



PRIME MINISTER

CHECK AGAINST DELIVERY

EMBARGOED AGAINST DELIVERY

ADDRESS BY THE PRIME MINISTER
TO A PUBLIC MEETING AT CANOWINDRA NSW
SATURDAY 31 MAY 1986

Mr Chairman, Ladies and Gentlemen

Today I want to talk about the Labor Government and the bush.

Farmers are businessmen and women, people who are prepared to take the risks. They are usually self-reliant. They are realists, people who do not usually make extreme demands. I do appreciate, however, that at times such as now many of you do feel some sense of being left to carry your many problems alone.

This is a product of isolation and of the sense of powerlessness to control such things as the weather, the middlemen, the markets, the unions and governments.

I know many of you are feeling the pinch of higher interest rates, of farm cost pressures and of income shortfalls.

Let me put it plainly that the problems facing Australia's rural sector are problems for all Australians.

My Government understands that clearly, and accepts it absolutely.

There have been demonstrations around Australia by which you have endeavoured to put your message to your fellow Australians. you have exercised your democratic rights as Australians. You have been right to do so.

And it is a message which has always been fully understood by my Government.

The Australian farmer is no stranger to adversity. It has been, throughout our history, the very act of winning the struggle against adversity and the trials imposed by a tough land that has made the Australian farmer the most efficient in the world.

And in this struggle, imposed this time not by the Australian environment but by the international economic situation the Australian farmer has this Government's full support.

And I want to say this - my Government backs the family farm. It is the family farm that is the backbone of the farm economy.

We, as a Government are listening to careful and rationally thought out proposals from rural interests. We will always be receptive to proposals which recognise the reality of the situation, that have been subject to detailed analysis, and which have a clear-cut sense of purpose and direction.

This is precisely the approach that John Kerin and the Government adopted in the recent Economic and Rural Policy Statement.

That statement set out the Government's views on economic and rural policy in Australia. I thought it essential that the Government lay down such a statement so the community could know the Government's overall assessment of the very difficult rural situation.

I believe it is important for all Australians to appreciate the dimensions of our rural problems and for people such as yourselves to recognise where progress can be made towards realistic solutions.

Let us take a moment to look at the realities.

It goes without saying that the economic well-being of Australia depends on all sections of the economy making their contribution.

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Because Australia has long had a dominant and efficient rural sector its importance has often been taken for granted.

The rural sector not only generates a high proportion of our export income but also generates employment both in supporting industries and throughout the service sector.

Indeed agriculture is directly responsible for 7 per cent of the nation's employment. Taking into account those indirectly involved, this increases to as much as 20 per cent.

While agriculture has declined in relative importance in the Australian economy since the 1950's, it has in recent years maintained its share of GDP in a growing economy.

In spite of the recent poor returns from world markets, rural products account for 37 per cent of our export income.

The sector clearly has a vital role to play in our economic life.

The problems of the rural sector are now among the most important on the Government's agenda.

We are all aware of the sharp falls in international prices for our major rural commodities. Wheat prices have fallen by around 29 per cent since 1980/81; wool has fallen by 21 per cent in the same period and, in the last two years, beef prices have dropped 24 per cent.

This parlous state of international commodity markets - markets heavily corrupted in recent years by the subsidy practices of some of the major producers - is a cause of particular anxiety to all Australians.

My Government's strength - and this is where we are different to our opponents - is to recognise the true nature of the rural sector's contribution and the true nature of the causes of the rural problem.

The only policies that are going to work are the ones that are aimed at securing the long-term health of the sector and that are attuned to market realities.

Individuals who are in need can be helped effectively only by measures that are properly targeted to those individuals - not by broad brush handouts that were such a common feature of past so-called solutions to rural problems.

Not all people who live in rural areas are dependent upon farming for their livelihood. But all people who live in rural areas do face the same problems in regard to access to a range of Government and other services that are taken for granted in the cities.

It is for this reason that the Government has deliberately not confined its rural policies to farmers alone.

I do not intend here today to present a whole series of facts and figures. But there are a few that I think bear repeating.

The current rural difficulties to a large extent are the result of adverse world markets. This has meant that the farm sector has not been able to share fully in the growth of Australia's national income.

Average export returns from our primary products have increased by only 5 per cent in the two years to 1985/86, despite a currency depreciation in order of 25 per cent.

Unfortunately there is little prospect for any immediate improvement. Projections for 1986/87 suggest that there will be little improvement in world commodity prices. Negotiations for the elimination of subsidies will necessarily be drawn out.

