

VICTORIAN FARMERS UNION

Speech by the Prime Minister, Mr E. G. Whitlam, Q.C., M.P.
1st July, 1975, Melbourne.

IN SEVEN WEEKS' TIME WE SHALL BRING DOWN MY GOVERNMENT'S THIRD BUDGET. CLEARLY IT MUST BE REGARDED AS ONE OF THE MOST CRUCIAL BUDGETS OF MODERN TIMES, FRAMED AGAINST A BACKGROUND OF EXTRAORDINARY COMPLEXITY AT HOME AND ABROAD. LET ME ACKNOWLEDGE AT THE OUTSET THE GOVERNMENT'S RECOGNITION OF THE HIGH STAKES THAT AUSTRALIAN AGRICULTURAL INDUSTRY HAVE, NOT JUST IN THE BUDGET ITSELF, BUT IN THE ECONOMIC CONDITIONS WHICH IT PARTLY CREATES. I SAY "PARTLY" BECAUSE IT SHOULD BE RECOGNISED THAT FEDERAL GOVERNMENT POLICIES, MUCH LESS A SINGLE BUDGET, ARE NOT THE SOLE DETERMINING FACTOR IN THE NATION'S ECONOMY.

THERE ARE FEW NATIONAL GOVERNMENTS WHOSE ECONOMIC POWERS ARE MORE CIRCUMSCRIBED - BY THE CONSTITUTION, BY THE FEDERAL SYSTEM, BY THE NATURE OF THE ECONOMICS SYSTEM OF A MIXED ECONOMY AND BY INTERNATIONAL CONDITIONS RESULTING FROM OUR POSITION AS ONE OF THE GREAT TRADING NATIONS. I SAY THIS ONLY TO PUT MATTERS IN PERSPECTIVE, NOT BY ANY MEANS TO DOWNGRADE OUR PRIMARY AND INESCAPABLE RESPONSIBILITY AS THE AUSTRALIAN GOVERNMENT.

WHILE ACKNOWLEDGING YOUR SPECIAL INTEREST IN THE BUDGET, YOU WILL UNDERSTAND HOWEVER THE CONSIDERABLE RESTRAINT I AM UNDER AT A STAGE WHEN WE ARE STILL HAVING THE PRELIMINARY DISCUSSIONS WITH INDUSTRY AND WHEN THE CABINET DISCUSSIONS ARE ABOUT TO BEGIN.

THE SPECIAL INTEREST [^]FARMERS NATURALLY HAVE IN THE BUDGET AND ITS OUTCOME SPRINGS FROM TWO SOURCES, ONE PARTICULAR, ONE GENERAL. FIRSTLY, THERE IS THE SPECIFIC BUDGETARY MATTER OF GOVERNMENT OUTLAYS TO AND RECEIPTS FROM AGRICULTURE. THESE ARE A VERY GREAT AND GROWING FACTOR IN THE BUDGET - NOW GREAT ENOUGH TO BE A VERY SIGNIFICANT FACTOR IN THE OVERALL STRATEGY OF THE BUDGET ITSELF.

BUDGET OUTLAYS FOR ALL AGRICULTURAL INDUSTRY WERE \$329 MILLION IN 1972/73, \$303 MILLION IN 1973/74 AND AN ESTIMATED \$727 MILLION IN 1974/75 - AN INCREASE ON 1973/74 OF \$424 MILLION. RECEIPTS IN THE SAME YEARS WERE \$45.6 MILLION, \$82 MILLION AND \$178 MILLION. SO NET GOVERNMENT ASSISTANCE WAS \$283 MILLION IN 1972/73, \$221 MILLION IN 1973/74, AND \$548 MILLION ESTIMATED IN 1974/75. THAT IS, AN INCREASE OF \$327 MILLION IN 1974/75 OVER THE PREVIOUS YEAR.

THE BIG INCREASE IN OUTLAYS CAME OF COURSE THROUGH
LOANS TO THE AUSTRALIAN ^{WOOL} ~~LOAN~~ CORPORATION TO OPERATE
THE FLOOR PRICE PLAN. IT'S NOT MY INTENTION IN
GIVING THESE FIGURES TO SUGGEST THAT FARMERS ARE THE
RECIPIENTS OF HUGE AMOUNTS OF GOVERNMENT LARGESSE.
YOUR PRESIDENT, MR HEFFERNAN, RECENTLY EXPRESSED CONCERN
THAT THE AUSTRALIAN PUBLIC WAS BEING MISLED INTO
BELIEVING THAT PRIMARY INDUSTRY WAS RECEIVING MASSIVE
HANDOUTS AT THE TAXPAYERS' EXPENSE AND HE RIGHTLY SAID
THAT IN THIS REGARD, THE DISTINCTION SHOULD BE MADE
BETWEEN LOANS AND DIRECT SUBSIDIES. THE POINT I WISH
TO MAKE HOWEVER, IS THAT IN A BUDGET CONTEXT, THE
OUTLAYS AND RECEIPTS ARE OF A MAGNITUDE TO BE A
SIGNIFICANT FACTOR IN OVERALL PLANNING.

