

NOTES ABSTRACTED FROM BY THE HON JOHN KERIN IN A SPEECH TO  
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A RETROSPECTIVE ON POLICY MAKING

John Mullen invited me to address this session of the Conference from the point of view of a policy maker. He particularly asked me to address the extent to which I thought the influence of economics as a discipline and agricultural and resource economists had been influential in policy change and reform. He suggested that the dairy industry would be a good case study where detailed economic analysis and policy recommendations in the interest of the economy, if not industry overall had been advocated for decades yet progress had been unremarkable. Much of what I say will be general and I'll weave this in with discussion of dairy industry policy.

There are many qualifications I'd like to forward to or debate about the topic, including the view that economics is too much the dominant discipline in policy making now, or that economics is given a bad name by policy makers using it as a stalking horse to justify poor policy. As a policy maker who knew a little of economics, it was not and is not the only discipline to take into account when making policy and I have some misgivings in general about some economic theories and evangelism. However, this is not the time to discuss my ponderings and I'll address what has been requested of me.

Having had an operation on my right fetlock in early November, I was pinned at home for three months and had a lot of time to dig up box loads of musty papers, books, Cabinet submissions, speeches, press releases, Hansards, conference contributions and statements by dairy industry leaders going back to 1971. I had no idea on how much I had read or how 'courageous' I once was!! I inflicted an earlier rambling draft of this on John and it has now developed to chapter length and is subject to even more drafting-a work in progress.

Without inviting too many expressions of sardonic wit, I was peculiarly different to most Primary Industry Ministers from several points of view (I was Australia's second longest serving, or suffering, for 1983 to 1991) I had relatives who were dairy farmers. I went to Hurlstone Agricultural High School and then Bowral High School where many of my friends were kids off dairy farms. I cut thousands of bloodwood fence posts for dairy farmers when I left school in 1952. I farmed in a dairying area until I was 33. I was a Shire Councillor in a rural shire council area, which had many dairy farmers. I was a compulsive joiner of farm and other rural and civic organisations. I became involved in politics and was campaign manager for the federal seat of Macarthur in 1969 and was a candidate for the State seat of Wollondilly in 1970, both with large dairying constituencies, and then represented Macarthur, which had many dairying areas on the southern highlands and south coast of NSW. In politics it is important to have some idea of the nature of people in various industries and to understand that one is dealing with people not abstractions. I was in the national parliament from 1972 until 1975- my 'public' didn't return me to

my true calling until 1978. However, I did receive 2 votes out of about a hundred or so in the 5 purely dairying based polling booths in 1972- investigations are ongoing.

When in Parliament the first time I was Secretary of the Government's Primary Industry Committee and was introduced to the wonders of two-price and entitlement schemes being advocated by the dairy industry at the time. I studied a lot of economics at tertiary level from 1962 until 1978, (two degrees, two unfinished- slow learner) except for the 3 year gap while in Parliament. University education near totally cleansed me of many of my naïve small farmer beliefs and prejudices. I joined the Bureau of Agricultural Economics (BAE, now ABARE) in 1971 and along with 3 other areas, allegedly, worked in the Dairy Production Section in 1976, which was becoming involved in marketing issues. Although it is heresy to confess it, I don't think it is a necessarily a bad thing if a Minister knows a little bit about his portfolio area, or at least knows enough to make a judgment on what he/she doesn't know or can be logically persuaded to (Perhaps some would argue that being a 'sucker' for agricultural economic analyses was a disadvantage) It is also important to understand farm organisations and be able to evaluate their modus operandi, ideological beliefs and prejudices. As Shadow Minister for Primary Industry in 1982-3 I spent quite a bit of time getting to know something about our major primary industries and actually developed some policies (anathema to today's politicians?).