It is simply not on to lay all of the blame, as many farm leaders and activists would like, on the Government's doorstep. Our overall economic policies cannot be blamed - Australia's general economic performance has been impressive.

Our policy on tariffs cannot be blamed. The general direction of tariff assistance has been downwards. Our broader industry policy has encouraged greater productivity, costs containment and reduced Government regulation wherever possible. At the same time, we have to reduce tariffs and other forms of assistance at rates which recognise the burden that such downward adjustment imposes on those investing and working in protected industries.

Nor is the problem only one of high rural debt levels - the use of debt finance is less in the rural sector overall than in other sectors.

Nor is it high interest rates alone. Though, of course, I am aware that interest costs are by far your biggest immediate concern, the problem is that high interest rates have coincided with a period of low prices, exacerbated in some areas by a series of poor seasons.

I know that here in the Canowindra area many of you have experienced only three good years in the past eight. I hope the recent rain makes it four out of nine.

The question remains: what are we - and that means not just the Government - going to do about the obvious problems in the rural sector.

The first step in coming to an answer is to appreciate that proposed solutions must be realistic.

They must recognise the constraints that Governments face in terms of budgetary considerations, the impact on other sectors of the economy and whether they are in the long-term interest of the sector.

These are the essentials. Rural policy cannot be seen in isolation from the rest of the economy and society.

Let me spell out what the Government's rural policy is about. It was set out in the Government's Economic and Rural Policy Statement of 15 April. In a nutshell it aims to do three things - to strengthen the sector's long-term competitiveness, to assist those in most need, and to complement our general social and economic policy approach.

These policies do, however, need to be set against the background of an understanding of the market environment in which the sector operates.

Farming is a business activity and therefore should be treated like any other business activity. All markets involve risks and all market participants should know the risks.

This does not mean that the Government is not prepared to give specific assistance to a single commodity industry when it is required. Recent assistance to the sugar industry is a case in point.

Essentially, the Government's strategy is to deal with the rural sector's problems on five broad policy fronts. This strategy has been warmly welcomed in many quarters. Let me quote the National Farmer's response to the April 15 package: "the most broad-ranging and thoughtful package of measures aimed at securing agriculture's future role in the economy amid tough world market conditions to be tabled by any Australian Government in years".

First, we set the right general economic climate through our macro-economic policies.

The benefits to Australia of our approach are there for all to see: our performance in respect of competitiveness, inflation, wages growth, output growth, employment and industrial disputation have each been vastly superior to the record of the previous Government.

Just let me briefly give an indication of how the performance of this Government compares with that of our predecessors. I shall just quickly go through six indicators. Firstly, I refer to economic growth. In the Fraser years what was the annualised rate of economic growth? It was 2.6 per cent. What has it been under this Government? It has been 4.2 per cent. That is the comparison. I go to inflation. What was the average annual rate of inflation under the Fraser Government? It was 10.4 per cent. What has it been under us? We have had an average of 6.5 per cent. What happened to profit share? It was 13.9 per cent. Under this Government it is 15.1 per cent.

What was the position in regard to employment under the previous Government compared with this Government? In the Fraser years, there was an average annualised rate of growth in employment of 0.8 per cent. Under this Government, the rate has been 3.5 per cent. The actual numbers of jobs created in the seven years under the Fraser Government was 339,000. In three years under this Government 669,000 jobs have been created - almost double the number of jobs in three years under this Government compared with the seven years of the previous Government.

What was the legacy with regard to unemployment? It was 10.2 per cent. Under this Government the rate is 7.9 per cent, despite a rise of 2 percentage points in the participation rate.

Finally, with regard to industrial disputes, what was the record of the previous Government? The average number of days lost was 3.02 million days per annum. Under this Government to December 1985 1.4 million days were lost. This Government will not only compare itself and be compared favourably with other countries; most importantly, when it comes to a community judgement, it will compare the performance of my Government with that of our predecessors most favourably.

While I do not share the alarmist views of those who claim that Australia is headed for recession, I cannot pretend that there are no problems in the macro-economic area at present.

Australia has to manage the transition from the phase of very rapid growth in the middle quarters of 1985 to a growth rate more in keeping with sustained non-inflationary growth and a realistic balance of payments.

As the figures released with the National Accounts this Thursday show, the task of improving our balance of payments has been made very much harder by the decline in the prices received for our exports relative to what we pay for imports.

