



## PRIME MINISTER

CHECK AGAINST DELIVERY

EMBARGOED UNTIL DELIVERY

**SPEECH BY THE PRIME MINISTER  
'GRAINS 2000' CONFERENCE  
CANBERRA, 10 SEPTEMBER 1991**

Mr Chairman, ladies and gentlemen.

The year 2000 is just a handful of harvests away. But before then, long before then, we must have achieved fair access to world markets, free of the wastefulness of the EC and American subsidy systems.

A system which perpetuates this colossal waste of resources, which penalises the most efficient farmers in the world - Australian farmers - cannot, must not and will not be allowed to stand indefinitely.

That is why I welcome the opportunity to open this Conference which is important to the future of your industry - and this country.

While the grains industry is experiencing very difficult trading conditions at present, our focus must continue to be fixed firmly on the future of the industry. What kind of industry do we want in the year 2000.

Farmers have always had to live with changing conditions - ever since grain was first domesticated just 4000 years ago. We should never forget that it was this great scientific and social breakthrough - the evolution of grass into grain - that marked the beginning of civilization as we know it.

The discovery of farming meant our ancestors had to stop being hunter-gatherers and settle down in one spot to plant, to grow and to harvest. They had to work out a way to trade, to communicate, to record and tally their crops, to innovate and invent new techniques and implements.

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Farmers have acquired something of a conservative reputation. In many cases that is a justified reputation - especially in Europe - but I think if you look fairly at the record you will see that on the basis of new techniques and technology, the application of the latest scientific knowledge, farmers have been at the forefront of change.

Nowhere is this more true than in Australia, and nowhere in Australia is it more true than here in Canberra.

William Farrer pioneered scientific wheat breeding on his property Lambrigg here in the ACT for 20 years until his death in 1906 - without, it must be said, a great deal of recognition at the time. But we know now that without Farrer's work the wheat industry would not have successfully adapted to Australian conditions.

There have been other pioneers of course, in other paddocks - but the point is that Australian innovation and Australian perseverance and Australian capacity to change has got us to where we are today.

Mr Chairman,

Australia has the world's most efficient, least protected and most outward looking farmers.

Australia is the ninth largest producer and fourth largest wheat exporting nation in the world.

In 1991-92 ABARE forecasts agricultural commodity exports of \$12.9 billion, little above 1990-91, but around 10% down on the years immediately prior to that.

The Australian grains industry is crucial to this performance.

In 1991-92, it is estimated that grains and oilseeds will contribute 18% of the value of total farm production and 20% of the value of total farm exports, which is 6.5% of the total value of all commodity exports.

In forecasts to be released today, ABARE estimates that production of wheat will decline by 26% in 1991/92 to around 11.3 million tonnes. The 1991-92 crop is estimated to be 24% lower than the 10-season average of 14.9 million tonnes.

Wheat prices have been dropping in real terms since 1988-89, and last year, prices received by wheat farmers dropped by around 33% on the previous year alone. As a consequence, the average area sown in 1991-92 is forecast to be only 8 million hectares - a far cry from the boom year in 1983-84 when 12.9 million hectares were sown. While wheat prospects are projected to pick up from last year's slump in line with moderate price rises, real prices are nevertheless projected to remain low by historical standards for some time.

Looking at the bottom line, the farm cash operating surplus for wheat and other crop farms, whilst still remaining much higher than the average broadacre farm, is nevertheless expected to decline by 27% in 1991-92 to \$38,800. We know that this is biting deep in many rural communities.

Mr Chairman,

It is against that background, that I would like to address the long term future of the industry. Because despite the present short term difficulties, I believe there are many reasons to be optimistic about the outlook for the industry.

There are five key principles which will underpin the long term success of our agricultural industries - trade, efficiency, competitiveness, equity and environment.

Strategies in these areas cover the rural sector from the farm environment, through the farm gate to the consumer - from the soil to the supermarket shelf. Let me address each in turn.

#### TRADE

Mr Chairman

There is no doubt that a successful conclusion of the Uruguay Round is the most important single factor for the future of the grains industry.