THE SECOND, MORE GENERAL INTEREST TO FARMERS, LIES AT
THE VERY HEART OF THE NATURE OF OUR CURRENT ECONOMIC
PROBLEMS. WE ARE ALL DAMAGED BY INFLATION - NONE MORE
THAN FARMERS. AND OF COURSE THE INTER-REACTION BETWEEN
COSTS AND PRICES IS MOST ACUTE IN THE CASE OF FARM
PRODUCTS - PARTICULARLY PRICES FOR FOOD.

IN THE PAST EIGHTEEN MONTHS THE MAJOR ECONOMIES OF THE
WORLD, SEVERELY AFFECTED BY THE OIL PRICE RISE AND THE
DESTABILISING EFFECTS OF THAT ON WORLD TRADE, HAVE BEEN
STRUGGLING WITH THE TWIN PROBLEMS OF RISING UNEMPLOYMENT
AND RISING INFLATION. AUSTRALIA HAS NOT BEEN ABLE TO
INSULATE ITSELF FROM THAT WORLD SITUATION.

BUT IN AUSTRALIA AS IN OTHER COUNTRIES THE BATTLE IS NOW ON TO RESTORE A MORE BALANCED ECONOMIC ORDER. WE ARE SEEING ECONOMIC GROWTH BEGINNING AGAIN. THE RISE IN UNEMPLOYMENT SEEMS TO HAVE COME TO AN END AND 1975/76 PROMISES TO SEE EMPLOYMENT OPPORTUNITIES ON THE INCREASE AGAIN. BUT INFLATION REMAINS DEEP-SEATED. FIRM AND RESPONSIBLE POLICIES WILL HAVE TO BE FOLLOWED IF IT IS TO BE BROUGHT UNDER CONTROL.

SOME OF THE UNCERTAINTIES THAT SURROUNDED THE OUTLOOK FOR INFLATION EARLIER THIS YEAR HAVE BEEN CLEARED BY THE DECISIONS OF THE CONCILIATION AND ARBITRATION COMMISSION IN THE NATIONAL WAGE AND METAL INDUSTRIES CASES. THOSE WERE RESPONSIBLE DECISIONS. GOVERNMENTS MUST ALSO DO ALL THEY CAN TO CREATE AN ECONOMIC CLIMATE IN WHICH THE SUGGESTED WAGE DETERMINATION GUIDELINES HAVE THE PROSPECT OF BEING ADHERED TO.

WE AIM TO ENSURE THAT THE RECOVERY IN THE ECONOMY STRENGTHENS AND CONTINUES BUT DOES NOT REACH A PACE THAT ONCE AGAIN LEADS TO A SCRAMBLE FOR RESOURCES. AN ORDERLY RECOVERY WILL HELP ACHIEVE A CLIMATE CONDUCIVE TO THE EXPANSION OF INVESTMENT THAT IS NECESSARY TO ENSURE CONTINUED PROSPERITY AND GROWTH OF EMPLOYMENT OPPORTUNITIES.

ONE THING IS CLEAR - THERE HAS TO BE SOME ABATEMENT IN THE RATE OF INCREASE IN GOVERNMENT SPENDING IF WE ARE TO GET OUT OF OUR PRESENT TROUBLES.

WE HAVE SEEN HOW EASY IT IS FOR EMPLOYEES TO PRICE THEMSELVES OR THEIR FELLOWS OUT OF A JOB, EQUALLY, IT IS VERY EASY TO PRICE OURSELVES OUT OF MARKETS, PARTICULARLY FOR A GREAT TRADING NATION LIKE AUSTRALIA - AND PRIMARY PRODUCTION STILL ACCOUNTS FOR THE MAJOR PART OF OUR EXPORTS - INFLATION IS THE COMMON ENEMY ⁱⁿ WHATEVER SECTOR OF THE ECONOMY ~~IN WHICH~~ WE ARE INVOLVED.