Once in Government I had the advantage of being in a very economically literate Cabinet and with a majority of State Agricultural Ministers being of my political party. The BAE taught me how agricultural economic and scientific research can be advanced to gain a far better policy fix. The greatest asset for a Primary Industry Minister is the BAE/ABARE and the permeation of its work into the policy Department. Strangely, I trusted my Department and the advice it gave to me. I will always be grateful to the people in the BAE and the Department and my staff who worked with me on dairy policy. There was no lack of economic expertise in the Department, nor any need for economic institution building. The lack of any other expertise was why I set up the Bureau of Rural Science. A policy maker has to be well aware of other relevant disciplines such as science, technology, management and sociology as well as being able to discern what is of utility from dogma and doctrine. I don't go quite as far as Lord Balogh (whoever he was) when he stated that economics was "An intuitive art of evaluating relationships which are highly unstable"- but for a politician he had a point.

I believe that the influence of agricultural economics in policy formation has been absolutely crucial and that as allocation is one of the profession's strong suits that resource economics will continue to require much analysis-natural resource management is now one of the biggest issues in agriculture. By crucial, I mean that it is essential for decision makers (Ministers) to be well equipped with analyses and facts. The point is that economics is a discipline by which an understanding is reached of how scarce, often precious, resources are allocated between competing demands. And I would emphasise that any analysis must be rigorous, transparent in methodology and honest in the interpretation of results. There is great difference between economic rationalism, which is the practice of considering economic policy matters as rationally as economic analysis and empirical evidence allows compared with a slavish adherence to market based solutions and bandwagon business practices. Even though some topics have disappeared from the agenda, or receive less emphasis,

and the profession doesn't, unfortunately, cause much offence these days, there will always be continuing issues in agricultural policy due to new issues arising and political contest about long-term policy issues, Eg drought policy. A major change in economic analysis over the past 20 years or so has been the need to explicitly account for environmental factors. Techniques for valuing these factors have become increasingly sophisticated although I still have problems with measuring externalities and accounting for environmental benefit in conventional economic terms. I'm not convinced that environmental economics has replaced agricultural economics as THE field in applied economics and there are many other areas crying out for attention Eg health economics.

However, in terms of policy fixes, while vigorously thought through economic research and analyses have prevailed in the long run, the contribution has been more in the style of constant dripping than in any readily measurable form. It took 35 years of economic analysis and advocacy to effectively propel change in the dairy industry and even today the political debate is not over. However, economic change has accelerated since the 1980's under the influence of more sensible economic rationality. As Primary Industry Minister, 1983-91, the problem for me was not so much a lack of knowledge of the economics of the dairy industry and its absurdities or problems but one of effecting implementation to gain a more prosperous, stable and resilient industry taking into account all the hazards it faced on overseas markets and the complexity of State based internal marketing arrangements. I was very much aware that any Minister is always playing "catchup", when dealing in areas of long industry political contention. Yet, at the same time a Minister has little time to effect change and this often means industries believe or don't want to believe, that they have time to adjust- issues facing a Government are often not either-or trade offs.

Economics is about efficiency AND welfare and one has to realise one is dealing with realities and in a system which also needs to take into account people and make some assessment of the costs to individuals as an industry changes and moves from one set of arrangements to another. The solutions being advocated by agricultural economists for the dairy industry were seen by producers as instituting production and price risk for an industry that was seen by outsiders as protected and heavily regulated and cosseted at a large cost to consumers. But it was worse than that. The arrangements I inherited in the manufacturing sector of the industry were inefficient, inequitable and unstable, over-production was stimulated, domestic consumption was discouraged, imports were encouraged and the manufacturers were encouraged to play the system rather than chase markets. The industry had never agreed to anything put up by the Commonwealth Government (there was disagreement on dairy policy at the first meeting of the Australian Agricultural Council (AAC) in 1934) and the 1977 arrangements were fought resulting in an even greater distortion in support for butter and cheese production when the Government increased the minimum support level by around 40% in the period July 1980 to July 1982 resulting in an extra 0.8 billion litres of milk being produced, to gain some agreement.

Now this is all rather discouraging but not strange if one considers the general economic situation in Australia, the international setting and the politics of and the times in which change is happening or reform is being attempted.

