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6**PRIME MINISTER**FOR PRESS

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VICTORIAN FARMERS UNION

Thank you for inviting me here to open the Victorian Farmers Union Conference. As both a Victorian and a farmer I have long been concerned with the problems of Victoria's rural industries.

The economic hardship many farming families are being subjected to is all too obvious in the following figures: in the grazing industry for 1974/75, 45% had net incomes of \$4,000 or below. In the dairying industry for 1974/75, 30% had incomes of \$5,000 or below. In the multi-purpose grape growing industry, 42% had incomes of \$4,000 or below. In the apple and pear industry, 41% had incomes of \$4,000 or below. This shows that large sections of primary producers are getting a new income despite their capital involved of half or less than half of average weekly earnings.

On top of this we have had drought and a disastrous situation in the dairy industry which will make the position infinitely worse in this industry. There is no doubt that there are very major problems facing a number of rural industries. Problems that are having an exceedingly severe impact on many communities. Problems that will not be solved easily or quickly. A neglect of rural industry was one of the major problems the Government had to face on coming to office.

For too long rural industry in Australia was ignored. Policies were adopted without any concern for the effects they might have on the rural community. There was a neglect of the fundamental fact that all sections of the Australian people are interdependent.

Australia cannot be a prosperous country providing jobs for all and high quality products if one major sector of the economy is depressed.

One of the great problems has been that to most Australians the condition of the rural industry remains invisible. When costs go up, not enough account is taken of their effect on farmers.

These problems have been compounded by severe drought conditions which have left their mark on many communities.

It is self-evident that national prosperity cannot be built on a declining rural sector.

All sections of Australian community are interdependent and policy has to recognise that fact.

The economic problems which affect Australians in the cities affect farmers also.

Foremost amongst these problems has been inflation - as in manufacturing industry, inflation has destroyed profitability in many businesses through rising costs and the workings of tax system.

In primary as in secondary industry the priority is to restore profitability. - only when business is, or has a prospect of being profitable, is new investment likely to take place, will job opportunities be expanded.

This is why it is the Government's absolute determination to bring inflation and rising costs under control.

Only in this way can we start Australia moving forward again.

The Government's strategy was developed in opposition and has been constantly reiterated since.

The main elements of this strategy have been - to bring Government spending under control, to free resources to the private sector and to individuals, to pursue a responsible monetary policy with clearly announced goals, and to generate a climate of national responsibility in which wage and salary restraint will be possible and in which both business and unions will act with a principal regard for the national interest.

Immediately after coming to office we took steps to begin implementing this strategy - administrative and spending economies - halted public service growth - number of steps to help investment and ease the cash crisis for many businesses. Among these has been the 40% investment allowance. The allowance applies to new plant purchased or leased between 1st January, 1976 and 30th June 1978 and

first used or installed by 30th June, 1979.

The allowance will be available in respect of purchases of most new farm machinery, such as tractors, harvesters, etc., and for new structural improvements such as for on-farm storage of hay, grain and fodder, for the cost of dams and earth tanks, bores, tanks wells and sub-divisional fencing.

On 20th May the Treasurer announced a further series of measures in this strategy. These included: - savings to the Budget amounting to almost \$2600 million, full personal income tax indexation, a new scheme of family allowances. This will be of particular benefit to a number of farming families. Large proportions of farmers in dairying, fruitgrowing and other rural industries have incomes below the taxable level. These derive no benefit from the tax rebates. They will derive great benefit from the family allowance scheme.

The expenditure restraints mean that - for the first time in several years - there can be a soundly based confidence in the community that Government spending has at last been brought under control.

In recent years, excessive Government spending has been the principal force fuelling excessive inflation and unemployment.

When we came to Government we found public spending rising out of control.

Reimposing responsibility on the public sector means that resources can be freed to the private sector and to individuals.

The various measures we have taken to assist business, and full personal income tax indexation, are only possible in the context of restraint in public sector spending.

Solving our problems is not just a job for the Commonwealth Government. There are a number of matters, for example, some affecting the dairying industry where the States have responsibility, and I shall touch on this later.

But this is a time when responsibilities extend far beyond Government, to industry groups, to union members, to all Australians.