ONE OF THE MOST CONSIDERABLE PROBLEMS OF COMMUNICATION AT THE POLITICAL LEVEL IS TO GET ACROSS THE CONSEQUENCES OF OUR ROLE AS A TRADING NATION. ON THE SURFACE IT SEEMS SIMPLE ENOUGH. IT IS EASY ENOUGH TO SAY "AUSTRALIA IS ONE OF THE WORLD'S GREAT TRADING NATIONS". THE PRACTICAL IMPLICATIONS ARE NOT SO EASILY GRASPED OR APPRECIATED. THERE ARE VERY VOCAL ELEMENTS IN THE COMMUNITY WHO WOULD PRESSURE GOVERNMENTS VIRTUALLY TO CUT OFF ALL IMPORTS, OR AT LEAST THOSE IMPORTS WHICH AFFECT THEIR INDUSTRY. LESS BLATANTLY, IT TAKES THE FORM OF DEMANDS FOR ALL SORTS OF TARIFFS AND QUOTAS AND RESTRICTIONS. BUT WE HAVE TO LOOK BEYOND THE DEMANDS OF ANY PARTICULAR INDUSTRY TO THE EFFECT OF A DECISION ON THE ECONOMY AS A WHOLE AND IN PARTICULAR OF OUR OVERALL POSITION AS A TRADING NATION.

I DON'T SUPPOSE ANY INDIVIDUAL DECISION BY MY GOVERNMENT HAS CAUSED MORE FLAK THAN THE TARIFF CUTS. THE FACT IS THAT WE CANNOT SURVIVE AS A GREAT TRADING NATION ON THE BASIS OF UNLIMITED ^{PROTECTION} PRODUCTION. NO INDUSTRY CAN ASSUME IT HAS A RIGHT TO SURVIVE, NO MATTER HOW INEFFICIENT, NO MATTER HOW UNCOMPETITIVE, NO MATTER HOW COSTLY, SIMPLY BECAUSE IT EXISTS.

THOSE PEOPLE WHO WANT US IN AUSTRALIA TO CUT OFF IMPORTS TO AUSTRALIA SHOULD REMEMBER THAT WHEN WE DO THAT AND TO THE EXTENT WE DO IT, WE SPOIL THE CASE WE CAN PRESENT TO COUNTRIES WHICH CUT OFF IMPORTS FROM AUSTRALIA. THIS IS VERY RELEVANT TO PRIMARY INDUSTRY. FOR EXAMPLE, IN VISITS ABROAD, IT HAS BEEN MORE DIFFICULT FOR ME TO ARGUE FORCEFULLY WITH THE COUNTRIES OF WESTERN EUROPE OR JAPAN OR AMERICA ABOUT THE SLASHING OF THEIR BEEF IMPORTS FROM AUSTRALIA, BECAUSE WE IN AUSTRALIA HAVE HAD TO REDUCE IMPORTS FROM THOSE COUNTRIES. IF WE CUT OFF IMPORTS AND IF OTHER COUNTRIES CUT OFF OUR EXPORTS, EVERY ONE OF US IS POORER, WHETHER WE LIVE IN CITIES OR IN THE COUNTRY. NO REGION CAN LIVE ON ANY PARTICULAR INDUSTRY, IF TRADE OVER-ALL STAGNATES OR DIES.

IN PURSUIT OF THE FUNDAMENTAL OBJECTIVE OF TRADE PROMOTIONS, MY GOVERNMENT HAS MADE MORE TRADE TREATIES WITH OTHER COUNTRIES THAN ANY PREVIOUS GOVERNMENT. WE HAVE RE-NEGOTIATED MANY OF THOSE WHICH EXISTED. WE HAVE BEEN PARTICULARLY ACTIVE IN OUR OWN REGION, FOR IT IS CLEAR THAT INDUSTRIES WHICH USED TO DEPEND SOLELY ON THE MARKETS OF WESTERN EUROPE AND BRITAIN, HAVE NOT AS GOOD A FUTURE AS THOSE INDUSTRIES WHICH HAVE PROSPECTS IN THE MARKET IN OUR NEIGHBOURHOOD.

IN THE CONTEXT OF THESE GENERAL REMARKS

I NOW ADDRESS MYSELF TO SOME QUESTIONS WHICH
YOUR EXECUTIVE DIRECTOR, MR FORSTER, HAS
INDICATED YOU WOULD LIKE ME TO ANSWER.

I MUST SAY THE QUESTIONS TEND TO BE SHORT ON
SPECIFICS AND LONG ON ARGUMENT SO YOU WILL
FORGIVE ME IF I TEND TO RESPOND IN KIND.

