

Mrs Livingstone



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PRIME MINISTER

FOR MEDIA

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ADDRESS TO UNITED GRAZIERS' ASSOCIATION OF QUEENSLAND

I am pleased to be here to open your Annual Conference.

Your association is a most valuable forum for marshalling and exchanging views at a time when expertise and management skills are so central to the competitiveness of rural industries.

1979-80 has been an eventful year for the livestock industries; and we meet, for the first time this decade, with significant achievements behind us in the rural sector.

Of course, recently, these hard-won achievements have been sorely tested by drought which, in the history of Australia's agriculture, has always been a recurring threat.

And because of the uncertainty and financial pressure created for farmers by Australia's unreliable climate, the Government accepts a continuing commitment to provide funds to the States for relief from natural disasters.

For example, in 1977-78, the Commonwealth Government provided \$32.3 million to the States for relief from drought; and in 1978-79, in improved conditions, \$15.6 million.

Because the battle to control the effects of dry conditions is an on-going one for the Australian farmer, I announced on 14 April a series of Government measures designed to encourage the development of increased water storage facilities and water reticulation systems.

As a result of these measures, farmers now have an immediate incentive to add new bores, wells, irrigation systems and dams to their existing facilities for combatting dry weather.

Formerly, the expenditure involved in these projects could be written off over a period of ten years.

From the 14 April, all such expenditure will be an allowable deduction for taxation purposes, in the year in which it is incurred.

The same benefits will now be available to plant, used in these new facilities, which previously was depreciable over the course of its life.

And those items already eligible for the investment allowance will continue to be eligible for it as well as benefiting from the new concessions that have been announced.

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Farmers who take advantage of the new policy will be increasing their ability to withstand extended dry conditions.

Such measures represent, for Australian farmers, a long-term insurance policy against water shortages in the future; and a long-term encouragement for the improvement of Australia's farms.

Our entry as a nation into the new decade has been marked by a welcome improvement in our economic health; and an increasing world demand for supplies of food from the handful of world net food exporters.

Because crop failures, from time to time, place varying and sometimes extreme pressure on these food supplies, opportunities will always exist for efficient producers who can meet world demands.

We are entitled to be optimistic about this prospect because we have had many efficient lower cost industries which will enable us in the 80s to be among the better performers in the world scene for commodity producers.

Our efficiency will enable us to meet any emerging difficulties.

For there are signs of deterioration in the international economy.

At the heart of this has been a dramatic rise in the price of oil by 125 per cent since the end of 1978.

The deterioration in the world oil situation has created the risk of oil shortages in the longer term for many countries. Only energy efficient nations will be able to minimise disruption to their economies. Parity pricing for oil is essential if we are to conserve scarce oil reserves, and if we are to encourage alternatives to the use of oil.

In the light of these demands, our oil parity pricing system, far from being a problem for Australia's energy users is, in fact, the only policy which can offer a long term solution to their needs. Ventures like the giant Rundle shale oil project would not be viable without the incentive provided by parity pricing. Yet now, in the light of recent announcements by the joint venturers, Rundle could come on stream as the supplies in Bass Strait run down. Without these developments, we risk becoming beggars for fuel in the late 1980s.

We would not then be paying, as we are today, the lowest world price. Rather, we would be at the mercy of spot prices, prices which cash in on factors of limited supply and unlimited demand, factors which we must seek to avoid now.

In an energy scarce world, we live in a privileged position of relative energy abundance. We must match that position of privilege with a sense of responsibility for the energy needs of the generations of Australians who follow us. I am mindful of the short-term effect parity pricing has on rural producers, but I believe it is the only responsible course to secure the future energy needs of all Australians. Even with parity pricing for oil, the price of super petrol in Australia at 32 cents a litre is amongst the cheapest in the western world, on a par with the U.S.A. and comparing more than favourably with New Zealand at 45 cents a litre; Germany at 59 cents; U.K. at 68 cents; Japan at 66; the Netherlands at 68, Italy at 72; and France at 75 cents a litre.

