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PRIME MINISTER

FOR MEDIA TUESDAY, 22 JULY 1980

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ADDRESS TO THE FIRST STATE CONFERENCE OF THE UNITED FARMERS AND STOCKOWNERS' ASSOCIATION OF SOUTH AUSTRALIA

I welcome the opportunity to be with you for this your inaugural conference as the United Farmers and Stockowners' of South Australia.

The formation of this organisation is recognition of the fact that, although rural producers are involved with different commodities they have over-riding common interests; and these interests are best served when the industry speaks as one voice. I can assure you that the Commonwealth Government looks forward to working closely with you in the future; and I am equally confident that you will be able to respond successfully to the rural challenges of the new decade.

We meet at a time when Australia's rural industries have won significant achievements; and confidence in Australia's future has reached its highest level for many years. This confidence is soundly based. Australia's greatly improved export performance to which rural industries have contributed significantly, has played a prominent part in our recovery.

In the last financial year total exports rose by nearly 33% and rural exports rose by 41%. For 1980/81, the BAE forecasts rural exports to increase by another 6% to a record of more than $9 billion. What is pleasing to the Government is that Australia has been able to maintain and improve its level of economic activity at the same time as a significant downturn is taking place in a number of major world economies.

Australia's vast possibilities, in the decade ahead, have been widely canvassed by international authorities and policies of the kind being pursued by the Australian Government are now advocated by most Western governments. The OECD has recently drawn attention to the fact that Australia's growth prospects are very much better than those anticipated for the OECD area as a whole; and much better than prospects for the U.S.A. and the U.K. A number of important surveys conducted in Australia bear out the OECD's optimistic view.

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The May survey of investment projects by the Department of Industry and Commerce shows $29 billion of projects committed or in the final feasibility stage. And these prospects are supported by the Australian Bureau of Statistics' Survey, taken during April and May, which shows that expected investment for the year ahead is 40% higher than expectations which existed at this time last year. So that, in spite of the difficulties that are being experienced overseas, there are very sound and well based reasons for having confidence in our future.

Our natural resources, our energy endowment and our geographical position give us the potential to reduce the impact on Australia's development of the conditions in the world economy. For example, as a result of the diversification of our markets, some 47% of our exports now go to Asian and Middle East countries which, in general, are likely to do relatively well in sustaining their growth rates in the years ahead. Foodstuffs which remain a most important export from Australia, appear to be in good demand.

Our success in achieving efficient and lower cost industries, is helping us to meet the difficult international economic conditions. Central to these international difficulties has been the dramatic rise in the price of oil by 125% since the end of 1978; and increased international tension has increased the uncertainty about the reliability of oil supplies in the longer term.

I know that the price of the long term supply of fuel are vital issues for all rural producers. Both these matters occupied the attention of the recent economic summit meeting in Venice. The leaders of the seven major industrialised countries pronounced that the link between economic growth and oil consumption must be broken this decade. And they stressed that this must be done through maximum reliance on the pricing mechanism, supplemented, where necessary, by other measures.

The summit confirmed that the Australian Government's import parity pricing policy is the right policy. That only by allowing prices to bring supply and demand together can we hope to encourage exploration and development of new energy resources; to moderate the growth in demand for oil; and to facilitate the shift to alternatives to oil-fired energy.

On all these fronts, as a result of our oil parity pricing policy, the Government has secured significant success. In oil exploration and development,

- expenditure levels are five times what they were in 1975
- during this year 50-60 on-shore wells are likely to be drilled compared with six in 1975
- in the last four years one billion barrels of petroleum liquids have been added to Australia's economically recoverable reserves
- $4-5,000 million of investment is about to proceed on the North West Shelf, and
- ESSO BHP have already announced programmes of $1.2 billion for the next four years.

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In conservation,

- Australian vehicle manufacturers recently announced new targets for fuel efficiency and economy, based on voluntary standards suggested by the Government
- This will result, on current usage, in a 5% saving of motor spirit in 1983 and 12% in 1987, and
- petrol consumption for May 1980 was 9.8% below that for May 1979.

In promoting the use of alternatives to oil,

- the Government's pricing and taxation measures are encouraging motor vehicle conversion to LPG, expecially in vehicle fleets.