In our policy making we have emphasised consultation with representatives of all major sections of the economy.

Last week we held our pre-Budget discussions with industry representatives, including, of course, the primary industry group.

Several weeks ago we held an important series of consultations with the trade union movement. Out of these discussions came a clear recognition of the contribution of the wages and salary bill to inflation.

One thing that worries me in the rural industry is that there have been a good many industrial disputes which have prejudiced selling opportunities beyond normal market accommodation problems caused by decisions of other countries.

For example, in grains, although markets exist for all Australian crops, larger carry overs than normal are expected because of rolling strikes at seaboard terminals and difficulties in transport.

In the meat industry there have been successive industrial disputes at meatworks leading to higher costs against the producers account and often frustrating market sales.

Union members involved in handling or processing agricultural produce have the same interest in the survival of agriculture as the members of the V.F.U. I wonder sometimes whether the present precarious position of some sectors of Australian primary industries are appreciated by union leaders.

I believe there is a widespread and growing recognition that restraint in Government spending must be matched by restraint in wage and salary demands if costs are to be contained and growth in the economy resumed.

With a national co-operative effort of which there are now signs, this can be achieved.

In addition, of course, to the Government's general strategy on the economy, we have taken a number of specific steps to aid particular rural industries, and have further measures under consideration.

Dairying

The dairy industry has long been plagued with difficulties. The problems which the industry was experiencing in adjusting to changing world markets and domestic inflation have been greatly exaggerated by a collapse of the skim milk powder market .

This market collapse has its chief impact on the export oriented sector of the dairy industry. And this is concentrated in Victoria and Tasmania.

In recognition of this situation we have continued assistance through the dairy adjustment programme, and shared with the States in underwriting skim milk powder prices at \$300 per tonne up to 30th June. Also, we recently offered to join with the States on a cost-sharing basis the further underwriting of skim milk powder at \$300 per tonne and to also underwrite the price of casein to a similar level.

The Victorian Government has given some qualified agreement to these proposals but we are still waiting on answers from several other States.

This is a very important example of what I meant when I referred to the need for all levels of Government and industry to cooperate with one another.

But there is much the State Governments could do. There is no longer a justification for two classes of dairy farmers within the dairy industry. People should be paid on the quality and quantity of their production.

There is no reason why those in the milk zones, purely because they are in the milk zones, should get a much higher return than those who are outside those milk zones.

Many of the dairy farmers now in acute difficulties would be in no difficulty if there was an appropriate equalisation based on quantity and quality throughout the whole of the State..

The same applies to other States. This is a matter in which the States have jurisdiction, and at the moment, the Commonwealth none.

In Sydney whole milk prices have moved with the consumer price index. If this movement had occurred in Melbourne, there would be at least an additional \$40 million a year to distribute to dairy farmers in Victoria. Since 1960/61 whole milk prices to farmers in Victoria have risen by 28% less than C.P.I.

Fruit-Growing

The difficulties being faced by many fruitgrowers are in essence the same as those confronting dairymen.. They amount to inadequate market outlets and high costs of production.

You all know that there is no quick and easy answers to these problems. On the cost side combating of inflation is the top priority. On the marketing side we have extended the apple and pear and dried vine fruits stabilisation schemes. The "Tree-Pull" has been extended to the end of 1976 and the means test provisions have been liberalised.

The canned fruit industry is experiencing particular difficulties and the answers are not easy to find. In co-operation with the States concerned we provided about \$5 million earlier this year to fruit canneries to enable them to pay growers for fruit delivered in the 1974/75 season.

We will, of course, continue to assist where necessary and will consider further funds for tree-pull if this seems warranted.

In its process of readjustment to market opportunities the industry can be assured of the sympathetic co-operation of my Government.

I have no doubt that both the dairying and the fruitgrowing industries despite their present severe problems - have a future in Australia.

Fruitgrowing and dairying are industries which Australia should be well placed to undertake.

The problems these industries are now facing do not challenge their survival as industries. Tough questions have to be faced, but survival as industries is not amongst them.

Meat

The depressed condition of the beef industry has, of course, been of great concern to the Government.