Indeed, no international economic issue is more pressing than the future of the Uruguay Round. However, time is running out. Nine months have passed since the failure of the Ministerial meeting in Brussels last December.

We remain resolutely committed to the need for a balanced outcome in the Uruguay Round. No one can afford an arrangement that perpetuates the present gross waste of the world's scarce resources. The Common Agricultural Policy (CAP) of the EC, the American Export Enhancement Program (EEP), and, on a lesser scale, the import restrictions in Japan, Korea and other countries, all add up to an intolerable situation for Australian primary producers.

As measured by the OECD, total trade distorting subsidies and transfers rose to \$A385 billion in 1990.

This represents almost thirty times Australia's forecast agricultural exports for 1991-92.

The EC is the main culprit with payments worth about \$A171 billion; in the US such payments total \$A95 billion; and in Japan \$A76 billion, mainly to its rice industry.

In the late 1970s, the EC was a major importer of grains. Now it is one of the world's largest exporters, with a 20% share of the international wheat market.

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ABARE has estimated that the cost to our farmers as a result of the price depressing effect of the EEP was between \$125 million and \$175 million in 1990-91.

At the same time, however, ABARE estimates that the cost to our wheat and grains producers as a result of the EC's level of grain industry protection was \$695 million in 1990-91, of which \$430 million was in wheat.

So it is the EC with whom we have most at issue. It is the Common Agricultural Policy which has turned a major grain importer into a major distorter of the grain market.

The CAP's impact is less exposed to the public view, but the cost to Australia is more than four times greater than the EEP.

And it will receive the exposure it deserves when Dr Blewett leads a bipartisan mission to Brussels in early October.

Mr Chairman,

Last March, Dr Blewett led a bipartisan delegation to Washington. This visit and the subsequent officials level consultations represented a constructive though modest start to a complex consultative process, to minimise the impact the EEP has on Australia.

The results have not been as precise or as positive as you, or I, would like. But they represent an opportunity which we cannot ignore and which we will not ignore.

Mr Chairman,

Australia, as chairman of the Cairns Group, will continue to push in the negotiations for agreement on a comprehensive agricultural reform package. It must include substantial reductions in agricultural support - including domestic support, border protection and export subsidies - and provide enhanced rules and disciplines to bring agriculture fully into the GATT system.

The overwhelming responsibility for a successful conclusion to the Uruguay Round rests with the Europeans.

As I wrote to the leaders of the G7 Summit before the London Summit in July, the key to the future of world trade is GATT; the key to GATT is the Uruguay Round; the key to the Uruguay Round is agriculture; and the key to agriculture is reform of the European Community's agricultural protection policies.

A successful Uruguay Round will not see the end overnight of agricultural support, or export subsidies, but it will be the start of an historic and sustained process of liberalisation.

Mr Chairman,

I am aware that there have been some calls from within the grains industry for Australia to join the subsidy war.

The argument essentially goes that if you can't beat them, join them. It is a seductive argument, particularly when times are tough. But it is one which we must emphatically reject.

A subsidy war is a war we cannot win. And by joining it we would lose the last chance of stopping the subsidy madness once and for all.

Our subsidies would no doubt be met by retaliatory action. We are a small trading nation and we export over 70% of our agricultural product. Retaliatory action would devastate our farm sector.

Furthermore, a subsidy program would undermine the credibility of the Cairns Group and thereby significantly lessen the chances of a successful conclusion to the Uruguay Round. The key to our prominent role in the Uruguay Round is that we are a fair trader. That fact has given us immense credibility - credibility that we must cherish.

As a small trading nation, our prospects are inextricably linked with the world economy and growth in world trade. We must continue to play a leading role in promoting a fairer trading system.

That is why we did not introduce a guaranteed minimum price for wheat. That is why we will not be joining the subsidy war. That is why we have instead targetted assistance to those farmers in need during the current rural downturn.

Ladies and Gentlemen,

We cannot, and do not, rely solely on the Uruguay Round.

