

## **A federal political perspective of the main problems that face Australian agriculture**

J. Kerin

House of Representatives  
Parliament of Australia

There is no way that I can give a thorough federal political overview in 15-20 minutes. Indeed it is difficult to put forward a framework on which to flush out all the Federal agricultural issues, let alone all agricultural issues in Australia in which there is some Commonwealth involvement. If one wanted to be absolutely basic, one approach could be to speak in terms of land, water and energy as the ultimate determinants of agricultural policy, from a production point of view. If this is so, and I suggest it is, then it can easily be seen that agronomists are going to be vitally concerned in future policy making.

Going through the business of debating a new rural policy platform for the Australian Labor Party last week, and being engaged in writing the Party's policy for the next election, has focussed my attention on the broad categories of policy area where most problems lie and where most priority should be placed. They are:

- general economic issues;
- resources; and
- marketing/commodities.

The question of production issues per se resides predominantly with the State Governments - legislatively and in terms of the provision of services. The major production issue which has arisen in the Commonwealth Parliament in recent times has been that of Plant Variety Rights, and if we had a week to spare we could talk about that.

It is my prejudice that one of the main determinants of on-farm fortune or failure is management - and it is here, of course, that agronomists have played and will play such an essential role.

To speak briefly on resources: I believe that the Commonwealth should have a continuing role, if not an expanding role (particularly in research and program co-ordination) in the following areas:

- land - soil conservation, land degradation, land use planning;
- water - quality, irrigation, flood drainage;
- forestry - not just plantations;
- energy - it takes 700 litres of gasoline equivalent to crop 1 hectare of maize, yet primary production is a small user of Australia's total energy requirements (2-3%). Nitrogenous fertilizers are costing more and more and energy efficiency is another reason why farm sizes will continue to change and agribusinesses will become a slightly larger contributor to farm production in the future. Governments are going to be involved more and more in energy questions in agriculture.

To touch briefly on marketing: there are 11 major Commonwealth Statutory Authorities for our exported agricultural products. Each organisation has differing tasks and is differently structured. Their performance is variable and constant attention and review by government is necessary. However, there are common elements to each and it appears to me that a common ordering of essential elements can be specified, regardless of the commodity being handled.

Role and function must first be clearly defined. Then the structure can be set up which separates the formulation of the policy from the task of marketing, promotion, research and administration. The composition of the board or corporation can be specified in terms of the interests involved in the industry and the responsibility of each member needs to be set out. The question of election is a difficult one but the use of or a combination of nominations by industry conferences, nomination by organisations, producer polls and nomination of some members by the Minister (members with special qualifications) should be adequate. The concepts of ministerial responsibility and the degree of delegation of authority needs to be set out in each Act as well as the degree of Public Service Board control.

Accountability has to be more clearly understood. There is need for accountability to Parliament but just as importantly there is a need for accountability to government and to the industry. This latter factor requires a far greater degree of interactive reporting: producer representatives need to have the resources to get back to their membership. The ordering of the elements outlined can be grafted into each authority and at some other forum I will spell out details for each industry.

I will now turn to the question of economics. The export orientation of major rural products means that world economic conditions are a major influence on the prosperity of Australian agriculture. The downturn in world economic activity tends to have a disproportionately large impact on world trade and the principal reasons for this are increased competition for limited markets and greater protectionism as importing countries move to stabilise their own industries.

Agricultural trade is already restricted by the protectionist policies of importers; e.g., the EEC, CAP and the import quotas applied by the US and Japan. In aggregate, the real value of world agricultural trade has grown at about 8% p.a. since the late 1960's, but Australia's share in the world trade of its major exports (wool, wheat, sugar and beef) has remained relatively constant. What will matter most to Australia's 170,000 primary producers during the 1980's will be their capacity to compete on increasingly competitive and uncertain world markets, and for those in import-competing industries, to compete on the domestic markets. The dominant influence on the capacity to compete will be domestic economic conditions. Competitiveness on world markets will also be influenced by the commercial flexibility of the marketing authorities that handle export sales.

