markets in order to address climatic challenges. Many maintain that these two objectives are simply incompatible (Okereke, 2006; Blandford, 2010; Fieldman, 2011).

O’Brien and Leichenko (2000) were amongst the first to consider the combined effects of neoliberalism/globalisation and climate change. The authors put forward the theory that ‘double exposure’ – simultaneous exposure to the negative (or positive) impacts of climate change and economic globalisation<sup>1</sup> – would lead to some regions, sectors, ecosystems and social groups being ‘winners’ and some ‘losers’ (also see O’Brien and Leichenko, 2003). They noted that

<sup>1</sup> O’Brien and Leichenko (2000: 225) see economic globalisation as “a set of processes whereby production and consumption activities shift from the local or national scale to the global scale” as manifest through, for example, rising levels of international trade, foreign investment, falling political barriers to trade, integration of financial markets and integration of production activities across international borders.

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“Winners are considered those countries, regions or social groups that are likely to benefit from the ongoing processes of climate change or globalisation, while losers are those that are disadvantaged by the processes and likely to experience negative consequences.” (O’Brien and Leichenko, 2000: 222).

Leichenko et al. (2010) observe that the double exposure framework provides a basis for investigating interactions between environmental change and globalisation. A critical advantage of this vulnerability framework, they argue, is that it recognises the highly dynamic nature of the interactions between environmental and economic change – rather than simply viewing the economic environment (predominantly globalisation) as a context within which adaptation occurs. Thus Leichenko et al. (2010: 966) argue that double exposure “results in measurable outcomes, which might, in turn, affect the processes as well as the context in which future changes are experienced” with the outcomes depending on the extent of the exposure and the actions taken by affected individuals or other actors. The exposure framework, they contend, could focus on a spatial, political or ecological region; an economic sector; or a network of institutions.

In the ‘double exposure’ framework, O’Brien and Leichenko (2000) refer to ‘economic globalisation’ with market liberalisation and ‘free trade’ seen as the main economic manifestations of globalisation. However, while there are a variety of different perspectives, this interpretation of globalisation and neoliberalism underplays the interconnected nature of the two. For example, Peck et al. (2010) suggest that ‘neoliberalism’ refers to the ideological and political constructions accompanying globalisation, while Kotz (2002) observes that neoliberalism did not cause globalisation (as globalisation existed prior to neoliberalism) but played an important role in accelerating the globalisation process. That they are increasingly recognised as two sides of the same phenomena can also be seen in the growing use of the term ‘neoliberal globalisation’ to refer to the current globalisation process (Barton and Murray, 2009; Hopewell, 2013). Consequently, while O’Brien and Leichenko (2000) focused on globalisation as the driver of ‘double exposure’ we consider it useful to apply the notion of ‘double exposure’ to both globalisation itself and its current inseparable ideological and political partner, neoliberalism.

Since O’Brien and Leichenko (2000), many studies of parallel or overlapping effects have been conducted. These have tended to focus on vulnerable populations in economically developing countries as farmers’ “vulnerability” and “adaptation strategies” are now top issues on the agenda of the development community (Barbier et al., 2009). For example, Mozambique has been the subject of a number of studies following liberalisation of its markets in 1987 (e.g. Leichenko and O’Brien, 2002; Osbahr et al., 2008; Eriksen and Silva, 2009; Silva et al., 2010). Here, researchers observe that these policies have done little to reduce the vulnerability of agriculture. Leichenko and O’Brien (2002) for example, note that market liberalisation in Mozambique may have accelerated the country’s move away from agriculture following the floods of 2000. Eriksen and Silva (2009) observe of the Mozambique drought of 2002–2003 that initially a greater availability of market-based strategies assisted poorer farmers, however, as the drought lengthened, the cash economy effectively closed down leaving farmers few alternative market opportunities.

Examples from the developing world also illustrate how climatically sustainable agricultural practices such as farming small plots of land with varied microclimates (Mozambique – Silva et al., 2010) or growing crops/varieties with higher drought tolerance but lower market value (Mexico – Keleman, 2010; Morocco – Schilling et al., 2012) can be negatively affected by neoliberal economic

policies that favour commercial scales and intensive market oriented production. Consequently, there is growing concern that the impact of double exposure in these drought prone regions is likely to be negative, particularly for smaller farmers with limited access to capital and who are not employing intensive commercial practices.

The potential for market liberalisation to influence agricultural vulnerability in economically developing economies may not be surprising. Countries where institutional and economic circumstances are less favourable are believed to be more vulnerable to climate change impacts than countries with strong institutions (both state and private) and economies (O’Brien and Leichenko, 2003; Schilling et al., 2012). However, there is also evidence that market reforms within developed economies can influence farmers’ vulnerability to climate change (as contended by O’Brien and Leichenko, 2000). For example, Kvalvik et al. (2011: 36) observe how, in northern Norway, rationalisation of agriculture has resulted in the use of heavier farming equipment which, in turn, “reduces the farmer’s adaptive capacity to cope with the future exposure sensitivities of wetter autumns.” However, opportunities to examine this phenomenon in developed economies are limited as many (including Norway) still operate strongly protectionist policies including export subsidies, import tariffs and direct subsidies to farmers.

This study examines ‘double exposure’ in the developed economy context of New Zealand. New Zealand has been described as “unequivocally liberalized” (Koester, 1991) or a “laboratory” for free-market policies (Sautet, 2006), and is touted as one of the best countries in which to study the effect of neoliberalisation on agriculture (e.g. Le Heron, 2003; Haggerty et al., 2009). The paper begins by outlining how the market liberalisation process affected New Zealand agriculture, and then presents the results of a survey of mostly sheep/beef farmers in North Otago/South Canterbury – a dryland farming region on the east coast of the South Island. The survey focuses on the response of dryland sheep farmers to the impact of three major droughts that occurred at approximately 10 year intervals and, specifically, details how their response changed over the 30 year period. Results are then discussed in the context of ‘double exposure’ and an assessment made of how neoliberalism is currently constructing the context for vulnerability to future drought.

## 2. The neoliberalisation of New Zealand and its agricultural sector

### 2.1. The nature of neoliberalism/globalisation

What is neoliberalism? Harvey (2007: 22) defines neoliberalism as “... a theory of political economic practices proposing that human well-being can best be advanced by the maximisation of entrepreneurial freedoms within an institutional framework characterised by private property rights, individual liberty, unencumbered markets, and free trade.” However, rather than comprising a single identifiable project, neoliberalism consists of “a complex assemblage of ideological commitments, discursive representations, and institutional practices, all propagated by highly specific class alliances and organised at multiple geographical scales” rendering the “notion of a consistent set of defining material practices and outcomes that comprise neoliberalism” problematic (McCarthy and Prudham, 2004: 276 – also see Davis, 2006). Bailey (2007: 545) similarly observes that neoliberal ideas are not simply transmitted across geographical, social and political boundaries but rather neoliberalism “shapes spatial, historical and ecological contexts” and, at the same time, incorporates and responds to them. As these authors argue, neoliberalism is highly specific and

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