QUESTION:

AS IT IS LIKELY THAT THE SECOND ALLOCATION OF CARRY-ON FINANCE FROM THE AUSTRALIAN GOVERNMENT FOR THE BEEF INDUSTRY WILL BE INSUFFICIENT TO MEET THE DEMAND FROM ELIGIBLE PRODUCERS, WOULD THE AUSTRALIAN GOVERNMENT CONSIDER MAKING THE BALANCE OF THE ORIGINAL ALLOCATION AVAILABLE AT THE CONCESSIONAL INTEREST RATE OF 4% AND ADJUST THE LOANS OF THOSE PRODUCERS WHO HAVE ALREADY BORROWED AT 11.5%?

ANSWER:

THERE HAVE BEEN TWO SCHEMES ANNOUNCED BY THE AUSTRALIAN GOVERNMENT FOR THE PROVISION OF CARRY ON FINANCE FOR BEEF PRODUCERS. THE FIRST SCHEME, ANNOUNCED LATE LAST YEAR, INVOLVED AN ALLOCATION OF \$20 MILLION FOR LOANS THROUGH THE COMMONWEALTH DEVELOPMENT BANK AT COMMERCIAL RATES OF INTEREST - THEN 11.5%, BUT LATER CUT TO 11% IN LINE WITH A GENERAL REDUCTION IN BANK RATES. AT THAT TIME THE GOVERNMENT WAS RESPONDING TO A REQUEST BY THE AUSTRALIAN NATIONAL CATTLEMEN'S COUNCIL FOR SPECIAL FUNDS AT COMMERCIAL RATES. THE COUNCIL DID NOT SEEK CONCESSIONAL INTEREST RATES. I UNDERSTAND THAT AT LEAST \$13 MILLION OF THE \$20 MILLION ALLOCATION HAS BEEN LENT ALREADY AT COMMERCIAL RATES OF INTEREST.

ON APRIL 23 THIS YEAR, SENATOR WRIEDT ANNOUNCED THAT THE GOVERNMENT WOULD MATCH A \$19.6 MILLION OFFER BY THE STATES FOR CARRY-ON FINANCE FOR BEEF PRODUCERS.

LOANS ARE AT 4% WITH NO INTEREST OR CAPITAL REPAYMENTS IN THE FIRST 12 MONTHS. IT IS STILL TOO EARLY TO KNOW IF IT WILL BE SUFFICIENT. MUCH WILL DEPEND ON THE BEEF MARKET AND HOW QUICKLY IT RECOVERS.

THE MOST HOPEFUL SIGN IS LAST WEEK'S ANNOUNCEMENT BY JAPAN THAT IT IS RE-OPENING ITS MARKET FOR AUSTRALIAN BEEF. FURTHER, AS AT 31 MARCH, THE AUSTRALIAN HERD IS SMALLER BY ABOUT 1 MILLION HEAD THAN HAD BEEN EXPECTED ON THE BASIS OF PAST GROWTH.

ON APRIL 23 WRIEDT SAID THAT THE PROGRESS OF THE SCHEME WOULD BE REVIEWED AT THE END OF THREE MONTHS.

THE GOVERNMENT WILL CONSIDER THE RESULTS OF THAT REVIEW AND ANY REQUESTS FOR CHANGES IN THE SCHEME OR ADDITIONAL FUNDS THAT MAY EMERGE.

QUESTION:

DOES THE AUSTRALIAN GOVERNMENT WISH THE DAIRY FARMERS OF AUSTRALIA TO PRODUCE FOR THE EXPORT MARKET AT THE SAME TIME ENSURING BY SUCH PRODUCTION THAT THERE WILL BE SUFFICIENT SUPPLIES OF DAIRY PRODUCTS PRODUCED IN AUSTRALIA TO MEET AUSTRALIA'S DOMESTIC NEEDS?

IF SO, WILL THE AUSTRALIAN GOVERNMENT PAY A BOUNTY ON ALL EXPORTS OF DAIRY PRODUCTS EQUAL TO THE DIFFERENCE BETWEEN THE ACTUAL EXPORT PRICE AND AN UNDERWRITTEN PRICE WHICH WOULD APPROXIMATE THE HOME PRICE NOW BEING FIXED BY THE PRICES JUSTIFICATION TRIBUNAL?

