

3.00 p.m.



PRIME MINISTER

FOR PRESS

29 JULY 1977

ADDRESS AT OPENING OF KANANDA DISTRICT COUNCIL YOUNG FARMERS
CONFERENCE : WARRNAMBOOL

It is a great pleasure to be invited to open your Annual Conference. You could not have picked a better electorate in which to hold it.

It has been quite a wrench for me to spend so much time away from my property over the past few years. Still, there are so many other farmers in the present Cabinet, I almost feel at home in Canberra these days.

It is now just over eighteen months since the Liberal and National Country Party coalition was elected to Government. This seems therefore an appropriate occasion for me to review with you what we have been able to do in tackling the problems of our primary industries during the first half of our first term.

We came to office with the strong conviction that Australian rural industries must continue to play a significant role in Australia's development. We saw - and continue to believe - that the fortunes of the rural sector and those of the rest of the economy are closely bound together. We viewed with deep concern the division which was developing between city and country. One of our major challenges in Government has been to halt and repair that rift, and to promote a better understanding by those in urban areas of the problems of country people and of the mutual inter-dependence of the rural and urban communities.

It has been our aim to encourage the sound development of existing and new primary industries and to foster the most efficient and effective utilisation of our agricultural resources. Great emphasis has been placed in our agricultural policy upon measures to promote stability and confidence in the rural sector and on the development of existing and new markets for agricultural commodities.

We are totally committed to retaining a viable rural sector which will continue to contribute significantly to export revenue and provide high quality food and fibre for consumers. We further believe that our agricultural policy should form an integral part of our overall national economic and social policies.

Our first objective has been to attain general economic recovery. When we came to office, the economy was in very bad shape. The budget deficit was running out of control at around \$4 billion a year; inflation was running at an annual rate of 16% of more; and a large number of our industries, including most of our rural industries, were facing serious financial difficulties.

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Against this background, the task of the Government was clear - to reduce inflation. It was essential that a climate of stability should be created in which economic growth and development could once again be generated throughout the private sector. Confidence about our economic future had to be restored. Nowhere was this more vital than in the rural community. The situation has been so serious as to raise doubts in the mind of many primary producers about the long-term viability of some industries, which for a long time have contributed to the wealth of this country and the welfare of its people.

These doubts were basically the result of reduced access to markets for many rural commodities, and decreasing competitiveness because of our higher inflation rates than those of other exporters. In short, our farm costs rose more rapidly than farm prices. Despite significant increases in productivity, the real incomes of primary producers declined dramatically. Such movements in farm incomes have made it increasingly difficult for many farmers with marginal properties to maintain satisfactory incomes. Some have had to quit farming altogether, and many families have had to supplement their income from off-farm sources. In addition, low farm incomes have affected investment plans with perhaps serious long-term implications.

Most major Australian agricultural industries rely heavily on export sales. Some 90% of the wool clip, 75% of the sugar, 65% of wheat, and 55% of beef and veal production are exported. In these circumstances, Australian agriculture is very vulnerable to fluctuations in world market conditions and to protectionist policies adopted by importing countries. The Government has been endeavouring in every possible way to secure improved access to overseas markets for our primary products.

The Ministers for Primary Industry and Overseas Trade and myself have devoted considerable time on this matter, and I am glad to say that our efforts are bearing fruit. In respect of beef we have succeeded in securing increased access to the United States' market and have maintained access to the Japanese market in the face of adverse demand conditions there. Substantial sales of beef to Russia and Eastern Europe have been helpful.

There has been good news also for other commodities. The recent sale of 3 million tonnes of wheat to China is the largest ever negotiated. Australia has further penetrated the Middle East market for lamb and live sheep, and the volume of cheese sold to Japan has continued to increase.

Our trade with the European Economic Community, however, is far from satisfactory. Their Common Agricultural Policy has created grave problems for agricultural exporting countries such as Australia. Under this policy, domestic agricultural production is artificially stimulated by high prices supported by restrictive import policies, and this greatly inhibits access by other more efficient producers to the large European market.

But even worse, the EEC subsidises the export of surpluses generated by the Common Agricultural Policy which seriously disrupts our other traditional markets around the world. My Government places a high value on our relationships with the European Economic Community and its individual members. During my recent visit to Europe I was glad to be able to have warm and

/constructive

discussions about these matters. Indeed, at times they were very warm.

To those European leaders who showed interest in Australia's uranium, I made the point that, should Australia decide to enter the export field in this commodity, both buyers and sellers would regard stability of supply and access as an important consideration. I stressed that this principle was equally applicable to trade in other items. Press reaction overseas suggested that this point was noted and understood.

