DAIRY INDUSTRY POLICY

Last week, the Parliament passed three measures which are of great importance to Australia's Dairy Industry. I think the Industry should be very greatly encouraged from the view that the Government has taken and should now be in a position to look with greater confidence to the future despite what may happen as a result of the United Kingdom almost certainly entering into the Common Market. I say this because the Government, in announcing a new 5-year stabilisation plan has made significant changes which are certainly to the Industry's advantage.

Under the old Stabilisation Schemes, the Government announced the amount of subsidy that it would be prepared to make available shortly before the beginning of each year, thus, from one year to the next, the industry did not really know how much Government money would be available. Now, the Minister has said, quite categorically, that the Government subsidy of £132M. will not be reduced during the course of the next 5-year Stabilisation Plan. This should be encouraging to dairy farmers. In addition to this, an additional bounty has been arranged for factories that export dried milk products. Because of changed marketing conditions overseas, companies like Glaxo that exported a major part of their product were finding themselves in very real difficulty. Countries overseas were either experiencing their own exchange problems or had increased their own production to a level at which they no longer needed Australian imports.

Australian dried milk processors who had foreseen this development and who had withdrawn from the overseas markets and concentrated on the home market were not greatly affected by these moves. Companies such as Glaxo, on the other hand, who depended very largely on the export market, were in an almost impossible position. Various possibilities were examined. At one time, it was thought that dried milk processors should be brought within the general Stabilisation and Equalisation arrangements. However, it was found that this would not work because the companies who were selling almost their entire product on the Australian market at a profit were not prepared to equalise their returns with companies who were experiencing marketing problems in overseas markets. As all dairy farmers would know, the Equalisation arrangements and the Stabilisation Plans depend largely upon the voluntary arrangements to which all butter factories agree. The dried milk processors who had concentrated their product on the Australian market were unwilling to take part in an equalisation of the proceeds from all dried milk products. It was clear therefore that a different arrangement would have to be made to assist the exporting section of this industry.

Different arrangements have now been made and this will involve a possible Government subsidy of about £350,000. This is additional to the £132M. that I previously mentioned. As I understand it, the subsidy will work in this way. Those companies that export will be given an export bounty for dried milk products up to about £62 a ton. There is a reserve fund within the industry itself which could increase this sum if the industry wished to do so but the Government bounty will be up to £62 a ton.

There are important reasons for this decision. If it had not been taken there would have been real difficulty in certain areas such as around Port Fairy where many suppliers Glaxo for their dried milk production which goes for export. If Glaxo's dried milk factory had to close down there would be hardship not only to factory employees but also to such producers. Ultimately, their production would almost certainly go to butter factories for production into butter and cheese. If this happened there would be a larger number of farmers sharing in the £132M. subsidy. Therefore it was in
the interests of the general body of the industry to make sure that the
dried milk processors should remain in operation in a satisfactory
economic state. In addition to this, such processors earn about £8M.
a year in overseas funds and this is a valuable contribution to our
export earnings.

It is for these general reasons that the Government has
decided to make the additional subsidy of £350,000 available.

Other arrangements which had been introduced in the latter
stage of the old Stabilisation scheme are going to be continued.
One of the most important to dairy farmers is the interim guarantee
or under-writing. The Commonwealth introduced this system in 1958.
The purpose of the under-writing is to make it possible for the
Equalisation Committee to authorise higher initial payments than it
otherwise would. Because the Equalisation Committee is dealing with
several unknowns in the course of a year, namely, the volume of
production; the extent of local consumption; the amount of butter
for export and the price that will be received on the London market
it must be conservative in its original estimate. Because it is deal-
ing with these unknowns and because it cannot run the risk of running
out of money, the interim price has to be a conservative one. At
one stage, it got as low as 36d. or 37d. So that it could make a
higher interim price available to farmers, late in 1958, the Government
said: "We will under-write the payments of the Equalisation Committee
up to 40d." This kind of under-writing is being continued in the new
Stabilisation Scheme. The level for the forthcoming year will be
fixed at 40d. For the subsequent years, the under-writing figure
will be announced before each season begins.

Another measure was also introduced with these general arrange-
ments which will involve an increased charge on the industry. In
1924, a levy was originally imposed on the industry to finance the
Australian Dairy Produce Board. The legislative authority to increase
this levy had not been introduced since that time. The initial levy
was less than the maximum allowed by law but early in the 1950's, the
levy was raised to the maximum under the law. Since this time, the
costs accruing to the Australian Dairy Produce Board have increased
very greatly and in the last year or two it has been spending more money
than it has been receiving in income. The Government, after a request
from the industry, introduced legislation which will enable these
charges on butter and cheese to be increased, thus the Dairy Industry
is making its own efforts to look after its future by seeing that
it is prepared to spend quite large sums of money on marketing which
will assist its own product. These increased charges only apply to
butter and cheese exported.

The new operative rates will be one-quarter of a penny per
pound on butter and one-eighth of a penny per pound on cheese exported.
The responsibility of marketing Australian butter and cheese overseas,
in addition to some other dairy products, rests with the Australian
Dairy Produce Board. The levy on butter and cheese exported will be
to cover the expenses of this Board.

I think this willingness on the part of the Industry to do
what it can to help itself might have been one of the reasons that
motivated the Government not only to maintain the subsidy of £132M.
for the following five years but also to give an additional subsidy
to the dried milk processors who export their product.