ANSWER:

THE AUSTRALIAN GOVERNMENT'S WISH IS THAT AGRICULTURAL PRODUCTION, INCLUDING DAIRYING, BE GEARED TO MARKET DEMANDS. IT DOES NOT MAKE COMMERCIAL GOOD SENSE TO PRODUCE WITHOUT REGARD TO MARKET TRENDS AND PRICES. WE WANT OUR POLICIES TO BE FAIR TO PRODUCERS, CONSUMERS AND TAXPAYERS. BOUNTY PAYMENTS CAN ONLY BE PROVIDED BY TAXPAYERS INCLUDING THOSE WHO, AS CONSUMERS, ALREADY PROVIDE FOR SOME PRODUCTS HIGHER DOMESTIC PRICES THAN ARE AVAILABLE OVERSEAS. EXPERIENCE HAS SHOWN THAT BOUNTY PAYMENTS RELATED TO PRODUCTION LEAD TO PROBLEMS OF DISPOSAL ON WORLD MARKETS AT UNECONOMIC PRICES. A BOUNTY ON EXPORTS WOULD HAVE A SIMILAR EFFECT IF THERE IS NO INCENTIVE TO RELATE PRODUCTION TO AVAILABLE ECONOMIC MARKETS - THE REAL OBJECTIVE THE INDUSTRY SHOULD SET FOR ITSELF.

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QUESTION:

OWING TO THE ENORMOUS AND CONTINUING INCREASE IN THE COST OF TRANSPORT, SUPERPHOSPHATE AND OTHER FARM REQUIREMENTS NARROWING THE GAP BETWEEN FARM COSTS AND INCOME, CAN YOU GIVE FARMERS ANY INSURANCE AT ALL - OR EVEN HOPE - THAT THEIR INVESTMENTS IN PRODUCTION WILL YIELD A RETURN?

ANSWER:

FARMING IS A BUSINESS AND PREDOMINANTLY IT IS UP TO THE FARMER TO ESTIMATE WHETHER A DECISION TO PRODUCE A CERTAIN COMMODITY WILL YIELD A RETURN. ~~ADJUSTMENT IN AGRICULTURE IS A CONTINUING PROCESS TO THE FORCES RESULTING IN LOWER PRICES AND INCREASED COSTS.~~

THE GOVERNMENT HAS SUPPORTED THE RECONSTRUCTION SCHEME AND HAS INTRODUCED SPECIAL INDUSTRY SCHEMES TO HELP IN THE PROCESS. IT'S NOT POSSIBLE OR DESIRABLE FOR ANY GOVERNMENT TO GUARANTEE A RETURN IF THIS FLIES IN THE FACE OF MARKET FORCES. IN SO FAR AS PEOPLE MUST EAT AND BE CLOTHED THERE WILL ALWAYS BE A RETURN ON INVESTMENT IN AN EFFICIENT AND SELF RELIANT AGRICULTURAL INDUSTRY. I BELIEVE THE AGRICULTURAL SECTOR WILL REMAIN AN AVENUE FOR PROFITABLE RESOURCE USE.

QUESTION:

WOULD NOT A MAJOR PROPORTION OF THE MONEY WHICH THE GOVERNMENT SPENDS ON WELFARE AND UNEMPLOYMENT SCHEMES BE PUT TO BETTER USE IN SUBSIDISING CONSUMER PRICE INDEX ITEMS AT RAW MATERIAL LEVEL THEREBY HOLDING PRICES AND GIVING INDUSTRY A CHANCE TO STABILISE AND PLAN?

ANSWER:

No. FUNDS FOR PENSIONS, UNEMPLOYMENT RELIEF, THE R.E.D. SCHEME ETC., ADD TO CONSUMER DEMAND FOR GOODS. TAKING FUNDS AWAY FROM THESE AREAS WOULD REDUCE DEMAND.

WHAT WOULD BE THE COST OF CONSUMER SUBSIDIES?
WHAT PRODUCTS WOULD BE SUBSIDISED? HOW WOULD A SUBSIDY ON ONE PRODUCT EFFECT DEMAND FOR AND THE PROFITABILITY OF ANOTHER? HOW WOULD YOU END SUCH A SYSTEM IN THE FUTURE WITHOUT GREAT DISRUPTION?
I WOULD INSTANCE THE WAR-TIME DAIRY BOUNTY THAT WAS CONTINUED AND BECAME BUILT INTO THE PRICE OF LAND AND WAS OF NO LASTING BENEFIT TO PRODUCERS AND DISTURBED THE ALLOCATION OF RESOURCES IN DAIRYING.

IN SHORT, THE GOVERNMENT PREFERS PEOPLE TO HAVE FUNDS TO MAKE THEIR OWN CONSUMPTION CHOICES AND NOT BE SUBSIDISED AT THE OTHER END EXCEPT IN SPECIAL CIRCUMSTANCES.