In 1989 I initiated discussions with our regional neighbours that gave rise to the Asia Pacific Economic Cooperation (APEC) process.

An important part of the work being undertaken is regional trade liberalisation.

At the next Ministerial meeting in Seoul in November, the three Chinas - Hong Kong, Chinese Taipei and The Peoples' Republic of China - will be formally joining the APEC process.

In 1990, existing APEC participants and the three Chinese economies accounted for almost \$900 million worth, or 40 per cent of our wheat exports, and \$240 million worth, or 54 per cent, of our barley exports.

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The work to liberalise trade barriers beyond GATT, to develop trade under APEC is going to be long term but we must pursue them now to ensure that the benefits to us in the future are not lost today.

In addition, we can and will be able to use the standing Australia has with some of the key players in the Uruguay Round to influence its outcome and to consider where the future may take bodies such as APEC.

President Bush will be visiting Australia in December at a time of momentous change in international relations. The focus of this visit will be much wider than agricultural issues. Nevertheless, the President will, I know, want to learn more about issues of interest to the Australian agricultural community. I hope that we can constructively give him that opportunity.

The Uruguay Round will, hopefully, be reaching a high-point of activity and, if it is not, we will be able to put our ideas for breaking the impasse direct to a leader who will have great influence in favour of reform.

#### EFFICIENCY

Mr Chairman

Underlying the principle of efficiency is the recognition of the complete interdependence of the whole economy, and the interdependence of the world trading system.

In order to remain internationally competitive we must have the right macro-economic fundamentals in place, and we must continue vigorously to pursue micro-economic reform.

The March Industry Statement accelerated the process of unprecedented tariff reforms, and introduced structural reforms designed to improve the efficiency of primary industries in the context of a more general package to speed our industrial reconstruction. We also advanced taxation reform, notably the simplification of depreciation provisions; and the widening of sales tax exemptions - all of which will benefit farmers.

The commitments undertaken through the Special Premiers' Conference process are also fundamental to micro-economic reform.

The July Special Premiers' Conference agreed to establish the National Rail Corporation, the National Road Transport Commission, the Electricity Grid Management Council, and to business deregulation which will sweep away the stupidity of having six sets of regulations around our nation. These are all major reforms fundamental to building a competitive Australia.

The Government recognises that land transport costs form a significant part of the costs of producing and marketing grains.

The Government agrees with the Industry Commission's draft recommendation that State Governments eliminate, without delay, restrictions of bulk commodities to particular modes of transport. The Commonwealth considers that the reservation of particular commodities to rail to be undesirable, and has deregulated the transport of grains purchased by the Australian Wheat Board in South Australia.

I know that some in rural and remote communities fear that the road transport reforms agreed to at the July Special Premiers' Conference will be to their detriment.

Research is being undertaken by the Bureau of Transport and Communications Economics and by ABARE and preliminary indications are that Primary industry will not be unduly disadvantaged by the new charges which constitute a very small proportion of the total costs of operating a vehicle. For example, the Bureau has found that for Darwin consumers - a typical example of a community dependent on road transport - the cost of the reforms would be less than 40 cents a week, at worst. The nonsense that has been put forward in this area about damage to rural communities is now exposed for what it is. Yes, we will recover costs from road users, so we can provide better roads. No, consumers will not suffer.

The grain industry was the first to benefit from the Government's waterfront reform program. Manning reductions of between 50 and 80% are leading to considerable productivity gains and ongoing cost savings calculated by the Wheat Board as annual savings for the industry of at least \$10 million for wheat and other bulk grain industries.

#### COMPETITIVENESS

Mr Chairman

One of the fundamental building blocks to building a competitive Australia are the microeconomic reforms I have just mentioned. But being competitive means more than that. It also means being flexible and sensitive to the changing nature of dynamic markets. We must develop and produce products that are wanted. We can't assume that traditional markets will stay the same forever, or that new markets necessarily will want the same basic products we have always provided.

A simple example of this are the changes occurring in demand for hard wheat and high quality, higher protein wheat, as well as alternative grains.