Nonetheless, the latest oil crisis has contributed to a number of key countries passing through a stage of accelerating inflation and rising interest rates.

In the 12 months to March 1980, inflation in the U.S.A. rose by over 4½ percentage points from about 10% to nearly 15.

In the same period, inflation in the U.K. rose from under 10% to almost 20%, and the average inflation rate for OECD countries rose by over 4 percentage points in the same period.

It is a measure of the success of our Government's policies that in the year to the March Quarter, Australia's inflation rate rose by a little over 2 percentage points from just over 8% to 10½%; more than 2 percentage points below the OECD average.

This means that the American farmer is not only facing higher inflation than his Australian counterpart; but also, the costs induced by that inflation have accelerated.

While farm unit costs in Australia are expected to increase by 10½% in 1979-80; in the USA for example, they are expected to rise by 14%, and in New Zealand by 16%.

This serves to emphasise our international advantage and this advantage has been hard-won. Our challenge in the decade ahead, is to continue to keep our economic balance.

To achieve this, we must use all the economic weapons at our disposal - restraint in public expenditure; reduction of the Budget deficit; responsible monetary policies and increasing resistance to excessive wage increases.

We also need to be competitive enough and flexible enough to expand our existing markets; to re-enter old ones and to penetrate into new ones.

And we will achieve all these things while the Government continues to create the economic climate and provide the incentive in which the expansion of Australia's industry can occur profitably.

In spite of the difficult world economic environment, we can claim considerable success on all these fronts.

In absolute terms, and relative to the achievements of our major trading partners, our success against inflation has been noteworthy.

Our production costs are down with the result that our international competitiveness has been substantially improved.

It is because of this position of growing economic strength that the Government's negotiations to achieve increased access to overseas markets has met with such success.

The major forum for these negotiations was the recently concluded Multilateral Trade discussions.

There are, of course, on-going bilateral deliberations.

But through the MTN negotiations, Australia has secured improved access to the European and United States' markets; and has secured new commitments from the Japanese.

The Government's policy has been to fight for a reduction of restrictive barriers which deny full justice to the efficient producer and inhibit world trade.

This problem is particularly acute with the E.E.C.

But the Government has been successful in securing an improvement in access for Australian exports to the European market. Under the MTN arrangements concluded last year, there will be a useful but somewhat modest increase in access to the EEC for beef from Australia.

We will benefit from a new Australia only quota, levy-free, of 5,000 tonnes of high-quality beef.

We will also benefit from arrangements for increased access for beef for direct consumption under the GATT levy free quota.

And in addition, our expectation is that the EEC will increase access for all countries supplying frozen beef for manufacturing.

Other gains include a 2,250 tonne levy free quota per annum for frozen buffalo meat and tariff concessions on offals, meat extracts, dried fruits and certain canned fruits.

Our discussions with the EEC are continuing in an attempt to improve market access for Australian products.

In April, Ministerial discussions were held in Canberra with the Vice-President of the EEC Commission, in the first of a series of regular annual consultations at Ministerial level between Australia and the European Economic Community.

The atmosphere of these consultations was good, and discussions constructive.

The Commissioner was, however, left in no doubt as to the importance we attach both to obtaining reasonable access to the Community Market for our primary products and to moderation of the EEC's practice of dumping its heavily subsidised rural surplus on third markets.

Our negotiations with the U.S. have produced satisfactory results in terms of access.

They have guaranteed a minimum access level for global beef imports of 1.2 billion pounds per annum.

This is the first time such a guarantee has been given.

And because we normally supply approximately half of the American market, Australian beef exporters are now better able to plan for the future on the basis of a firm and predictable export level.

No longer will the American import beef tap be turned on and off.

We have also been successful in securing a reduction in U.S. beef duty from US 3 cents a pound to U.S. 2 cents a pound, which is expected to yield an extra \$6 million to \$7 million to Australia's beef producers.