  It is anticipated that between 10-15% of motor spirit usage could ultimately be replaced by LPG.
- In 1979, two million barrels of fuel oil were saved in the Sydney market alone by industrial conversions from oil to natural gas.
- And the extension of natural gas pipelines will result in further savings.
  - The Sydney-Newcastle pipeline due to be completed later this year will save the equivalent of about 3 million barrels of oil a year.

Without parity pricing, the increasing interest being shown in producing oil from coal and shale would not exist. Planning of the Rundle project, for example, provides that, by about 1990, it would be producing approximately 200,000 barrels per day; equal to about one-quarter of Australia's crude oil demands at that time.

Of course, in the short term, oil parity pricing poses difficulties. Farmers in particular have voiced concern at the price increases. This is understandable. Nobody likes increased prices for petrol. But in the current world energy situation, it is the height of irresponsibility to talk about cheaper petrol. Cheaper petrol would give us an unlimited right to use up our scarce fuel reserves. Cheaper petrol means that exploration and development would cease; that the development of shale oil deposits, such as Rundle, would not take place.

With cheaper petrol, industry would be encouraged to postpone new technologies. Cheaper petrol would make Australia, in the years ahead, a defenceless victim of OPEC countries - beggars for fuel with prices much higher than we now have to pay.

We would lose our independence and with it our chance of oil self-sufficiency. Such a policy of cheaper petrol would be a selfish policy; a policy for today; a policy which ignores the needs of our children. It would be asking our children to make adjustments in the future, more extreme and much more difficult than are being asked of us today. We owe our children something better than that.

On our farms and properties we put a lot of money and effort into development and improvements; not necessarily because they will add directly to farm income, but, partly, because these improvements will make our farms and properties better for our children when they take over. This is part of the motivating force of everything we do.

But shouldn't we do the same for Australia and make decisions that will leave it a better place than otherwise it might have been? That is, in effect, the reason for our oil parity pricing policy.

The Government has only taken the decision it has because we know it is not only right, but also necessary. And even with parity pricing, our petrol prices of around 32-33¢ per litre in capital cities, still compare more than favourably with New Zealand 45¢ per litre; West Germany 57¢ per litre, Britain 62¢ per litre, Japan 67¢; the Netherlands 67¢; France 73¢; and Italy 77¢ per litre.

Of course, I recognise that rural communities are paying more than city areas. Because of this, we introduced a fuel policy for country areas whereby the difference between city and country petrol prices, on account of freight, would be kept to less than half a cent a litre. Yet some people wonder why the price in inland areas is still higher than it is in capital cities. There is a simple reason for that. The retail mark up in the capital cities, because of present discounting and intensive competition, has been driven to as low as one cent. In regional areas, where these forces do not exist, the mark up is commonly 6-8 cents per litre; occasionally it is even higher than that.

Our energy policy is a key part of the Government's overall economic strategy. Another part of that strategy, of equal importance, is the reduction of inflation. To achieve this, the Government must continue to pursue restraint in public expenditure; reduction of the budget deficit , resistance to excessive wage increases; and support for the co-ordinated development of Australia's resources.

Our dedication to international competitiveness has been a key factor in securing new markets in the face of tough competition from other exporters. To retain our old markets, and to improve our access to them, the Government has negotiated, and is continuing to negotiate, on behalf of our rural industries.

Through the recently concluded MTN negotiations Australia secured improved access for beef and dairy products to the European and U.S. markets; and won new commitments on beef from the Japanese. Australia secured a guaranteed minimum access level for global beef imports of 1.2 billion pounds per annum in the vital United States market. This is the first time such a guarantee has been given by the United States government.

This commitment will be of particular importance whenever U.S. beef production is high and the recently enacted U.S.A. counter-cyclical legislation operates to reduce imports. Australian beef exporters are now better able to plan for the future on the basis of a firm and predictable minimum import level.

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We were also successful in securing a useful reduction in U.S. beef import duty from 3¢ a pound to U.S. 2¢ a pound which is expected to yield an extra $6 million to $7 million per annum to Australia's beef producers.

After strong pressure from Australia, the United States also agreed to reduce the duty on raw wool by 60% over a three year period.

As a result of the negotiations with Japan, Japanese beef imports are increasing steadily and it is our expectation that they will reach at least 142,000 tonnes in 1983.

Since Japan is our second largest market for beef, after the United States, these new commitments provide a more secure basis for our exports.

Our success in the Japanese market is in stark contrast to the performance of the Labor government which sat back passively while the Japanese market was closed to Australian beef producers in 1974 and 1975.