The dismay of agricultural scientists is just as bad, if not worse. For example, we knew enough about the causes of salinity in 1924 not to implement some of the recommended actions to prevent the problem. Both the Commonwealth and State Governments were subsidising broad-scale land clearing well into the 1970's. Luckily drought assistance helps pay for the problems suffered by farmers where the semi-arid margin was pushed to the limit!

Bench top and applied scientific solutions don't result in immediate adoption any more than sensible economic approaches are adopted by policy makers due to the political factors at work. The short answer to the reasons for inaction by primary producers for agricultural scientists is human nature and behavioural change and for agricultural economists this plus resistance to institutional change. Perhaps undergraduate students should be given an introduction to the, now large, compilation of adoption theory? Economist and science professionals need to concede that income instability, caused by range of factors beyond skilled management, is a particular problem for individual farmers. And we probably don't need to remind ourselves that not every farmer has a degree in economics and business management nor that they have any more interest in understanding the complexities of politics and government or bureaucracies any more than any other cohort in Australian society-unless it directly affects them. There are large cultural differences between the way in which the Commonwealth and State bureaucracies work. When in Government one has to govern for all people, ie represent people not mere majorities but a lot of people don't understand this. Optimistically, I have noted that the given wisdom and practice or societal consensus or conditioning once lasted longer than it seems to today?

The reasons for Governmental policy tardiness are societal, historical, Constitutional, political, institutional and often beyond our control externally (Eg oil shocks, wars, collapse in commodity prices, the Common Agricultural policy of the EEC, now the EU, Japanese protectionism and massive US agricultural subsidisation). Even within government it is often hard to advance change and reform due to unforeseen events and other major policy changes being implemented. For example, recessions or banking deregulation, in which case lead to, among other causes, interest rates going through the roof in the mid 1980's, while I was busy preaching on the agricultural sector's resilience and capacity to adapt. I recall the 90-day bank bill rate being 19.75% in December 1985. At the time I had a "rural crisis", a lot of other industries in trouble and the NFF had mounted a protest of 10-45,000 farmers (depends on who you believe) outside Parliament House and had vowed to bring down the WA and SA Governments and then us next.

As I've said, industry policies are not made in isolation from the generally prevailing views in a society or government at a certain time. Our economic history and the political economy of our primary and secondary industries and the colonial tie to Great Britain were still in full sway well into the 1960's in the minds of farmers AND policy and opinion makers. Preferential access for agricultural products into the UK market was ingrained. PM Menzies and the Country Party were in power for 23 years up to 1972 and had bequeathed to us an economy based on a colonial model. There were two aspects of agricultural policy that had been at work for a long time. Firstly there was "McEwenism", which for the young in the audience was protection for ALL industry ALL round and a particularly clever way of formulating agricultural policy by giving farmers what they wanted, with a bit of encouragement of policy advice, if

they were agreed at organisational level. This involved ever more subsidies, which eventually always became ineffective because benefits capitalised into the price of land. We had become the world experts at every form of agricultural protection and subsidisation and proved that they didn't work. As a poultry farmer, I was particularly opposed to the Home Consumption Price mechanism, which meant that I had to pay a higher price for wheat to subsidise export markets even though we were exporting eggs at the time (and charging local consumers a higher price to subsidise egg exports!) What was created in the 1950's and 1960's was a hot-house plant, cosseted by the then Country Party, nurtured by the taxpayer and poorly equipped for what economists and other observers knew would come. The other aspect, of even longer duration, was the concept of "organised marketing" which was an article of faith with both the Country Party and the Australian Labor Party (ALP). There was a justifiable history in how the State marketing arrangements had been established. However, why did these policy settings or mechanisms hold sway for so long, even in the face of technological advance, such as UHT which enabled milk at manufacturing price to enter fresh markets, and changed international marketing conditions?

