PRESS RELEASE

MALCOLM FRASER 21 APRIL, 1967

DAIRY INDUSTRY STABILISATION

On the 5 April the Minister for Primary Industry introduced new Legislation for a further five year's stabilisation plan for the dairy industry.

In many respects the plan will be the same as previous ones which of course have been developed and refined over a period of time. It will involve a production bounty for the benefit of the Industry.

The Minister pointed out that this is regarded as a sound investment in a vital area of primary production. The purpose of the bounty is to maintain at reasonable levels the cash returns received by dairy farmers who supply milk and cream for manufacturing purposes. The bounty also makes it possible for the price to be kept much lower than it might otherwise be.

The present plan expires at the end of June this year and the new one will be ready to take its place.

A bounty of 27,000,000 dollars will be made available on butter and cheese for each year of the five year plan. This bounty will be payable on this basis until June, 1972. An additional bounty will be paid on the export of processed milk products in each year of the new plan. This bounty was introduced a few years ago and has quite considerably increased the export of dry milk products which at the time were finding it difficult to compete in world markets.
The principle of underwriting equalisation values of butter and cheese at levels which would enable the Dairy Produce Equalisation Committee to make a reasonable first payment through the factories is also being maintained.

The level at which interim payments will be underwritten will be decided each year in the light of production and overseas market knowledge but for 1967/68 the underwritten value will be 34 cents per pound which is roughly one cent more than that which has existed since the beginning of the scheme in 1958.

In these aspects the new stabilisation plan is the same as much of the old. In its submission to the Government the Industry did make recommendations concerning assistance that may be provided to aid marginal producers build up their properties so that they become profitable working units or in some cases leave the industry.

The New South Wales, Queensland and Western Australian States have I think, been particularly keen to achieve something on these lines, because in general terms the dairy industry in these States is not so profitable as it is in Victoria. But even in this State there will be some farms, because of size or location that may benefit from these new measures.

The Government believes that the Development Bank together with the Term Loan Funds and the Farm Development Loan Fund has done a good deal to supplement previously existing sources of rural finance. The Minister said that
he thought that most economically sound dairy farmers would be able to get finance for properly based plans to increase farm efficiency and farm profitability. He went on to point out that there is a group of marginal dairy farmers whose farms fall into a different category. These are the farms, which for a number of reasons, are not able, under normal circumstances, to become payable propositions with to-day's production methods and to-day's markets. Unless some special provision is introduced, people on such farms are not able to share the rising living standards in Australia. The Minister thought that help might enable some of them, if they wished to leave the industry to take up some other occupation. For others he suggested that it may be in the form of some special assistance for the reconstruction of farms so that they can be operated on a payable basis, either in dairying or in some other line of rural production.

In principle the Government has agreed that assistance of this kind should be made available to the marginal dairy farmer, but the most effective ways of providing help have yet to be worked out. This would involve discussions with the Industry and with State Governments. The Commonwealth will make sure that there are no undue delays of getting this kind of assistance under way.

Another form of special assistance may well be made available. Where it can be demonstrated that funds are not available from normal financial resources, the Government will be prepared to examine applications by the Australian Dairy Produce Board for a Commonwealth loan or guarantee, the purpose of which would be to help factories diversify their
production away from butter on the one hand or to help 
the Dairy Produce Board expand its overseas operations. 
These last two matters which I have mentioned are both 
innovations in the new plan and I believe they represent 
quite a significant advance.

The Minister went on to say something about 
margarine and the arguments that have been coming forward 
over a number of years.

It is the State's prerogative to establish and 
maintain the quota system of production and recently the 
Agricultural Council, on which all the States are represented, 
unanimously agreed that the present quota system should be 
maintained. The margarine interests have tried to suggest 
that the Australian vegetable oilseed industry will be 
greatly jeopardised by this decision. The facts do not 
support this view.

There is a market in Australia for about 51,500 
tons of edible type vegetable oils, even if table margarine 
production is fixed to the quotas. The best estimates that 
we can get indicate that Australian grown oilseed crops will 
produce 16,850 tons while a further 18,000 tons of coconut 
oil is imported from Papua, New Guinea. Thus Australian 
and New Guinea production of oilseeds is a little under 
35,000 tons. Since there is a market of over 51,000 tons 
for this type of oil it is quite clear that even without 
an increase in margarine production there is adequate 
opportunity for Australian and New Guinea oilseed producers 
to sell everything that they can produce.

At the present time imports are used to make up 
the difference between local consumption and local production.
Some people often forget the tremendous investment and the great number of people that are involved in the Dairy Industry. Current production is worth about $415 million per year. Over $1400 million is invested in the industry which supports 600,000 people. One hundred thousand of these are directly employed in the Industry. In addition it is an industry which has done more for decentralisation in Australia than any other and at the moment it is earning over $100 million per year of export credits.

The announcement of the new plan confirms the Government's determination to help and to protect the Industry.