We also negotiated some useful increases in access for manufacturing beef and high quality beef imports into the European Economic Community.

We have had some initial difficulty in getting the E.E.C. to fully implement these new concessions and we have made strong representations on the issue.

I am hopeful that the Community will live up to its commitments on beef and that our trade will increase.

Unfortunately, the E.E.C. continues to cause difficulties for Australia on a range of other agricultural commodities.

There is no economic justification for this provocative action.

In order to meet the demands of French sheepmeat producers, a new scheme has been proposed involving the support of prices paid to local producers; levies on imports; and export subsidies for European exporters to third markets.

This new regime is estimated to cost the E.E.C. about $275 million in its first year of operation.

In effect, Community consumers and taxpayers are being asked to subsidise Community producers $500 for every tonne of sheepmeat produced. This figure is about half the current world market price for sheepmeat and indicates the extent to which the proposed subsidy would insulate E.E.C. producers from normal market forces.

As a significant exporter of sheepmeat to Europe and as the world's largest exporter of sheepmeat and live sheep to markets outside Europe, Australia is vitally concerned at these developments.

E.E.C. Commissioner Gundelach visited Australia last week and had discussions with Doug Anthony and Peter Nixon. They both made him aware of our grave concern.

We intend to press our case strongly; and stress that the E.E.C. benefits greatly from its access to the Australian market. Indeed, now, two senior officials are in Brussels and, depending on progress with negotiations, Mr. Anthony could be going to Brussels in September.

Our hard won concessions in our more established markets are significant, but they should not obscure the importance of selling more to the Middle East and Asian markets, where living standards are increasing rapidly. One of the most encouraging aspects of the rural recovery has been our success in these markets.

Meat exports to the Middle East, including live sheep, have shown strong growth; while the Wheat Board Chairman, Sir Leslie Price, recently commented that the Middle East is our most rapidly expanding wheat market, likely to take nearly 40% of Australian wheat exports in 1980.

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

The current competitive position of the Australian exporters; 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.

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It is a tribute to the resilience of the Australian farmer, and his capacity to respond to improved circumstances, that the recovery from rural depression of the mid 70s has been so commanding between 1976-77 and 1979-80.

In this time: the value of rural production rose by 69%; the value of rural exports rose by 65%; and real income per farm almost doubled.

Forecasts released today indicate that the value of rural production in 1980-81 is expected to increase by a further 5% to reach a record of more than $12 billion.

Although real income is expected to moderate in 1980-81, the Bureau points out that the three years ended 1980-81 are expected to be the best three consecutive years for the rural sector since the Korean War boom of the early 50s.

All major rural industries are sharing in these achievements. The beef industry has come out of the years of bitter depression and market prospects are favourable. Wool has bounced back as a competitive industrial fibre that, for the first time in quite a long while, has increased its textile market share. Cotton production nearly trebled in the past four years and expansion is continuing. Rice production is increasing, and the sugar industry is considering a significant acreage increase in response to better market prospects. For the wheat industry, the decade ahead is one of real promise.

Two landmarks reached in 1979-80 were the emergence of Australia as the world's second largest wheat exporter; and wheat becoming Australia's largest export industry in value terms. I understand that at this stage, South Australia is looking to another good crop this year.

Our stature as a world exporter has meant that the United States has looked to us, as an ally, for support in their grain sanctions against the USSR. Australia will maintain its firm support for the United States in its attitude to the invasion of Afghanistan by the Soviet Union. Part of our response, in concert with the U.S., has been to restrict grain sales to the Soviet Union, to make sure that we do not make up any of the shortfall created by the U.S. withholding supplies.

In this financial year the United States is only allowing sales to take place up to the level of 8 million tonnes provided for in its bilateral agreement with the Soviet Union.

Australia is supporting that action by restricting its grain sales to the Soviets in this financial year to a maximum total for all grains of 3.9 million tonnes which is about the level of last year's sales.

The improvement in returns to Australia's wheat farmers, and other rural producers, owes much to the harmonious partnership over the past five years between industry and Government which provides a solid underpinning for future development.

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It is only when the range of new measures is looked at in full that the extent of the improvements in rural policy measures can be appreciated.

Farmers now have access to long term credit through the Primary Industry Bank which, in response to heavy demand, has already approved $230 million to 3,200 borrowers.

Farmers now have the ability to even out tax payments through the income equalisation deposit scheme.