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There is a differential in prices paid by the overseas consumer and the price paid to the Australian producer ~~was~~ beyond the actual cost of handling and processing. In Canada for example, in recent months sales have been made at levels of 25 cents below the price in the U.S. for comparable cuts of meat yet the cost of transshipping this meat into the U.S. is no more than 6 cents a lb. For many Australian exporters and Canadian importers this has given a clear 19 cents per lb. profit on a simple resale.

This 19 cents per lb. has frequently been well above the price paid to the producer at the original point of purchase.

The Government has been active in seeking to secure improved access to beef markets overseas.

- The beef market was an important aspect of my discussions in Japan.

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I pointed out to Japan that when difficulty arose in the car market here in Australia Japanese manufacturers still had access through the quotas. But when there were difficulties in Japan in the beef market, our producers were absolutely excluded.

While in Japan I stressed that Australia intended to be a reliable supplier to Japan. I also stressed that reliability was not a one-way street. There has to be stability of trade in both directions.

With regard to beef exports the Australian Government regards continuing stable and reliable access to the Japanese market as a matter of the highest importance. We welcome the fact that Japan has decided to resume imports of beef and the more recent decision to revert to six monthly import quota announcements. These will inject more short-term stability into this trade.

With respect to our other markets, the Deputy Prime Minister, Mr. Anthony, announced in March the outcome of lengthy negotiations with the U.S.A. concerning allocations for meat imports by the U.S.A.

Our share of the U.S.A. Market for 1976 is 287,000 tonnes, which is slightly higher than our initial allocation in 1975.

We are also of course in a position to supply any shortfall on the U.S.A. market should they occur from other beef exporting countries.

The U.S.A. economy is improving and their cattle numbers are falling. It does not seem unreasonable to expect expansion of this most important market in the years ahead.

Since taking office we have suspended the meat export charge at a cost of about \$21 million per year. We have also met the \$1.24 million meat export charge on the sale of meat to the U.S.S.R. last year. Loan funds have been provided to the Commonwealth Development Bank to assist in financing loans to beef producers. Low interest rate carry-on finance is available through reconstruction authorities for producers and we have asked the States to indicate what further funds they consider should be provided. We will make available \$18.5 million in 1976/77 for the eradication and compensation for brucellosis and tuberculosis infected animals.

My colleague, the Minister for Primary Industry recently announced that the powers, functions and composition of the Meat Board are to be reviewed.

Australia, along with other beef exporting countries, has been active in pressing the European Economic Community for a return to a more liberal import system for beef.

It is our intention to upgrade the strength of our representation to the European Economic Community.

For too long we have taken a largely passive approach to this grouping, which supports free trade in the manufactured products while raising immense and impenetrable barriers against farm products.

In concert with other like-minded countries we will be seeking to break through these barriers.

WOOL

The government yesterday made a decision to lift the reserve price for the Australian wool clip - to 275 cents per kilogram, clean for 21 micron wool. This is an increase of 25 cents over the rate that has prevailed for the last three years. I might add that this action also is in marked contrast from that taken by the former administration when, in a strengthening market situation, it sought to reduce the price to 200 cents from 250 cents per kilogram, clean for 21 micron wool. This, for a period, shattering confidence in wool trade.

The government has also taken the decision that this will prevail as the minimum price for the next two years. The purpose of this is to provide long term stability for the industry.

In a situation where processors of wool often have to pay many months in advance, where it takes up to eighteen months or on occasions, even longer for wool to get from a wool shed into a garment on somebody's back - it is clear that long term stability is necessary. This is what the government is seeking to achieve.

The government's decision is also based on the fact that it has confidence in the future demand for wool; that demand has been strengthening in recent weeks. The government wishes to reaffirm its confidence and to reinforce present moves by this decision. The government believes that considerable quantities of the corporation's stocks will be sold over the next twelve months, as part of its normal trading operations. But even so, it is the government's view that the corporation needs to retain considerable stocks of wool, to enable wool to be supplied to major consumers in particular circumstances that might arise, and to make sure that disruptions to supply cannot interrupt the process of production.

This is a positive action that the government has taken to reinforce one of Australia's most significant industries.

In case anyone wishes to report that this decision will involve a cost on the taxpayer, let me immediately reassure taxpayers to the contrary. Growers know they are building their own fund to support these marketing arrangements, paying five percent of gross proceeds of the sale of wool and in addition to that, funds that have been advanced by the government over the past years at commercial interest rates, it is expected will be repaid almost in their entirety in the forthcoming twelve months.