Just to illustrate the problem the decline in these relative returns over the 15 months to the March quarter is now adding about \$6.5 billion to our annual current account deficit. The Statistician has also estimated that the deterioration in the terms of trade has diminished gross domestic product at constant prices by the equivalent of 2.9 percentage points over the year to the March quarter.

Of utmost importance for Australia and, particularly the rural sector, is that we should ensure that we maintain the improvement in international competitiveness brought about by the currency depreciation. This becomes even more significant in the light of the figures which I just gave you.

The Government recognises this and is accordingly retuning its policy settings to make the achievement of this objective more certain.

That will require continuation of a firm approach to Government spending - one which, while tough, will realistically recognise as much as possible the legitimate needs of particular groups for assistance. It will also require a continuation of realistic but firm wages restraint.

Of particular concern to farmers such as yourselves has been the level of interest rates over the past year or so. Let me first say that high interest rates are not unique to farmers but affect all people who have borrowed money. Interest rates rose late last year because of the unexpected strength in domestic demand and the need both to moderate the growth of demand and to provide some temporary support to the dollar at a time when markets were uncertain about its short-term prospects.

If we had not accepted this market discipline we would have risked persistent unacceptably high inflation levels and entrenched balance of payment difficulties, with perhaps even higher interest rates.

Interest rates generally have declined substantially since the end of 1985. The highest prime overdraft rate, for example, is now 3.25 per cent lower than four months ago.

I acknowledge that, even so, interest rates remain higher than we and you would like. And it is for this reason that we have deliberately set about to rebalance economic policy to place even greater emphasis on budgetary restraint and continued moderation in wage claims.

The Accord is producing the goods.

Inflation has accelerated over the last year - but overwhelmingly because of the effects of depreciation of the currency on the prices of imported goods.

The Accord will ensure that inflation declines sharply as these effects pass, and as the impact is felt of lower oil prices.

The second element of the Government's approach is the adoption of industry policies aimed at developing a more vigorous and outward-looking industry structure.

The Government accepts that the tariffs and quotas imposed by past Governments have resulted in higher farm costs and the exchange rate being at levels higher than they might otherwise have been.

It is also necessary for the rural sector to acknowledge that the costs arising from protective assistance are not all attributable to protection of the manufacturing sector.

The latest estimates from the IAC for 1983/84 show a range in effective assistance for the rural sector from minus 9 per cent for the pig industry to 250 per cent for the egg industry.

This Government is working toward long-term and sustainable reductions in protection. We have been doing this through sectoral plans for the steel industry, the car industry, textiles, clothing and footwear. And we have been converting tariffs to bounties where feasible.

Secondary industry protection is not the cause of the farmers' current problems - but our policies to reinvigorate secondary industry, including by programmed reductions in protection, will certainly contribute to the solution.

The third key element of the Government's rural strategy comprises policies aimed specifically at reducing on-farm and off-farm costs and encouraging improvements in rural sector efficiency.

As I pointed out earlier, the Government is having considerable success in reigning in the growth in farm costs. The annual rate of increase in prices paid by farmers for their inputs reached 11 per cent in 1982/83. Under this Government's economic policies it fell to an estimate 8 per cent in 1985/86 and is forecast to fall to 3 per cent in 1986/87. This in part reflects ~~decisions~~ taken in last year's Budget and in the Rural Policy Statement which were aimed directly at reducing the costs of farm inputs.

Fuel prices to primary producers have fallen significantly as a direct result of our decision in last year's Budget to fully rebate the excise for diesel used off-road by primary producers. We have maintained the full rebate even while fuel excises have been increased in recent months. Primary producers are the only users in receipt of this full rebate.

This is in addition to the benefit to primary producers, like all users, from the recent petrol price reduction. These decisions are saving farmers around \$300 million per year.

The Government at present provides assistance to fertiliser consumption through subsidies costing some \$55 million annually. We have also provided a \$10 million subsidy so as to exempt farmers from the effects of anti-dumping action on certain fertiliser imports.

Both these measures are currently the subject of review. The Government has decided that the overall cost of fertilisers to farmers will not increase as a result of any decisions which may flow from these reviews.

The Government has also moved to minimise the impact of tariffs on farm costs. Agricultural tractors have long been assisted by bounties at a cost of around \$7 million a year in order to minimise the impact on users. In last year's Budget it was announced that the tariff on grain harvesters will be replaced with a bounty, reducing farm costs by some \$14 million per year.

The Government, in the Rural Policy Statement, took further action to reduce tariff-affected farm input costs.

