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**PRIME MINISTER**FOR PRESS20 NOVEMBER 1978AUSTRALIAN WOOLGROWERS' AND GRAZIERS' COUNCILCANBERRA

This is the first time, and as you know probably the last time, that I will be addressing an A.W.G.C. convention. The Council can look back with pride on the many achievements it and its predecessors have made since the formation of the Pastoralists Federal Council in 1890.

Particularly we can recall the successful campaign in the 1930's to win the support of the industry and the Government for a wool tax to finance wool promotion and research - a move which led to the formation of the Wool Board in 1936.

Now the Council is in the forefront of the negotiations to establish a national farmers federation. I welcome the proposed establishment of the federation, and I congratulate this council on its determination to achieve a strong, united voice for Australian primary producers.

The Government is committed to consulting closely with representative organisations on rural policy. Our task is made far easier, and the consultations far more effective, if the rural community speaks with one voice.

One issue on which all sections of the rural community have long spoken with absolute unanimity is the need to reduce inflation and keep rises in farm costs to a minimum.

We recognise that the continuing viability of our export industries depends on our success in controlling inflation. The farmer is not generally protected by indexed prices for his products. His ability to make profits depends on his costs being low enough to enable him to sell his produce at competitive prices.

The rural recession which we are only now pulling through was in large part due to a crippling increase in farm costs. In 1974/75, these rose a devastating 30 per cent in just 12 months, at the very time when prices for farm products were actually falling. The result was that real farm incomes almost halved in that year.

The farming community was in dire straits - yet Mr Whitlam had told them in February 1974: "You've never had it so good".

Today better prices, a far lower rise in farm costs and good seasonal conditions are reflected in renewed optimism among farmers. The combination of these three factors will lead to an expected rise in over 30 per cent in average farm incomes in real terms this year.

This expected increase is significantly helped by the good trends we are seeing in beef prices, which are far better now than for some years. This is partly as a result of the efforts made to get fairer and more secure access to overseas markets. Sheep and wool prices are also reasonably good, and we have this year moved up the wool reserve price by a further five per cent. The wheat industry is experiencing a boom year with a huge crop and good prices.

The improved outlook for farmers is also good news for country towns and all those industries supplying equipment and services for our rural community. Farmers are now able to re-equip and undertake long-deferred investment in their properties and this will mean more jobs for those whose livelihood depends on supplying the needs of rural producers.

We should never underestimate the close interdependence that exists between country and city. A depressed and impoverished rural sector depresses the entire economy, and conversely, an optimistic and strengthening outlook for farmers can provide a real boost to all sectors of our economy.

Prospects for farmers will further improve as inflation keeps on falling, for we are far from satisfied that it is low enough yet. We are determined not to let up in the fight against inflation. Our aim is to get Australia's inflation rate well below that of our trading partners and competitors, and well below that of other countries which compete with us for investment capital.

In this respect, I note that fundamental principles of the economic policies we have been pursuing are increasingly being embraced by many countries overseas, including such Socialist governments as the British Labour Government. They know, as we do, that it is essential to beat inflation, and that high rates of unemployment, which are a matter of great concern to us all, will never be eradicated unless inflation is cut right back.

Our success to date in reducing inflation has also enabled wide-ranging cuts in interest rates. Interest rates for home loans were reduced last February. Interest rates for small overdrafts, personal loans and short term loans were cut by the trading banks three weeks ago, and a further cut in housing loan interest rates was announced last Friday.

Falling interest rates provide a substantial boost to industry, to home buyers and to small businessmen. The cut of one half a per cent in the rates set by the new Primary Industry Bank will be of direct benefit to many rural producers.

Because of our commitment to the continuing strength and viability of our rural industries, the Government has assisted farmers in a variety of ways to get through the recent rural recession. This has been a high Government priority, even during a period of severe budgetary restraint.

The special assistance we have made available to the beef industry and the new and comprehensive Rural Adjustment Scheme we introduced have helped a significant number of farmers through this most difficult period. Total payments under the Beef Incentive Payments Scheme alone have exceeded \$100 million.

The beef industry was particularly hard hit by the cost-price squeeze, and our support at a critical period enabled many cattlemen to remain in the industry and to take advantage of the higher prices now being experienced.

We have also given high priority to such measures as the Fuel Price Equalisation Scheme, re-introduction of the Phosphate Bounty, increased support for rural roads, and the abolition of Estate and Gift Duty.

Individual rural industries have received strong support too. Immediately upon coming to office, the first advance wheat payment was raised; the wool reserve price was increased; approval was given to the Australian Wool Corporation to borrow overseas and reduce its interest charges; new underwriting and marketing arrangements for dairying were introduced; and further help was given to the fruit industry.

We have also introduced various measures of tax relief: Income Equalisation Deposits; a fairer system of tax averaging; Stock Valuation Adjustment which the Government extended to include livestock; the Investment Allowance; and tax indexation.

