



PRIME MINISTER

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SPEECH AT LACTOS FACTORY, BURNIE

I appreciate this opportunity to be with you in Burnie this afternoon. It is a specially significant occasion.

I understand the plant was almost wiped out in a disastrous \$4 million fire on August 19 last year. That was just three days after last year's Budget.

Well, you know what happened just three days ago in Canberra. Today, this wonderful new factory still stands - indestructible.

I would like to think of that as a good omen - not only for Lactos, but for the Budget.

The Budget faces up squarely and honestly to the facts of life in Australia today. At no time have we ever pretended that there were quick solutions to Australia's economic problems. We had to front up to, and take, hard decisions.

It is easy to fudge, it is easy to pretend that a difficult situation does not exist. It is easy to spend money, to throw it around saying that will solve all problems.

The Budget rejected that course. It's a responsible document that has faced up fairly and honestly to Australia's problems.

This Budget has one overriding objective - to build on the foundations already set for the longterm economic stability of Australia. We will do this by reducing inflation even further. This will make us more competitive here and overseas, set the conditions for a sustainable reduction in interest rates, and offer incentive to investors and create new job opportunities.

Those who still claim that the Budget has done nothing to stimulate the economy, and to provide new job opportunities, miss the point. They see stimulus as equivalent to more Government spending and running the printing presses ever faster.

Australia learnt, to our cost - as some overseas countries have learnt to their cost - what this kind of approach does to confidence and to inflation, and inevitably to employment prospects.

The real point is that by reducing inflation, by reducing interest rates, this itself will provide the greatest possible stimulus to the economy.

No industry, no business, no manufacturer, no farmer is going to employ more people if they know prices and costs are going to keep rising rapidly and unpredictably.

On the contrary, they are going to shed labour, pull in their horns.

Reducing inflation and reducing interest rates will do more to help home buyers, pensioners, businesses, farmers, exporters - will do more for jobs - than any other single act of government.

Of course, there is another key area central to the problem of containing costs and providing jobs - and that is wages.

As the Treasurer made abundantly clear on Tuesday, the sharp increase in labour costs - relative both to the price of output and the costs of other factors of production - has encouraged firms to shed as much labour as they can.

Clearly, companies have been replacing workers with machines; replacing full-time people with part-time people; replacing wage and salary earners with self-employed contract labour. They have been making do with less labour all around.

Wage and salary earners know the score. They know the choices are perfectly plain.

Union leaders can show greater sense and moderation in their wage and salary demands, or can continue to press for higher and higher wages for those in work at the expense of their mates looking for a job.

If they opt for the latter - something they have been doing - then I can guarantee that unemployment will stay high.

Moderation in wage demands is essential for a reduction in unemployment. This is an inescapable fact in modern economic life.

It is one of the great tragedies of the modern trade union movement that its leadership has not been prepared to seriously look at this question of moderation in wage demands.

Surely the lessons of 1974, 1975, when wages went up by 50% and consequently thousands of workers were priced out of jobs - surely these lessons are still fresh in their minds.

The Budget sets Australia clearly on the path to an inflation rate of five percent by June next year - that is just 10 months away.

That is not a claim I make, as Leader of the Government or as Prime Minister, but the official Treasury forecasts documented in Budget papers.

There is no doubt at all, that by the middle of next year, Australia's inflation rate will be the envy of our trading partners.

Apart perhaps from Japan and West Germany, our inflation will be lower than most people we trade with. This is a remarkable achievement when you consider that when we first took office, inflation was running in the order of 15 percent or 16 percent.

What will this mean for Australia?

It will benefit every individual, every family, every farmer. It will provide new optimism, new spirit for our industries, our exporters.

Our great industries - our great rural industries - will be more competitive both within Australia and on world markets.

You all know what this will do for jobs, for confidence, for growth.

Significantly of course it means that as a resource rich nation we will become a favoured nation for investment. Countries will be looking to Australia - with low inflation, with a sound and stable economy - as a resource supplier for years ahead.

This is an appropriate time to make reference to Australia's great rural industries and to the Dairy industry.

I have got little doubt that the strength and health of our rural industries affects the lives of every Australian. City and country are interdependent. If farmers are not producing, not selling, then they are not adding to their farms, not making improvements and not investing.

This of course has direct impact on companies in the city producing farm machinery and equipment. But the horizon is changing for the farmer. For the first time in maybe a decade the men and women on the farms right throughout Australia are looking ahead with confidence. They are optimistic about the future.

Clearly, the key reason is the fall in inflation. No group feels the effects of raging inflation harder than farmers and the rural industries.

Of course, there is confidence in rural communities for other reasons, sheep prices are reasonable, wheat and wool prices are good and the beef industry is now coming out of its trough. A bonus is that the damaging drought has broken for most of Australia.

I think this gathering would be aware of the Government's support for the Australian Dairy Industry. We have strongly supported the industry by underwriting prices up to a level of 75¢ a pound butter fat this financial year.

We have allocated \$17.4 million this financial year to cover previous underwriting commitments.

I know you are interested in Government policies and actions as they affect the fortunes of dairy farmers, and dairy factories. I think you all know of our vigour in seeking increased access for our agricultural products to the great markets of Japan, the European Economic Community, the United States, the Middle East and other markets. Our attempt to gain increased access for agricultural goods has been recognised as fair and reasonable by other world leaders, and by the world press.