And for the first time for many decades US duty on raw wool is to be reduced by 60% over a 3 year period.

These initiatives, in support of Australia's rural industries, are further improved by our expectation that Japanese beef imports are to increase steadily over the next two years and to reach a peak 142,000 tonnes in 1983.

These successes in securing guaranteed access to overseas markets, especially for our beef, take us a long way from the impoverished Labor years.

In 1974-75, the Labor government, ignoring the fundamental stability and basic insurance for the beef industry, provided by secure access to markets, for 15 months ignored Australia's total exclusion from the Japanese beef market.

It has been our determination since that time, that this should never happen again to such a vital rural industry. It has been our determination that never again should prosperity be sacrificed by a lamentable indifference of government to the needs of rural industry.

It is a tribute to the resilience of the rural sector and its capacity to take advantage of an encouraging economic climate that the recovery from the trough of 1974-75 has been so commanding.

In order to secure this recovery, the Government has acted, since we came to office, to assist rural industries overcome the uncertainty of the financial pressure that arises from variable weather conditions and fluctuating commodity returns.

We believe that rural industries in Australia require a special understanding from governments and special measures which minimize the consequences of adverse conditions.

To improve the long term viability of rural industries, the Government has modified the tax averaging provision; established the Primary Industry Bank of Australia which has already approved \$210 million to 3,000 borrowers; introduced in full the fuel price equalisation scheme which will benefit people in country areas by over \$120 million in 1980-81; created the income equalisation deposit scheme; abolished federal death duties; introduced a comprehensive rural adjustment scheme; provided special depreciation provisions for buildings and for the storage of hay, grain and fodder; and recently announced the introduction of new taxation concessions to assist in increased water storage.

To assist specific industries, the Government has increased the wool floor price from \$2.50 in 1975-76 to \$3.13 per kilo in 1979-80, and given a commitment that it will be at least this level in 1980-81; introduced new wheat marketing arrangements which stabilise returns and facilitate earlier payment for wheat deliveries; provided assistance to beef producers during the recent beef recession; underwritten prescribed dairy products; renegotiated the Commonwealth-State sugar agreement with the Queensland government to provide an improved system for feeding domestic sugar prices; and helped fund a wider range of industry research programmes.

The Government's dedication to economic growth, its determination to secure international competitiveness, its success in increasing access to overseas markets, and its willingness to provide incentives

to Australia's farming community - all these have created a new buoyancy for rural industries.

Real income per farm more than doubled in the year ended June 1979 and has been approximately maintained this year.

The gross value of rural production this year is estimated to be more than 60% higher than the level of two years ago.

And the value of rural exports is estimated this year to be almost 60% above the level of two years ago.

Across a wide spectrum of industries, current performance augurs well for the future.

For livestock producers, I know that central and northern areas of Queensland are carrying a fair to good body of mature feed, and will enter the winter period in fair shape.

The rural problem areas in Australia are southern Queensland and many parts of inland New South Wales.

I know that many of your members in southern Queensland are facing a very grim winter and that the need for agistment is very real indeed.

Drought, of course, is much tougher when it coincides with poor export returns.

Fortunately, the market basics are sound for Australia's rural industries, although I know that the faltering US economy is casting a shadow over the beef trade.

However, beef prices in recent weeks have shown encouraging signs of firming.

The sheep meat industry has also enjoyed strong prices at auction.

Sales to the high growth Middle East countries have expanded strongly, as have live sheep exports. There is, however, a problem emerging for the Australian sheep meat industry in the 1980s. Only last Thursday, European agriculture ministers agreed to most of the details of a common agricultural policy on sheep meat. The fear is that, like other EC regimes, this agreement will lead to a squeeze on imports, subsidised EC exports, or to both. And this obviously would have adverse affects on Australia.

The decision is a most serious matter.

Up until now, Europe has represented a worthwhile market for Australia which could be threatened in the future by this decision. But a further danger lies in the very real prospect of our having to compete in the import Middle East markets with subsidised community exports.