Let us look at domestic economic conditions. The policy of the current government is to 'fight inflation first' to maintain the costs of Australian producers relative to those of alternative suppliers, but there is a fallacy in their approach. The Government appears not to understand the link between inflation and the exchange rate. Unless some fundamental change takes place within the economy that will alter the underlying competitiveness of Australian production - and these gains will have to come from some real changes, e.g., in the resource base - then the apparent gains in competitiveness from controlling inflation can be expected to be dissipated through off-setting movement in the exchange rate.

One way in which the resource base can be increased is through the development of new agricultural technologies in which Australian can maintain a comparative advantage; other ways would be through the more intensive or alternative use of existing agricultural land, or by bringing additional land into production. The development, and then application, of new agricultural technologies requires a commitment by government to research and extension. The Fraser Government has all but abandoned any commitment and even axed the organisation it set up to review research and extension. The present government has relinquished a large part of its responsibility forever and is just maintaining the resource base of Australian agriculture. E.g., funding for a national soil conservation program has been stopped, no effective action has been taken to combat the problems of salinity, and in irrigation areas rising water tables are a continuing problem.

Another major problem faced by primary producers is the way in which assistance is provided to selected industries within the Australian economy. The level of assistance provided is determined in a largely arbitrary way (e.g., quotas and fixed value bounties which leave the rate at which assistance is bestowed at the whim of politics and economic conditions). As a consequence, the burden imposed on the unassisted industries is determined in an equally arbitrary way.

Relative to its size the rural section has received a small share of total industry assistance, but has footed a disproportionately high share of the bill. Worse still, the cost imposed on rural industries by the decision to support manufacturing industries has been determined by default and not by decision. It is a testimony to the efficiency of the exporting industries within the rural sector that they have been able to compete successfully on world markets given the handicaps imposed by the current government's approach to industry assistance.

On the increasingly competitive world markets, Australian producers should face no added disadvantage imposed by either institutional constraints on their marketing organisations or a lack of marketing skills

among their industry negotiators. There is a need for greater commercial flexibility in the way in which the marketing organisations can operate, but greater commercial freedom must be matched by a change in the structure of the marketing organisations so that they are alive to utilising effectively any expansion in their powers. I have already touched on the way I think statutory marketing authorities should be structured in general. There is much anecdotal evidence to suggest that government should be more administratively thorough in making sure that deficiencies are quickly detected and opportunities taken.

This also reflects directly on our trade policies. While I am not critical of most of what is said by our present political leaders I believe that our hypocrisy in berating the USSR yet selling more and more to them is to be deplored. Similarly, while it is all right to get a cheer at home by intemperate language against the EEC, the use of savage rhetoric in international forums serves no good purpose. One can instance Minister Nixon's alleged reference to the EEC as deserving the same treatment as received by Ned Kelly, in Mexico recently.

To conclude, I have focussed my discussion on the problems facing Australian agriculture in relation to the major factors that influence our competitiveness on world markets, and, for the import-competing industries, on the domestic markets. Primary producers now recognise and accept that it is general economic conditions which have the greatest influence on their economic wellbeing. However, while it is undoubtedly true that rural industries benefit from an economic environment which favours export industries and import competing industries, this observation excludes consideration of the problems faced in the real world in trying to create the desired environment. The present government's economic strategy pays scant regard to the question of the distribution of the benefits and the costs of their intervention to improve the competitiveness of certain industries, and many rural industries are among the industries which by default bear the cost of the government's intervention.

The role for agronomists in improving competitiveness is an important one. They can contribute to real change in Australia's resource base; e.g., through development of new technologies by which Australian can maintain competitive advantage. They can also contribute to further increases in the efficiency of Australian agriculture, an efficiency which, to date, has enabled it to compete successfully on world markets despite enormous hardships imposed internationally and domestically.