To be frank the writing of agricultural economists in earlier times reflected the issues and economic and political realities of the day. It wasn't until the mid 1960's that existing policies began to be seriously questioned by agricultural economists. If one reviews the writings by agricultural economists in the post war period (and again for the young in the audience, I'm referring to World War 2) it wasn't until the publication of a paper by Doug McKay in 1967, who later became Secretary of the Primary Industry Department, that the welfare and social conditions of farmers were publicly canvassed. In reviewing a 4 year period in the early 1960's he found that 55% of the then 61845 dairy farmers had net incomes of less than \$2000 pa and that 1 in 3 had less than \$1000 pa. Although we were losing vast numbers of dairy farmers, from decade to decade, farm organisations were mainly concerned about the more immediate production issues and retaining the marketing status quo. The number of dairy farms dropped from 62000 in 1961 to 42293 in 1971 to 12888 in 2000. It needs to be remembered that primary products composed 80% of our exports in the 1950's, up to 69% in the 1970's and near 40% in the 1980's, leading to a large rural workforce on which, rural communities, food processing and transport and other infrastructure depended. The whole economy had a dependence on agriculture for our balance of trade and hence standard of living. This relative reliance on agriculture was a powerful political reality, which had to be acknowledged by policy makers. Most of the analysis in those days was about production economics and commodity policy. It wasn't until the National Farmers Federation was established in 1979 that farm organisations even understood that macroeconomic factors affected their well being to the extent they do.

What I'm trying to describe is that a society as conservative as Australia's has long fixed views on some matters. The physiocratic view of farmers being more worthy than others and notions of "feeding the starving world" still hold sway. One only has to instance the protection versus free trade debate to understand how long ideas have currency. Aristotle and Machiavelli both wrote about how difficult it is to achieve change and that if one pushes simple appealing ideas, no matter how illusory, they will stick in the minds of constituencies, which fear that any change will mean they will be worse off. In more contemporary times, the appeal of advocating tax cuts for poor suffering CEO's is so much simpler than investing revenue for long-term public

gain. As 'throw away lines', due to 'globalisation' the nation state is giving way to the market state and pluralistic power is giving way to business power in our society. Yet, we live with our history and it's always more comfortable to think how good it was in the old days. And I found that history's fingers are always slow to relax their grip in primary production.

The Constitution is quite clear as to the powers of the state and national governments. The State Governments have legislative power with respect to agricultural production. The Commonwealth Government only has constitutional power in the agricultural area with respect to trade, which meant that it was only the dairy industry's manufacturing area that we could influence by changing marketing and support mechanisms-but which in turn would affect each State's domestic arrangements. Further, The Constitution also decrees that trade between the States is to be free. Relevant to the dairy industry, the negotiation of the Closer Economic Relations Agreement with New Zealand, 1982-83, meant trade would also be freed up and the more competitive N.Z. dairy industry was poised to take advantage of this in the Australian market. In practical terms, the Commonwealth Government can exert real power due to its greater access to taxation revenue and it can therefore play the "carrot and stick" game more effectively. The States are skittish by nature, and must be gently wooed, and then, bribed, before they are prepared to form any sort of union. The Commonwealth also still has power to levy primary producers whereas the State Governments don't. The States have always tended to take a more regulatory approach to primary production because that's where their greatest power, that of legislation, resides. Most State Ministers I dealt with thought that economics was mainly a game they played in Canberra. This is not to say that they weren't getting sound economic advice from their officials.

I know a little about the politics of Australian agricultural production but am still learning. The junior partner in the dominant Liberal/Country, then Liberal/National Party Coalition (LNP) has always been allowed to have a stranglehold on the portfolios of Primary Industries, Trade and Transport. As a reasonably accurate generalisation, the National Party (or the Nationals as they now call themselves) is socially reactive and economically populist and the Liberal Party inclined to be more ideological in its conservatism. The Queensland National Party is something else again. In terms of the farm sector, the Liberals have stuck with their major policy of deregulation and privatisation but have always left the National Party Ministers alone (the Liberals-a reluctant bride? or more often like a working girl looking for short term rewards?) Since 1949 the ALP has only been in office (never in power) for 16 years of the last 47. It is not possible for the ALP to lose many farm sector votes and this gives it an advantage in making agricultural policy. On the other hand, if one accepts that our polity requires a large degree of consensus to gain change and reform then perhaps it was harder?