The Government believes that it is essential to reach agreement with the EEC on their understanding of their possible future developments on trade in third markets.

It is our determination to ensure that agreement is reached with the EEC on a level of access to Europe which protects

our traditional level of sheep meat trade in that market. Prospects in the wool market are highlighted by a consensus about an underlying strength in wool demand.

There is reason, in a world where the cost of producing synthetic fibres is rising sharply, to expect sound, longer run prospects for this industry.

This is borne out by the fact that auction prices so far this season have been 18% above the 1978-79 average.

Although the wool corporation has increased its market support activities in recent months, its stockpile is still very low by historical standards, and is over 100,000 bales less than at the close of last season.

The outlook for wool in the next financial year is a good one, and it has already been announced that the floor price for that year will be at least at the current level.

It is unlikely that this new floor will be announced before the end of the current season. But there may be sound reasons for it increasing.

In the wheat industry, apart from the problems created by drought conditions in some areas, the position is encouraging.

In this financial year, wheat exports are expected to be double any previous level, at a record \$2.2 billion.

On current forecasts, wheat will be Australia's largest single export - significantly exceeding wool and coal.

This has arisen from strong world demand, and the fact that the area planted with wheat has increased markedly in recent years; and the 1980 crop is generally off to a good start.

I appreciate that an issue of particular concern to farmers, especially grain growers, is that supportive action taken by the Australian Government to the United States response to the Soviet invasion of Afghanistan.

I announced on 9 January 1980 that Australia would support the US action of embargoing 17 million tonnes of grain to the USSR by not picking up any shortfall created by the US decision.

Consistent with the US decision, of course, normal sales were allowed to continue, so that shipments under existing contracts continued unaffected.

However, we closely examined new contracts in grain to ensure that our commitment was being fulfilled.

In doing so, two proposed sales of sorghum and one sale of maize to the Soviet Union were prevented from going ahead, providing an important contribution to Australia's stance on this critical, international issue.

In regard to future policy on grain sales to the Soviet Union, you will be aware that the Government recently conveyed to the grain marketing board its interim decision that exporters of course

grains could now contract for up to 25% of last year's crop, provided they can demonstrate to the Government that they traditionally enter into forward sales contracts at this time of the year.

However, the Government still views the Soviet invasion of Afghanistan seriously indeed.

We wish to continue our policy of full support for the USA. But the Government is concerned to clarify completely the policies of major grain exporting countries in relation to 1980-81.

Following the recent Brussels meeting, it is now apparent that there are some issues on which further clarification is required.

As a result, Peter Nixon will leave tomorrow for top level talks in Washington and Ottawa with the US and Canadian governments.

One of the real successes amongst rural industries in recent years has been the dairy industry.

With government help, it has achieved one of the most remarkable, if difficult, readjustments in Australia's agricultural history.

The industry is now somewhat smaller than it was a few years ago, but productivity and incomes have risen considerably as a result of the industry's increased competitiveness and its success in securing new markets.

Another vital industry enjoying a significant recovery from recession is the sugar industry.

During the last few months, world free markets sugar prices have risen to the highest level since 1974.

With production and export restrictions now lifted, prospects for the industry are indeed promising. However, there remains one notorious practice which affects the viability of all efficient rural industries - the dumping of subsidised agricultural products on world markets.

We have persistently argued in the European Community that the costs to be borne internationally by government subsidies and protectionist devices has reached a level which is not in the community's best interest or in the interest of more efficient producers.

It is of little benefit to industrialised nations to tax their communities heavily, to pay for subsidised goods whose over production leads to dumping.

And it is of no benefit to efficient economic producers and exporters who are denied markets and are unable to fully develop low cost industries which will provide reasonably priced food, on a sustainable basis, not subject to political interference.

We believe that our approach is eminently reasonable.

We have simply urged modification of the EEC policy so that the Community's excessive practice of dumping on world markets is moderated.