As a result of my discussions, it had been agreed that there will be further major bilateral talks between the Community and Australia on our trade problems. We would be mistaken to expect rapid and major changes in the Common Agricultural Policy, but I would hope that this dialogue will point the way to solutions of some of the more important problems that the Common Agricultural Policy has created for our primary industry exports.

In recognising the importance of these discussions for Australia, the Government has decided to appoint a member of the Ministry, John Howard, as Minister for Special Trade Negotiations with the European Economic Community. He will lead discussions with the Governments of the nine member states of the EEC and the Commission in Brussels on all bilateral and multilateral economic and trade matters in which we are involved.

The Government has also been seeking to improve the marketing of our products by reviewing the functions, composition and powers of existing commodity boards. You will all be aware of the reconstruction of the Australian Meat Board as an Australian Meat and Livestock Corporation, which, by virtue of its composition, powers and financial arrangements will be adequately equipped to oversee and promote Australian meat and livestock exports.

Despite the need for Government expenditure cuts to help curb inflation and restore our confidence in the private sector, the Government has recognised the serious financial difficulties facing many of our rural industries, and we have established a wide range of assistance measures to help them ride out their difficulties.

Some of these measures have been designed to provide essential short-term assistance. They include such measures as: carry-on loans at concessional rates of interest to beef and dairy producers; abolition of the meat export levy; underwriting of prices for certain dairy products; assistance with drought and other natural disaster relief; fertiliser subsidies; relaxation of eligibility criteria for unemployment benefits to include primary producers; and the extension of stabilisation schemes for apples and pears and dried vine fruits.

Other assistance measures undertaken by the Government were designed to aid longer-term structural adjustments. We have introduced a new rural adjustment scheme replacing the old rural reconstruction scheme with improved provisions. Assistance is now provided not only for farm build-up, debt reconstruction and rehabilitation, but also for farm improvements, carry-on finance (currently for beef and dairy producers) and for household support.

/Another

Another important measure in this category has been the introduction of the Income Equalisation Deposit Scheme. We see this scheme as a significant means of helping farmers cope with the problems of fluctuating incomes. In addition to these assistance measures which relate specifically to the rural sector, we have taken a number of other initiatives which have general application, but which are nonetheless important forms of assistance to the farming community.

I refer to such schemes as tax indexation, increased probate exemption, the investment allowance, trading stock valuation adjustments and family allowances.

Looking back to our first eighteen months in office, it can fairly be said that we have made considerable progress. The great majority of our rural election policy commitments have been met. None of them have been abandoned. One initiative which is still to be implemented is the establishment of a National Rural Bank. Agriculture is a capital-intensive industry.

The technological innovations of the post-war period - accompanied by the sharply rising cost of labour - have produced a steady increase in new capital investment. This trend of substituting capital for labour has had important consequences for the structure of farm enterprises. The average size of farms, for example, has increased to enable exploitation of economies of size.

Of major importance has been the need by farmers to resort increasingly to borrowed funds to finance their capital needs and operating expenditure. The Government believes that access to finance on suitable terms and conditions has become an increasingly serious problem for the farmer. Too often he has had to use short-term funds to finance what is essentially a long-term investment. Consequently, the coalition parties undertook at the 1975 elections to establish a National Rural Bank to provide more flexibility to cater for the special needs of individual rural producers. A considerable amount of work has been done on this proposal. We have received many submissions from interested bodies and individuals. A sub-committee of the Government members Rural Committee has conducted an investigation into the matter, and we have also received a report from the Bureau of Agricultural Economics reviewing the rural credit market. The Government is now considering the best form which the Bank might take. Whatever form that may be, primary producers will be assured of better access to finance on terms which meet their specific requirements.

Finally, may I mention that young farmers, as well as other young Australians, will be beneficiaries of the Queen's Silver Jubilee Appeal for Young Australians, which is being conducted at the present time. The Government has contributed \$2 million to this appeal - and I hope it will be generously supported by the whole community. Funds raised through this appeal will be available for a number of purposes including projects or activities of organisations of benefit to young people, and scholarships for young people to promote standards of excellence and achievement in their chosen vocations.

/The Government

The Government is very sympathetic to the problems of the rural sector and will continue to provide assistance to ensure its future viability. I believe that the current problems of the rural sector must receive the widest possible publicity so that better understanding will result between city and country people.

It is important for all Australians that we maintain a viable and efficient rural sector with potential expansion to take advantage of opportunities as they arise.

I now have much pleasure in declaring the Annual State Conference of the Victorian Young Farmers open.
