

GENERAL AGREEMENT ON TARIFFS AND TRADE

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Agricultural Policies

Addendum

AUSTRALIA

Background

1. The Australian Government plays a co-ordinating rôle in many matters where inter-State co-operation is required. Federal/State policy questions are discussed at the Australian Agricultural Council. The Council is composed of appropriate Australian Government Ministers (with the Minister for Primary Industry as Chairman) and State Ministers for Agriculture.
2. Agricultural policy measures adopted in Australia in the 1950's and 1960's assisted in increasing agricultural productivity, despite the hazardous nature of the Australian environment. In formulating these policies, Australian Governments were aware of Australia's dependence on foreign markets. Some two thirds of the value of rural production is currently derived from exports, and rural products make up about half of the value of current Australian exports.
3. Following the change of government in December 1972, all existing agricultural policies have come under close scrutiny. This includes the areas of State responsibility e.g. agricultural production, quotas, domestic prices.
4. The following is a brief outline of the basic approaches to agricultural policy as they have been so far defined by the Australian Government:
 - Improved efficiency and effective use of resources will be encouraged in primary production.
 - Emphasis will be on adjustment of production in order to relate average levels of output to long-term market prospects. There may of course be an associated need to stabilize farmers' returns and sales volumes through suitable supply management, to take account of climatic vagaries both in Australia and in other producing countries. But it is not the intention to guarantee farm prices at artificially high levels.
 - The provision of assistance to facilitate an orderly adjustment to changed circumstances; assistance will be provided according to need.

5. The Government is conscious that attempts to achieve these agricultural policy objectives are made more difficult by short-term fluctuations in prices. Australia hopes that international co-operation will help to minimize these fluctuations.

6. At the domestic level, Australia will continue where appropriate to pursue the principle of price stabilization to cushion the impact of short-term fluctuations on producers, but without discouraging adjustments in production in line with long-term market trends.

7. The Australian Government considers that a movement towards reduction in supports given to agricultural production would be in the long-term interests of all countries.

8. The views of Australia's trading partners are taken into account in the development of new initiatives in agricultural policy, as well as the needs of the developing countries of the world for foodstuffs and other products.

Australian Agricultural Policy Review

9. The Government, in December 1973, decided to set up a working group to enquire into all aspects of rural policy in Australia.

10. The working group will draft, for consideration by the Government, a "Green Paper" on Rural Policy. It is expected to incorporate aspects from present Australian Government policies such as assistance to the rural sector, selective decentralization, conservation, rural reconstruction and long-term international commodity agreements. It will also attempt to integrate these and other factors into a set of principles upon which future policies could be built.

11. It is anticipated that the Green Paper will be published by Government authority but without formal approval. In that form, it would be debated in Parliament and in the community generally - particularly in the rural sector.

Industries Assistance Commission

12. The Industries Assistance Commission, a statutory authority established by legislation, came into existence on 1 January 1974. The primary function of the IAC is to advise the Government on the nature and extent of the assistance which should be given to individual industries in the primary, secondary and tertiary sectors of the economy. The IAC replaces the Tariff Board, which had performed a more limited rôle.

13. The implementation of recommendations made by the Commission for adjustment of industries will be a matter for Government decision. Nevertheless, the decision to set up the Commission has been taken in the knowledge that it almost certainly will make recommendations which, in some cases, will result in significant shifts of resources.

14. The Government proposes a systematic programme of enquiries. To this end one Minister (the Prime Minister) will have responsibility for referring matters to the Commission. A standing Inter-Departmental Committee will keep the Minister informed on matters likely to be referred to the Commission: one objective is to facilitate long-term and co-ordinated programming of references to the Commission.

15. The Commission may itself initiate enquiries where assistance has been unchanged for at least ten years for import duties or six years for other forms of assistance. This is a safe-guard against the indefinite continuation of assistance long after the need has passed.

16. The Government is free to negotiate changes in levels of assistance under international trade agreements or to extend preferential treatment to developing countries without first receiving a report from the Commission.

Reconstruction and Finance

17. Many of the reasons for the problems of low farm incomes and excessively high farm debt commitments in relation to repayment capacity lie outside the farm sector, and the Government has felt the need to take special measures to assist farmers to adjust to changing circumstances. Major measures have been taken by way of rural reconstruction schemes designed to provide financial assistance for restructuring of farm debts, for farm amalgamation, for assistance to producers to leave the land, for restructuring marginal dairy farms and for removing surplus fruit trees. They represent a realistic attempt to deal with the adjustment of low income problems of the agricultural sector.

