



13

PRIME MINISTER

FOR MEDIA

20 AUGUST 1985

The Prime Minister and the Minister for Primary Industry, Mr John Kerin, tonight gave details of the Government's response to requests from primary producers organisations to reduce the impact of farm costs on their income.

Mr Hawke and Mr Kerin noted that the Government's total response to the cost-price squeeze being faced by farmers involved initiatives on both costs and prices.

In the broader context, the Government's overall budget strategy and sound economic management would contribute significantly in itself to lowering farmers' costs.

As well, the general thrust of primary industry policy would continue to pursue efficiency and reduced costs to industry.

However, the Government had recognised that there is a need for further measures aimed at reducing costs and this gave rise to the Prime Minister's commitment in this regard to farmers on 1 July 1985.

In keeping with the Prime Minister's commitment the Government has decided to:

- . rebate in full the diesel fuel excise for farming, fishing and forestry uses which are currently eligible for rebate
 - as a result primary producers will be rebated the full 10.007 cents/litre excise, rather than only 7.619 cents/litre, as at present
 - which means that a farmer using 15,000 litres of fuel per year will save about \$350 per year

- . to remove remaining duties on imported grain harvesters and provide local producers with an equivalent level of assistance by way of a bounty
 - the present tariff of 15% adds significantly to the cost of all but the very large imported machines for which concessional entry is allowed.

This package builds on recent decisions which benefit the rural sector. In particular:

- . The provision of \$9m over three years to reduce effort and improve competitiveness in the fishing industry
- . A range of new policies falling in the Primary Industry portfolio announced tonight including the provision of \$1m for the first stage of a Meat and Livestock Industry Marketing Innovation Assistance Package.
- . The inclusion of a spot price component in the formula calculating the Import Parity Price of oil, which has led to a reduction in the price of fuel
- . And, in recognition of the widespread concern in the rural sector, the decision not to proceed with a 12.5% consumption tax on fuel.

The measures outlined in the budget will be introduced as soon as legislative and administrative considerations permit. The full rebate of diesel excise will be payable from 1 November 1985 and the change in the form of assistance for grain harvester production will take effect from 1 January 1986. It is estimated that extending the rebate on diesel will cost about \$35m in a full year and that the actions on grain harvesters will involve an annual cost of about \$14m, including bounty outlays and tariff revenue forgone.

Details of the new bounty on locally produced grain harvesters will be announced by the Minister for Industry, Technology and Commerce following receipt of advice from the Industries Assistance Commission.

The Government has accepted the strength of rural concerns about the costs incurred as a result of present assistance arrangements for the production of agricultural chemicals. The Government will take steps to ensure that assistance arrangements do not impose undue costs on users. However, it believes that any action should await the receipt of the IAC Report on the chemicals and plastics industries which will provide an accurate picture of the costs and benefits of current assistance arrangements.

The Government believes that the package announced tonight represents the greatest possible benefit that could be provided to primary producers without imposing undue costs on the rest of the community.

In the climate of budgetary restraint, the full farm cost package, which will have a full year cost of about \$50m, represents a major effort by the Government to meet the highest priority needs identified by rural interests themselves.

It needs to be remembered, however that primary production obtains considerable benefits from the Government's efforts to contain overall outlays, and to hold down the effects on domestic wages and prices of the depreciation of the Australian dollar.

While these measures, together with the increases in returns brought about by the depreciation of the currency, will ease cost/price pressures, the Government recognises that they will not of themselves restore profitability to all rural producers. Primary producers will need to continue to adjust to the prices dictated by the marketplace. No Government can, or should, try to prevent adjustment, even though that might mean that some people will need to alter their operations. The Government will, of course, act to reduce the costs of that adjustment through the Rural Adjustment Scheme and relevant social security programs.

In reaching its decision the Government has given careful consideration to a range of proposals put forward by primary producers, including proposals from the National Farmers Federation.