The Minister for Primary Industry, my colleague Ian Sinclair, who is with me today will be releasing further details of the government's decision which will indicate a more sophisticated approach to pricing than has applied in the past.

WHEAT

Unlike other producers wheat growers have benefited from good overseas prices. Like other producers however, returns have been eroded by rising costs. Here as in other industries, the crucial factor is the success of the government's fight against inflation. Increased import demand and a continuing low level of world stocks suggest that world prices for wheat will continue to remain attractive.

INCOME STABILISATION

I want to comment briefly on the government's commitment to an income stabilisation scheme. During the election campaign, the Liberal and National Country Parties undertook to introduce an income equalisation deposit or farm income reserve fund scheme. This proposal is designed to meet a major problem that primary producers face - the extremely wide fluctuations in their incomes from one year to the next.

It also seeks to encourage more stability in farmers' annual investment expenditures. Under the scheme, taxpayers would be permitted to spread their income into the future by lodging deposits which are deductible for taxation purposes from current income.

The amount deposited is deducted from this year's taxable income, and when the deposit is later withdrawn, in part or whole, the amount is added to taxable income in that year. The Minister for Business and Consumer Affairs has lodged a Cabinet Submission on the I.A.C. recommendation. Decisions will be made on this matter in the context of this year's budget.

CARRY-ON ASSISTANCE

The serious situation affecting some industries has had, of course, disastrous effects on some individual producers. During the last election campaign, the Liberal and National Country Parties gave an undertaking to examine the extension of unemployment benefits to primary producers. On 10th May this year, the Minister for Primary Industry announced that as an urgent interim measure the government had decided to vary the conditions of eligibility for unemployment benefits to include farmers who are suffering financial hardship and who have registered for employment, but who under previous conditions were ineligible for benefit.

To be eligible for unemployment benefits under these conditions,

primary producers have to satisfy the test of being available for and actively seeking employment and their farm businesses have to be assessed as returning a net income lower than the rate of unemployment benefits. At 25 June, 1511 Victorian farmers were receiving unemployment benefits. The vast majority of these farmers were not eligible prior to the relaxation of eligibility conditions.

This interim relaxation of unemployment benefits has been made to meet immediate needs and these arrangements are to be reviewed together with the I.A.C. recommendations on rural reconstruction. Cabinet is shortly to consider recommendations on future assistance for rural adjustment, including household support, to apply from January 1977. These Cabinet Decisions will form the basis for discussions with the States. Following discussions with the States, a Decision will be taken on the form of any household support to be provided.

LOCAL GOVERNMENT

I said earlier that the problems we face require the cooperation of all levels of government. One key aspect of our Federalism Policy is to give a greater role to local government. In future, a fixed percentage of personal income tax will be earmarked for distribution through the States to local government.

Municipalities and shires throughout Australia will be able to calculate their annual revenue with greater certainty, and as a result, they will also have very much greater independence of action.

We have increased local Government entitlements under the new tax sharing by 75% - from \$80M to \$140 M. The Victorian Government knows that its allocation is \$35.4M. There is no reason why the State should not advise all councils of their allocation.

Let us hope that this greater financial strength will be used to hold rates down, and not merely as a further opportunity to expand functions.

It is nonsense to say that governments at all levels should expect to spend more in real terms each year. It is even more of a nonsense when national production is falling rather than growing. Local government can have a real and positive impact in the present situation by helping to reduce costs. This is a direction for local government which merits wide support.

Local government is certainly facing special problems. We are mindful of that. It is our intention that with respect to roads the additional \$35m allocated should go almost solely to local government because of the special problems it faces in this area. This government is determined to ensure that its national policy decisions are taken with full regard for the effect of these decisions on Australia's rural industries.

It is also determined to work towards arrangements which will provide farmers with the greatest possible degree of predictability for planning purposes, given the nature of their occupation and dependence on international markets.

Many farmers are now experiencing very severe problems. I am confident that with appropriate government policies and with determination, these problems can be overcome and that Australia's rural industries will be an important element in the national return to prosperity.

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