In addition, even taking into account the temporary tax increase for this financial year, tax rates have been cut substantially.

Now that farmers' incomes are improving, these measures - which prevent sudden tax increases through inflation or fluctuating incomes - will be of great assistance to the rural community. I would expect Income Equalisation Deposits, which currently stand at about \$65 million, to become much more popular with farmers as their incomes increase.

In our endeavour to minimise increases in farm costs, the Government is giving considerable support to industry research programmes. Recently the Minister for Primary Industry announced a grant of \$12.5 million for sheep and wool research this financial year.

In the meat industry, with its long and involved market chain, there would appear to be scope for significant cost savings.

We hope that the work now under way with our support on meat classification will achieve an acceptable system, leading to a significant breakthrough in meat marketing.

The release of the recent IAC Report on the Wheat Industry has, I know, sparked an intense debate on marketing reform in the industry. The Government has decided not to make a decision on this all important matter until growers have had ample opportunity to debate the matter fully. You may be sure that when the Government finally takes a decision in consultation with the States, your views will be given every consideration.

The most efficient production and marketing systems are of little effect, however, unless the products can be shipped out of the country. We are determined to take every step to make sure that the deplorable interference with some rural exports which we have witnessed in the past 12 months is not repeated. Because we found during the live sheep export disputes that the relevant legislation had some deficiencies, we are moving to overcome them. On 26 October the Government introduced into Parliament new legislation to amend Section 45 (D) of the Trade Practices Act, to provide a more effective legal remedy against any recurrence of such disruption.

As a trading nation we are dependent on our sea and air links. These links must remain open so that we can export and import at times most favourable to our seasons, to our economy and to our balance of trade. Any disruption of overseas trade adds to the cost burdens borne by all of us. It strikes at the heart of the prosperity of our economy.

I believe that the new legislation will be widely endorsed as a positive and effective measure to enable individuals and governments to deal quickly and decisively with crippling boycotts.

A major objective of the Government during our term of office has been to help exporters, particularly agricultural exporters, to secure fair and adequate market access overseas for their produce. We have pressed our case with far greater vigour than in the past. We have made it clear that we are not prepared indefinitely to tolerate restrictions which completely close markets to our products -- unfairly discriminating against Australian farmers who in many cases are some of the lowest cost producers in the world.

The aim of our bilateral negotiations with the EEC has been to seek changes in the Community's Common Agricultural Policy which are quite marginal in their effect on the Community yet are quite essential for our primary producers. After two years of concerted effort, our arguments are beginning to have their effect.

I have been much encouraged by the devastating criticism made by senior members of the British Government against aspects of the Common Agricultural Policy during the past week. Last Monday, Mr. Callaghan called for three changes in the C.A.P.: a more liberal attitude to agricultural imports; more controlled use of subsidies for exports of food surpluses; and reconsideration of the Community's policy of annually increasing price supports for foodstuffs which are already over-produced.

I note that criticisms of this kind are also increasingly being reflected in responsible European journals. The support we are now getting from many quarters gives me real hope that we will ultimately achieve a mutually satisfactory resolution of this important issue.

Concurrently with our negotiations with the EEC we have been actively participating in the Multilateral Trade Negotiations in Geneva. Whether these negotiations can achieve a satisfactory solution still remains to be seen but from the outset we have made one principle absolutely clear to all parties involved in those negotiations. In our view, the negotiations cannot be completed or regarded as a success unless a new deal for agricultural commodities forms an integral part of the final agreement.

Our prime aims in these negotiations are to secure better market access and to improve the trading rules, in particular restraining the use of subsidies on exports. At the same time, we are seeking to develop appropriate commodity arrangements which will provide greater stability in trade.

In a genuine attempt to assist in securing a satisfactory conclusion to the negotiations, Australia is offering a phased reduction over eight years in industrial tariffs but this offer is conditional on Australia receiving fully reciprocal offers from other nations, particularly a fair deal for agriculture.

Leaders at the Bonn Summit in July requested their negotiators to come up with an agreed package by 15 December -- less than a month from now. Yet significant differences still persist. We can only hope that, during the next few weeks, the major trading blocs will demonstrate a real commitment to achieving a fairer and more rational trading system. This will require further concessions to be made.

We are all watching their actions over the next few weeks, trusting that the many assurances they have given will be reflected in the final outcome of the negotiations.

Mr. President, the rural industry and the Australian economy have both been through most difficult times. Just as the prospects for farmers are now looking better for the first time in some years, so the prospects for economic recovery for Australia are improving.

What is required for full economic recovery to be achieved is the wholehearted commitment of all Australians, by working together, to put this country back on its feet so that we can once again achieve the growth, development and prosperity desired by all Australians. In the decade ahead, there is every reason for confidence that we can achieve this goal. With confidence in our ability, with faith in Australia's future, we can together make this country the great country we all know it can be.

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