The Dairying Industry is important to Australia. There are about 70,000 odd dairy farms throughout Australia upon which large sections of the Australian community are dependent for their own well-being. Also each Australian consumes just under 30 lbs. of butter each per year.

For several years a subsidy has been paid the Dairy Industry, and by the end of June, over £112 million will have been paid the Industry in this way. Although the subsidy quite clearly benefits the Industry itself, it is also a consumer subsidy because it enables you to buy your butter well below its actual cost of production. The saving to consumers is about 7d. a lb. at the present time.

The Government guarantee the farmer the cost of production (as fixed by an independent committee) on all the butter and cheese consumed in Australia, plus 20% of that figure exported. Over the last five years, something between 70% and 80% of total butter production has been guaranteed.

Throughout the period of stabilisation, the Government has been unwilling to guarantee total production for the simple reason that more high cost producers would be drawn to the Industry. This would put up average costs for the Industry and at the same time add very greatly to the butter that must be sold overseas on an extremely unprofitable export market. These two things would mean that either an increasing sum would have to be paid in subsidy each year, or that the local price would have to rise to cover higher costs of production. Both these trends should be resisted. The U.S.A. has got into considerable difficulties with her farm-support programme, under which total production has been guaranteed. She has found herself with enormous surpluses with no really satisfactory way of getting rid of them. In some instances her surpluses have been reduced by infringing upon Australia's traditional markets.

Over the last five years, total production has risen from about 150,000 tons to 200,000 tons of butter. Local consumption has only risen from 110,000 to 118,000 tons. This means that while production increases at the present rate, a greater proportion of butter is being sold on the unprofitable export market. This of course lowers the average return to farmers. It is also worth noting that over the last five years, total income of dairy farmers throughout the Commonwealth has gone up 17% under the expiring Stabilisation Scheme. Victoria's income is up from £25 million to £38 million, reflecting an increase in production of 60,000 to 90,000 tons which is nearly half the Commonwealth total production. As a result of this, very nearly half the Commonwealth subsidy finds it way to Victoria.

Under the new stabilisation plan, there are three new provisions that should help the Industry. The Minister has indicated he will accept a constant figure of productivity for finding the cost of efficient production. This will give efficient farmers the benefit of their own increased production. Furthermore, on the advice of the Industry and with the approval of the Minister, the Dairying Industry Stabilisation Fund will be made available for research and sales promotion. Also, the Minister has already said the subsidy will not be reduced in the coming year.

I hope the Dairying Industry regard the new plan as an improvement on the one that it will supersede. Nevertheless, I believe the
Government, together with the Industry's leaders, should come to a decision regarding the future position of the Industry in the Australian economy.

While the Industry sells a considerable proportion of its production on an unprofitable export market, it can never be entirely independent and free from Government help. In reality it means the Government is subsidising the sale of butter overseas below cost of production to earn overseas funds. In large measure, this is the present position, but I don't really believe it is a satisfactory one.

If possible, the Industry should be independent and free from Government subsidy. This can only come if costs can be reduced and if a larger share of total production could be consumed on the local market. Governments, both State and Federal, are not doing as much as they could to help achieve this.

Work is beginning in sales promotion and in the sale of milk products in forms other than butter and cheese. This is only part of the problem. There should be active co-operation regarding soldier and closer settlement between the Commonwealth and the States. It is true for instance that Victoria has some of the best dairying country, but if more dairy farms are developed, is that going to help the Industry as a whole, when it only means that more products must be sold overseas on an unprofitable basis? I don't think so. Furthermore, I believe many farms are short of capital for development work that could lower cost of production. Developmental capital has in recent times been in short supply to most sections of primary producers. This could not be more wrong when we consider they are our only really great export industries.

Regarding the Dairying Industry in particular, it is quite possible that high cost producers in other States would be better off producing and exporting some other form of primary commodity which they can do at an economical level. If this was proved to be so, then Government help would be needed in converting their production into the new channels.

I believe these last few thoughts contain suggestions that could help the Industry become independent and free of Government subsidy. I would be very happy to discuss them with any dairy farmer, branch or organization, if they so wish.
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