Between 1961 and 1971 the number of dairy farmers dropped by a third due to economic pressures. Probably as a result of Doug McKay's work, the Government of the day instituted a Marginal Dairy Farms Reconstruction Scheme in the late 1960's and manage to ease out over 400 farmers but most of the other thousands that went were due to economic pressures. To his credit, the leader of the National Party, Doug Anthony, told the farmers what they didn't want to hear for the first time in 1971. The ALP Minister 1973-75, Ken Wriedt, was an able well informed person and was able

to gain some changes and also removed the Dairy Products Bounty, which in effect, was only extending the pain for marginal dairy farmers in Northern NSW and Queensland. As I've said the Australian Dairy Industry Council (ADIC) had proposed a two-quota scheme in 1971 and then an entitlements scheme for the manufacturing sector of the industry. They stuck with the latter approach until 1985 despite Wriedt having not endorsed it in 1974. Wriedt broke the back on "McEwenism" but it was the formation of the Industries Assistance Commission (IAC) in 1974-5 and its recommendations on the references sent to it that changed the way of dealing with agricultural policy and probably spurred the creation of the NFF in 1979, which, overall, was an enhancement to agricultural politics. The IAC's report on the dairy industry in 1976 saw the Coalition Government only implement stage 1 of 3 stages of its recommendations (mainly selective underwriting of prescribed products). The IAC's report on the dairy industry in 1983 was crucial in my dealing with the industry.

Institutionally, the power and authority of existing statutory marketing organisations, their functions and support by farmers and governments alike is a very powerful block to change, particularly if their board memberships are producers and rely on farmer support and government patronage for their ongoing role. State Milk marketing authorities performed the important role of ensuring milk quality and safety and administered the vendor system for distribution. Banks and other organisations underpinning primary production, such as transport operators, also favoured stability.

Time does not allow me to go through the complexity of the dairy marketing arrangements, State by State, and how farmer versus farmer was organised. I basically took a technocratic line stressing the inequities and the need to acknowledge what the real situation was from all points of view and that we needed to construct the most efficient structure for the industry to cope with corrupted export markets and the threat from New Zealand in our domestic product market. There has always been a split between those States supplying milk on a year round basis to the fresh milk market and those supplying seasonally and mainly exporting manufactured product. I was also caught in a bind in as much as the Government was sensibly enacting policies to bring down protection in all industries and pushing very strongly for freer international trade. The level of protection on the fresh milk market had been assessed at anything up to 250% and 16-48% for manufactured products. One can play with the figures but protection was very high compared to most other primary industries. It was the IAC that defined an effective rate of protection as distinct from a nominal rate.

Perhaps I may provide some statistics on the inequities and inefficiencies. Victoria, was by far the largest and, debatably, the most efficient producer and the major exporting State. In 1982-83 Victoria was receiving 25c a litre for 12% of its production and 16c a litre for 88% while NSW was receiving 30c a litre for 61% of its production and 16c a litre for the balance. The non-manufacturing States took the view that Victoria was over producing. In all fairness it should be noted that there are many qualifications that should be put forward on the way I have presented it here, as each State had particular problems with pricing in periods of low annual production. As I've said, there were sound historical reasons for the extent of State regulation. For manufactured product the pooling and equalisation system was rewarding producers for non-economic production, such that milk in cheese for export was priced in at

below the cost of production at 5c a litre and 6c a litre for butter but received a higher pool price. Producers in the same State were receiving vastly different returns. Butter and cheese was traded freely between the States but border wars were threatened if fresh milk crossed them. Victorian farmers were always eyeing the NSW market and when some was supplied to minor supermarkets in the mid 80's the NSW Dairy Industry Authority dropped the price by 4c a litre and started discussing ways and means to check the quality of Victorian milk at border crossing points

I first discussed the situation in the industry with the AAC in early 1984 and received some agreement on an all milk levy on both prescribed and non-prescribed manufactured products and the establishment of a market milk committee, which mainly proved to be a useful talk shop. There was disagreement as to the size of the levy, whether there should be an entitlements scheme or not and whether existing Commonwealth legislation that would impose a levy on fresh milk should be proclaimed. They were insistent that they hold onto their State marketing powers and institutions and pointed out, in the case of ALP governed States that Oppositions would block such move in their Upper Houses of Parliament. The ADIC still wanted its entitlement scheme with 5.3 m. litres of all product to be supported at the level of the domestic price.