The fuel freight subsidy scheme will benefit people in country areas by over $120 million in 1980-81.

We have provided special depreciation provisions for buildings for the storage of hay, grain and fodder; and recently announced the introduction of major new taxation concessions to assist with increased water storage; whether by helping farmers to increase their capacity to withstand drought or in developing their own irrigation schemes.

For the key industries, we have provided the support they need to plan confidently for the future. The wool floor price has been increased progressively from 250 cents in 1975-76 to the new level of 365 cents per kilo. The wool market support fund has been placed on a permanent basis with provision that growers' earlier contributions will be returned when the fund balance exceeds predetermined maximum level. We provided assistance for beef producers when prices were low and have gained secure access and new markets for meat. The Government has introduced a new wheat marketing scheme to underwrite wheat returns and facilitate earlier payments for wheat deliveries. We have stood by the troubled dairy industry while it went through an adjustment period and were able to recently announce a 20% lift in the 1980-81 underwriting level.

And of benefit to all farmers, Federal death duties have been abolished, and a comprehensive rural adjustment scheme introduced.

One area of real concern in recent times is the unjustified disruption of Australia's $180 million live sheep trade which has drawn cries of protest from misdirected union militants. The live sheep export trade to the Middle East is one of particular interest to South Australians.

In 1979, over two million live sheep, valued at almost $60 million, were exported from South Australia alone. The trade has grown progressively over the last ten years and since 1970-71, we have exported over 24 million live sheep, mainly older wethers.

The Middle East countries which take these sheep do so mainly because they have a long established traditional preference for fresh killed meat. They are importing steadily increasing quantities of frozen lamb but they are not prepared to purchase these older sheep in frozen carcass form. It is obvious that there is little likelihood that banning the trade would lead to increased slaughtering or increased job opportunities in Australian meat works.

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In fact, a study conducted by the Director of the Bureau of Agricultural Economics in 1978 found that, far from jobs being lost in abattoirs through this trade, significant other jobs were actually created by it. The Bureau has now done further research which shows that these conclusions are still valid.

While the live sheep trade has increased, our exports to the Middle East of frozen meat, especially in the form of lamb and hogget, continue to rise.

To assist this trade, the Commonwealth Government has recently made decisions which will more than treble Australia's air-freighted chilled meat tonnage to the Middle East. Ralph Hunt will shortly be announcing these decisions in detail.

They will mean additional benefits to the meat industry in Australia of at least $4 million; and these gains for producers will of course mean more jobs for meatworkers in the abattoirs. (A benefit that I hope the A.M.I.E.U. will appreciate).

Regrettably, these significant benefits can be jeopardised by sections of the union movement bent on achieving massive wage increases and shorter working hours. The recent national wage judgement granting a 4.2% increase to wage earners will significantly add to cost pressures.

And on top of this is the selfish and unrealistic campaign by metal workers for a 35 hour week which would increase costs and prices; reduce sales; sacrifice our competitiveness; and increase unemployment throughout Australia.

These developments represent not just a challenge to industry viability and our competitiveness in world markets; but a challenge to the whole momentum towards national economic recovery. Coming as they do on top of substantial industrial disruption, they offer us an urgent warning about the consequences of unchecked militant left wing union leadership.

In spite of our resource endowments, our strengthening economy and our stable political environment, overseas customers will not continue to tolerate the disregard they are shown by sections of Australia's union leadership.

The time is now for Governments, employers, union membership and the whole community to place Australia's future well being above the selfish pursuits of unrepresentative and militant minorities.

If this can be done, the portents for the future are most favourable.

The big industries of Australian agriculture, wool, meat, sugar and grains, have sound long term prospects. The dairy industry is now much better placed to take advantage of market potential.

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

The fruit industries, which are of great importance to South Australia, have undergone major and successful adjustment.

We are well located geographically to meet increased food import demands from the high growth Middle East and Asian markets. In the 80s, Australia will have an increasingly important role as a net food and energy exporter.

The Government is determined to make sure that we have 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. A cohesive organisation such as yours will be a valuable spokesman for South Australian producers, not only on the commodity issues, but on the role and viability of rural industry in an expanding and complex economy.

Farm organisations have become much more involved in discussion of these wider issues, and I am sure that your new body will be a constructive influence in the years ahead.

I am grateful for the opportunity to be with you today and have pleasure in declaring your inaugural conference officially open.

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