The tariffs on agricultural and horticultural machinery for soil preparation and cultivation will be replaced with a bounty providing equivalent assistance. This decision took effect on 15 April, and will cost an estimated \$39 million in the first year.

In last year's Budget Speech, the Treasurer also indicated that the Government was disposed to replace tariffs on agricultural chemicals with bounties when considering the IAC Report on the chemicals industry.

A final decision will be made in the context of the IAC's final report. However, the Government is committed to reducing the price of these chemicals for farmers, either by bounties or the reduction of tariffs or a combination of the two.

In the meantime, we have decided to remove immediately the 2 per cent revenue duty where it now applies to agricultural chemicals, at a cost to revenue of \$0.4 million in a full year.

As well we have announced plans to establish a Royal Commission into the costs and efficiency of the national grain handling system. To proceed with this Commission will require strong support from the industry and State Governments.

The fourth element is policies aimed at tackling directly adverse developments that affect the demand for specific rural commodities, both at the international and domestic level.

My Government has been most active in expressing Australia's concerns on the international scene about the subsidisation practices of certain major agricultural producers.

We have had some successes in this regard. Last year we were able to negotiate the "Andriessen Agreement" with the European Communities which protects our major Asian beef markets from the intrusion of subsidised European beef.

This year, the Government was also successful in securing a US Congressional decision to reduce the size of their export enhancement program. Important assurances were also provided to me by President Reagan on the operation of both that program and other aspects of the 1985 Farm Bill.

Agricultural subsidisation practices featured prominently at the Tokyo Economic Summit, in part due to direct representations made by the Australian Government.

John Kerin will be going to Europe and the USA next month to see what further progress can be made.

Effective and innovative marketing is also essential to a more competitive and successful farm sector. Since becoming the Minister for Primary Industry this is an area to which John Kerin has devoted a considerable amount of time and effort.

For example, a comprehensive White Paper on Statutory Marketing Reform has been prepared and published by the Government. This has formed the basis of a program of reform of the statutory marketing arrangements. Marketing authorities are being given the necessary freedom from Government red tape, stronger commercial expertise at the Board level and more effective accountability to their industries.

While it is difficult to estimate the gains from this reform it is interesting to note that an improvement of even one per cent in our rural export returns translates to a figure of some \$100 million.

In order to encourage a new approach in this area the Government has agreed to the establishment of a special fund of \$25 million over five years in order to stimulate innovation in the marketing of agricultural products. This encompasses marketing systems, the differentiation of products, quality control and new product development.

Finally, the Government has developed policies that address the welfare problems of the rural sector and non-metropolitan areas generally.

This Government is vitally aware of the flow-on effects to country towns and remote settlements of the difficulties facing farmers. Moreover, it acknowledges that country people often have difficulty in gaining access to education, welfare and community services. Unemployment is also higher in rural Australia.

In response to these problems the Government has announced a series of measures to aid rural and provincial Australia.

A Rural and Provincial Affairs Unit has been established in the Department of Primary Industry.

We are to establish a pilot Country Centres Project to enable investigation of the development potential of selected country towns. It will also help develop strategies to assist regions to adjust to change.

A Rural Women's Access Program is to be established to improve the access of women to services and employment in rural areas. In this regard let me pay particular tribute to the constructive co-operation of the Country Womens' Association and their President Miss Dorothy Ross in developing policies and programs in this important area.

We are also concerned at the low level of participation of country youth in senior secondary and tertiary education. Senator Ryan will shortly be bringing forward proposals to increase educational services and to improve retention rates in country areas.

These measures will also assist in improving and maintaining the quality of life in the country.

Mr Chairman, ladies and gentlemen.

The people of rural Australia have been going through a very difficult period.

It brings me no joy to see you and your families facing such difficult circumstances. I nevertheless have great faith in your strength and determination to pull through these hard times.

In exercising that strength and determination, let me assure you that you are not alone.

I do not, nor I believe does anyone, have a panacea for all your problems. You and I both know this.

We all know that the Government alone cannot solve your problems.

But we also know that you alone cannot solve them.

We must work together to get through these tough times and to lay down the foundations upon which the future prosperity of rural Australia will be built.

My Government has an unequivocal commitment to work with you in this great task.

There is a brighter future for rural Australia. We will win that brighter future only by facing today's problems together.

We may have a long battle on our hands. But you have the courage to face that battle. So does my Government.

Together we can build a better future for Australia's rural communities.

I can assure you no Government in the history of Australia has fought alongside you with greater courage and determination than this one is doing, and will continue to do.

I commend our approach to you.