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If Australia is to reach its true potential in the next century it will have to be at the forefront of research, development, and application of new technologies. So too will we need to become more export oriented in value added downstream processing. Food processing is Australia's largest manufacturing activity, accounting for around 20% of total manufacturing sales.

At present, however, the export market is seen primarily as a convenient means of disposing of surplus product. Each year, tens of billions of dollars in value is added overseas to Australian food commodity exports.

We have a market of some 2 billion people on our Asia-Pacific doorstep, but far too little has been made of our natural advantage of strong public research infrastructure; access to high quality, unpolluted, competitively priced raw materials; and a skilled and highly-educated workforce.

#### EQUITY

Mr Chairman

For rural Australia, social justice means effective support of farmers and their families in times of crisis, improving the access and relevance of education and training programs, enhancing business skills and opportunities, and building strong and diverse regional economies able to withstand the ups and downs of the commodity cycle.

What equity does not mean is the adoption of untargetted assistance measures which will distort markets by offering industry-wide subsidies, or which subsidise farmers who do not need assistance.

Mr Chairman,

I am very conscious of the difficulties being faced by Rural Australia and that in 1990-91, about half of farm families had taxable income of less than \$10,000.

The Rural Adjustment Scheme, the Countrylink program, the Income Equalisation Scheme, and our package of rural education access programs are some of the services this Government is providing to rural Australians.

In April we announced a major rural assistance package. The most important measure in that package was the increase in funding for the Rural Adjustment Scheme by almost \$100 million to \$160 million in 1991/92 - an increase of over 150%.

An ex gratia payment of up to \$35.1 million has been allocated for the grains industry to cover losses incurred as a result of the United Nations sanctions against Iraq.



In addition to that allocation, more than \$280 million has been paid by taxpayers under EFIC National Insurance Cover in relation to Iraqi debt to the wheat board. Payments by the end of 1992 under this insurance cover may reach \$500 million. I said at the time that the burden of sanctions in this area would be shared. It has been.

Mr Chairman,

The Budget announced changes to the eligibility rules for family payments to rural Australians.

The new rules involve changes to the assets testing requirements for the Family Allowance and Family Allowance Supplement components of the new Family Payment. The rules recognise the particular circumstances of farm families who are, as we say, asset rich but cash poor.

Despite the introduction of an assets test on the family allowance at \$600,000, for two years from 1 January 1992, families will continue to receive the Family Allowance component of the Family Payment regardless of the value of their assets if current income is less than the basic rate of Social Security benefit - \$13,078 plus \$624 per child - and liquid personal assets are less than \$10,000 in the case of a couple.

From the same date, families meeting the above tests and with net business assets up to the value of \$600,000 will become eligible to receive the equivalent of the present Family Allowance Supplement.

#### ENVIRONMENT

Mr Chairman,

A fundamental goal of the Government is to ensure that our primary production is ecologically sound and environmentally sustainable for the long term. The health of the economy depends on the vitality of the land itself. Land degradation costs our economy an estimated \$600 million a year in lost agricultural production alone. This is roughly equivalent to 20 per cent of the value of our grain exports last year. Individual producers and the nation, cannot afford to sustain these losses.

The Government has made an unprecedented commitment to overcoming this country's land degradation problems. It is our responsibility to farm in an environmentally sustainable manner - to safeguard our prosperity for future generations.

10.

This is the Decade of Landcare, and we are providing \$320 million for land care and related tree planting and remnant vegetation preservation programs. At the same time, we have changed tax deductability rules to encourage primary producers to spend more on correcting environmental problems. The cooperation between the National Farmers' Federation and the Australian Conservation Foundation on the development of policies to prevent land degradation has been particularly important in the battle against one of our major environmental and economic problems.

#### CONCLUSION

Mr Chairman, the grains industry has a proud past which has made it one of Australia's most important and innovative exporters; it faces a turbulent present over which neither you nor the Government has all the control we would like. But once we have accomplished this round of reforms, the grain industry has a future more secure than any in the past or than you presently experience.

I say that with confidence because at the end of the day the world's most efficient and most innovative farmers will harvest their reward.

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