18. There have been increasing requests for improved long-term credit facilities for viable rural producers. A special report on this subject by the Bureau of Agricultural Economics concluded that there was a gap in long-term credit facilities for agricultural producers on a commercial basis. The need was for improved credit facilities to provide loans for refinancing of unsuitably short-term loans, the restructuring of enterprise size, to assist in long-term property development, and to finance investment resulting from the opportunities to take advantage of technological change and the substitution of capital for labour.

19. An amount of \$A 20 million was appropriated in the 1973-74 Budget to augment the funds of the Commonwealth Development Bank for the purposes of facilitating the increased availability to farmers of long-term loans at commercial rates of interest. The range of purposes for which loans could be made was widened: loans would now be available to finance the purchase of farm properties in appropriate circumstances and the repayment of existing debt arranged on unsuitably short terms, and to assist in holding together a farming enterprise where the proprietor's death created financing difficulties.

20. Farm development Loan Funds available from the trading banks have also been augmented and lending policies for these funds have been expanded to encompass the wider range of purposes listed above.

Taxation

21. The Government has taken the view that concessions granted through the taxation system should be subjected to close examination to determine whether advantages given to a particular sector of the community might inhibit the optimum allocation of resources in the economy. A Taxation Review Committee has been commissioned which is expected to report within the next year.

22. In the 1973-74 Budget, some concessions which had been peculiar to the primary sector were removed or modified, including the accelerated depreciation allowance for primary producers, the immediate deductibility of certain capital expenditure and the double deduction of expenditure on clearing and development of land. The special investment allowance for both primary and secondary industries was also discontinued.

Research

23. The Australian Government has contributed significantly to research for agriculture, usually by matching the contribution of producers. Consumers as well as producers gain from increases in productivity resulting from research, and research in the agricultural and biological sciences often leads to improvements in the quality of the environment and the maintenance of the productive capacity of renewable resources.

Marketing

24. A review is at present being undertaken of the constitutions and methods of operation of Australian statutory marketing boards. This will form part of a general examination of agricultural marketing policies. These boards are concerned with the export trade of major primary commodities.

25. The Government has recently received a report from the Australian Wool Corporation (a "board") on "The Marketing of Australian Wool". It recommends wide-ranging alternatives to the traditional wool selling system, and centres around a proposal for marketing by the corporation of all wool destined for the export market. The proposal is currently being examined by the Government and the wool industry with a view to possible implementation by July 1975.

26. It has been decided to set up a special marketing research group within the Bureau of Agricultural Economics, to work in co-operation with marketing boards, the Commonwealth Scientific and Industrial Research Organization and other institutions. The group will conduct research into aspects of marketing efficiency in the primary industry sector.

Foreign investment

27. In relation to foreign investment in real estate, the Treasurer indicated in March 1973, that it was the Government's wish that overseas interests should not enter into significant commitments for real estate purchases in Australia for the time being, and that the Reserve Bank would not normally grant exchange control approvals for foreign investment in real estate.

28. The policy on this matter, which relates to rural as well as urban land purchases, is under intensive study. In the meantime any specific proposals are examined on their merits.

Adjustment

29. By world standards, productivity per rural worker in Australia (measured in dollar terms) is very high. Agricultural producers must constantly increase their productivity in order to maintain real incomes in line with the remainder of the community. Technological change and capital intensification can go only part way. The trend in Australia, as in all developed countries, is therefore toward an increase in farm size.

30. The adjustments for many of those who have to leave the land are difficult; social stresses need to be assessed and not unnecessarily inhibit useful change. The adjustments need to be spread over a reasonable period. While they are taking place, support may be needed in some industries to maintain reasonable farm income levels. Here again, the accent is on maintenance of reasonable incomes and away from measures that stimulate production excessively.

Conclusion

31. The Government's overall objective is to achieve a stable, secure and viable rural economy, in which production is geared as far as possible to meet the rural demand of the market.

32. At the same time, Government policies reflect a desire to tackle socio-economic problems of rural poverty, uneconomic farm size, and inefficient marketing, as well as demonstrating an increased concern for the environment.