President Carter recently wrote to me and said that he wouldn't consider the Multilateral Trade Negotiations in Geneva a success unless they lead us towards a significant liberalisation of world trade in agricultural products.

We do not intend to desist from trying to get a fair go for Australia in the world's largest and richest market. I am sure that no-one in the rural community - or people in the cities - want us to stop trying. I think this industry exemplifies in stark terms the problems we face with the European Economic Community in particular.

Domestic support policies overseas have led to increases in butter stocks, and continued high stocks of skim milk powder. This has led to a consequent lowering of international prices. Those policies have also stimulated increased production of cheese and whole milk powder with a similar depressing effect on prices. That's not an encouraging international market outlook.

The cost of such policies is high. It costs taxpayers and consumers of the protectionist countries, who must bear the added tax burden and pay higher prices for food. It costs Australian industry, which is denied some export markets and must compete in others against subsidised productivity. On top of that, it costs the world in general, whose agricultural resources are misallocated from low-cost efficient producers to high-cost inefficient producers.

The figures give a fair example of what I am talking about. The cost of the EEC's export subsidies on products competing with Australia's exports is about \$4 billion per annum.

The EEC's Common Agricultural Policy has the net effect of prohibiting imports, while subsidising exports. It throws the entire burden of adjustment of the high-cost suppliers in the EEC onto low-cost efficient suppliers such as Australia and such as this industry in Tasmania.

A look at the cheese industry graphically illustrates my point. The EEC's support price of \$2,250 per tonne for exports is more than twice the world price of \$950 per tonne for cheddar cheese. As a result, Australia cannot export any cheese at all to the EEC.

On the other hand the EEC exported 4,000 tonnes of heavily subsidised cheese to Australia last year.

Lactos and other aggressive marketing orientated Australian companies have been endeavouring to expand their production of speciality cheeses. I know the increasing presence of these low-priced imports has made this difficult.

As a consequence we have asked the Industries Assistance Commission to inquire and report on the protection needs of the cheese industry.

We want to be certain that the industry can produce with confidence an increased variety of fancy cheeses and obtain a reasonable share of this valuable growth market.

We have been actively seeking reform of international trade in dairy products. We played a leading role in the dairy negotiations in Geneva. In the MTN negotiations, Australia is fighting for an international dairy agreement which would involve not just minimum prices for milk powders, butter and butterfat - but which would contain worthwhile provisions covering world trade in cheese. So far, we have been almost a lone voice in pressing to have cheese included.

It is inexplicable, however, that cheese trade should not be included in a new dairy agreement. While our efforts relating to the EEC are most important, we are not pursuing them to the neglect of other markets, which we must protect and foster.

I understand that the Lactos Factory is expecting to export around 2,500 tonnes of Gouda and 2,000 tonnes of Cheddar in the coming season to Japan. This is additional to its other specialty cheese exports to markets such as the U.S.A.

We have a strong position as a supplier of dairy products to Japan. We must make every effort to make sure this position is protected and hopefully improved on.

Overall, the international trade in dairy products is fraught with difficulties to which a great deal of negotiating is still being currently directed. As a significant exporter, these problems necessarily have a major impact on the Australian industry.

It is to this Company's credit it has through energetic marketing and technological innovation been able to maximise its trading opportunities. There is little doubt that these facilities here reflect not only the personal success of Milan Vynalek, but more broadly the success of a business enterprise that benefits the community, the State and the reputation of Australia as an enterprising exporter of rural products.

This is a great day for the Lactos Company. It is most pleasing to welcome friends from Japan -- especially from Snow Brand, the Company's largest export customer -- and friends from the United States.

Lactos and Snow Brand formed their present close association in the early 1970's when the two companies signed a contract for Lactos to manufacture Gouda cheese to Snow's specifications.

In record time, Lactos designed and built probably the world's first completely automated Gouda plant with an annual capacity of 3,000 tonnes of show-type Gouda. The plant was officially opened in 1972 and Lactos became the largest Australian supplier of Gouda cheese for Japan.

Although other companies have since entered the Japanese market, Lactos continues as a major and expanding supplier to Snow Brand and I understand Snow Brand executives have stated publicly that they regard Lactos Gouda as the best obtainable from any world source. That's a compliment to the Company, and to the dairy industry in this great State.

Let us not underestimate this achievement. Here is an Australian company in a highly specialised market making a quality product competitive with the best in the world. Surely there is a special and relevant message for the retailers gathered here today.

The Government has a policy of buying Australian goods. Should not Australian companies, Australian retailers - wherever they can - support local producers like Lactos, who are producing world class products. Let us not belittle what we can do in Australia.

Not only will this kind of decision add to our economy, but will greatly increase community awareness of, and national pride in, Australian skills, achievements and potential.

The Government, in the Budget, launched what we call "Project Australia" and we will be looking for support from all sections of the community in this great national endeavour. We want to recreate a real feeling of pride, of achievement, of community spirit, so that what we make will be more eagerly sought by consumers here and overseas.

Today in Burnie on this site is a good place to start for all you retailers. Here are world class products produced on our own doorstep. Let us get behind companies just like Lactos and make "Project Australia" a living and vital thing.

Mr. Chairman, I think we would all agree that it is a remarkable achievement to restore from the ashes "Phoenix-like", this wonderful new factory, which I understand is the second largest of its kind in Australia.

The investment in new plant, equipment, and people, is real proof of this Company's confidence in the future of the cheese market. But perhaps more important, it is a strong demonstration of this Company's confidence in the future of Australia.

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