PRESS STATEMENT

WEEK ENDING 16TH APRIL, 1961.

TERMS OF TRADE AND RURAL CREDIT.

THIRD AND CONCLUDING ARTICLE.

In the last two weeks I have reported in general terms on Australia's economic position and of the Government's measures to combat it. Today I will deal with two particular aspects of this situation. The first of these concerns rural credit.

In the past, whenever there has been a credit squeeze necessary in the national interest, primary producers have complained that this hampers their normal day to day operations. Because of this, on this occasion, the Government, and in particular, the Treasurer, Mr. Holt, went to very great lengths to see that the amount of credit available to primary producers for carrying on their operations would not be reduced. The Directive that the Reserve Bank sent to all the Trading Banks made it quite clear that the interests of exporting industries, which includes the primary industries, were to be fully maintained. This Directive made it quite clear also that those sections of the economy to be hardest hit were to be those involved in adding to the inflationary pressures or in speculation of one kind or another. Operations in land trusts and some of the excess activities of hire purchase companies have been very greatly curbed. The fact that the existing level of credit was to remain available to farmers does not mean that if a farmer wanted to get an increased overdraft he would get it unless the circumstances were truly exceptional. However, it certainly does mean that any primary producer who has had an overdraft limit of, say, £10,000 or £5,000 for the last 3 or 4 years should be able to draw up to this limit.

I want to emphasise that there is nothing in Government credit policy or in the actions of the Reserve Bank which would give anyone the excuse to reduce a long outstanding overdraft limit belonging to any particular farmer. This, of course, does not cover the situation in which a person who already has borrowed a certain amount of money and has contracted to pay it back by a certain period. The normal relationship between a bank and the customer must be preserved.

It is my belief that most banks have carried out the Government's intentions and the instructions of the Reserve Bank religiously and most conscientiously, but there was a case in New South Wales in which one bank did not even send copies of its instructions to the Branch Managers but just said: "Reduce advances". In this kind of circumstance, all sorts of mistakes were made.

It is worth noting that a short while ago the Head Offices of all banks undertook to examine any particular instance where a primary producer felt that he had been unjustly treated by a Branch Manager. Previously I have said that I would have any case examined if a farmer felt that his overdraft limit had been wrongly reduced. Although I have tried to give fairly wide publicity to this sort of circumstance, only one person has approached me and his case is currently under examination. I will certainly have any other cases examined that are brought to my notice but it appears that, in this matter, banks in this area are carrying out the Government's requests conscientiously and accurately.

The other matter I wanted to deal with concerns the change in Australia's terms of trade. It is the change in the terms of trade which have really been the cause of our present difficulties. Inflation caused by the pressures of development and by the modern social conscience that demands full employment have certainly been contributing factors, but inflation in this country has not been much in excess of inflation in other countries and has been less than in some. If our terms of trade had remained the same, the inflation...
we have experienced would not have harmed us.

The definition of the terms of trade can roughly be called the price we have to pay for our imports as compared with the price we get for our exports. Since 1953, a year international organisations have taken as a base, Australia's terms of trade have fallen by about 35%. The terms of trade of industrial countries like the United Kingdom, the United States and Japan have increased by 12% to 15%. The terms of trade have moved against Australia much more so than in other countries.

In Canada, a country that is not dissimilar to our own, and also in New Zealand, the terms of trade have only fallen by 3% and 6% respectively.

Broadly speaking, the terms of trade have moved heavily against raw material and food exporting countries and in favour of industrial ones. After I had spoken in Parliament on this subject my father asked what I meant by terms of trade. In plain terms, it can be described as the volume of goods we have to export to get the volume of imports we need. Today we have to export nearly two bales of wool to do the job of one in 1953.

All this can be put in plainer terms. It is estimated Australia will get £880M. in overseas funds this year. If we got 1953 prices for the produce we are exporting this year, we would be getting £1,350M., about 60% more than we are getting today.

For some time the Government has recognised that world trading conditions have been becoming more difficult for Australia. As a first obvious means of combating these conditions, the Government has tried to create conditions in which the rural industries would be able to export more. In the last 7-8 years, the volume of rural production has increased 20% while over the last decade wool production has increased 50%. Exports of rural products have increased 25% in 7-8 years. Despite this greatly increased volume, the fall in price we get for these goods has been so large that we are still in difficulty and this has made it necessary for some re-organisation in our thinking inside Australia. It is these changes that have made the Government's recent actions necessary.
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