The Government's success at improving our access to existing markets has been complemented by our development of new markets.

The Middle East has now become our largest market for live sheep and sheep meat, and is an important customer for Australian dairy produce.

The Chairman of the Australian Wheat Board, Sir Leslie Price, commented recently that the Middle East is our most rapidly expanding wheat market.

In 1979, the Wheat Board shipped 3.5 million tonnes to the Middle East, and the figure could rise to 5 million tonnes in 1980, or nearly 40% of Australian wheat exports.

The Asian market has also become much more important for our rural export industries, with rising sales in grain, meat and dairy products.

These developments augur well for the future.

The current strength of the Australian economy; the underlying increase in world food demand; the vigorous and successful attempts by exporters and the Government to expand our markets; all these have established the foundation for continuing growth of our rural industries. But the fact that we have been able to succeed in the difficult world economic environment does not entitle us to be complacent.

We must re-double our efforts to prevent defective policies and irresponsible economic management jeopardising the significant results of the last four years.

It is a salutary experience to recall the problems confronted by our rural industries, indeed all industries, in the Labor years.

At that time, in separate 12 month periods:

- . Commonwealth budget outlays rose by 46%;
- . Federal award wages rose by 38%;
- . Farm unit costs increased by 30%;
- . Real income per farm fell by over 40%;
- . The Australian beef industry was excluded from Japanese markets; and
- . In early 1975, only a rank and file revolt prevented the Labor Government from reducing the floor price for wool from 250 cents to 200 cents per kilo.

Inevitably, under this assault, Australian industries either collapsed, or were unable to compete internationally and available markets were lost.

Farmers still remember with great anxiety, the Coombs Report commissioned by the Whitlam Government.

Acting upon this, Labor cut a swath through assistance to people in country areas, largely on the basis that such assistance was not needed.

Such a look into the past reminds us that the foundations of profitable industry are hard to build; easy to destroy.

It reminds us that hard-won gains can easily be squandered and we have come too far to contemplate sacrificing the benefits that we have secured.

In the decade ahead, our efforts must be spent in consolidating our advantages and building on our opportunities.

As always, there will be difficulties through drought, the world economy, farm costs and the tendency towards variability in commodity prices -- all these will be severe enough tests in themselves.

We cannot allow them to be complicated by Government extravagance and incompetence which would deal to the rural sector the kind of body blow it experienced in the mid-70s.

Rural industries have much to gain from a well-managed domestic economy.

We enter the 80s with the kind of economic stability and international competitiveness that suggests a decade of great opportunity for Australian farmers.

The big industries of Australian agriculture wool, meat, sugar and wheat, have found long-term prospects.

The dairy industry is now much better placed to take advantage of market prospects.

Moreover, there are emerging industries -- the growing rice industry, the developing oilseeds industry and a spectacular growth in cotton production.

When one realises that Australia's agricultural exports in the last financial year represented more than 40% of Australia's total exports, then an understanding can be gained of the important social and economic benefits provided to the nation by rural industries.

This export success must be maintained.

We are well located geographically to meet any increase in food import demands of the high growth Middle East and Asian markets.

Global food security, particularly for increasingly import dependent developing countries, is likely to be a continuing political issue in the 80s.

This growing import dependence of developing countries represents a challenge for Australian agriculture that historically it has met; and organisationally and economically it is capable of meeting again.

In the 80s Australia will have an increasingly important role as a net food and energy exporter.

The Government is determined to secure the economic environment in which these roles can be fully and productively played out.

Inevitably, one of the challenges in any decade is the challenge of change. So it will be with rural industries.

There will be new domestic and international agricultural demands and new and rapidly developing markets.

It is through an industry-oriented organisation such as yours that these changes can be most beneficially accommodated.

Your initiatives and those of your parent body will be central in the decade ahead in fashioning the response of all Australian farmers to the opportunities of the 80s.

In this task you can be assured of the constructive support of the Government.