To cut a long story short I took legislation to the Parliament in May 1985 proposing an all milk levy of less than 2c a litre to support export prices of manufactured product, underwriting for export sales only, the end of pooling and equalisation and adjustment support mechanisms as the main features. The Democrats happily agreed to support the measures in the Senate when we explained them to their leadership and committee but they blocked the legislation when the dairy industry leadership dissuaded them at the last minute. In politics, just as parties and leaders have ideologies, philosophies and themes, individuals also have or need to have firm views with some conceptual, if not intellectual base. Otherwise policy is doomed to be reactive ad-hoc and inequitable. One of the realities of policy making is that the need to adapt to the changing political environment makes it hard to stick to a clearly defined strategy.

I believe that once the true realities have been figured out and the analyses carried out and that one accepts that change is occurring and will continue to change, then a policy maker has 3 choices. You can protect farmers from economic pressures (will only work in the short term), slow the pace of change by mitigating its less desirable aspects (lead farmers up the garden path) or attempt to facilitate desirable change taking a medium to long term perspective. I know that individuals count at all levels in a society, in any organisation or in an industry. The key individual in dairy policy was Pat Rowley, who became head of the Australian Dairy Farmers Federation and the ADIC and talked the industry around to support for the main planks of what was being proposed thereby enabling its passing in the Parliament from mid-1986. We used to have early morning telephone conversations on what each thought was possible. It was Pat who called it the "Kerin Plan" (See details below)

The National Party said that the portfolio should be taken out of my hands because of my dogmatic, heartless approach and that I hadn't consulted with industry. There had been 20 meeting with industry leaders, 5 with State level industry groups, 55 with industry at lesser level, 6 with the AAC, 6 with State Ministers, 13 with the

Government Primary Industry Committee (we had Members in dairy electorates) and I took it to Cabinet 17 times- only Prime Minister Hawke, at first, understood my explanation of the industry's then current arrangements and what I was proposing! Budgetary considerations didn't come into any consideration with respect to dairy policy. As I've said, the dairy industry wasn't the only policy matter on the agenda at the time but it certainly did take a lot of negotiating and thinking time. When I tried to sell the virtues of the plan to public meetings the Police only just managed to save one of my staff from a mob in Warragul and had to stop them kicking in the sides of our cars as we escaped. At Police request we cancelled other scheduled meetings but the death threats then followed. The Victorians thought the arrangements OK after about 5 years but while-ever they produced so much for the export market under the 1986 arrangements, their returns continued to be less than for farmers in other States.

Deregulation of the dairy industry was prompted by what was put in place in 1986 but it was the establishment of the Council of Australian Governments and the National Competition Policy review of the 1992 arrangements that finally brought it about in 2000. All that I did was replace an implicit cross-subsidy in the manufacturing sector with an explicit cross-subsidy for the whole industry, wipe out some self-defeating arrangements and convince them that New Zealand was a real and present threat. However, the 1986 arrangements acted as a catalyst for other changes and stimulated thinking in the industry's manufacturing sector.

And how has the industry gone since? The pain for many individuals has been severe and it is pointless to think that they will be able to understand that change would have happened in any case. It is to the industry's credit that, once removed from regulatory arrangements and recovery in export markets, rationalisation of and a more professional approach by the manufacturing sector, product diversification and on-farm productivity gains that it has managed to adjust. The Australian Herd Improvement Scheme resulted in nearly a doubling of productivity. An ABARE report (04.24 updated to January 2005) states that, apart from the 2002-3 drought year, the dairying industry has out-performed all but the cropping industries since 1989-90. The Gross Value of Agricultural Product for dairy has gone from 6% in 1979 to 9% in 2001-2. Australia's share of world dairy exports went from 8.3% in 1989 to 10.4% in 2000.

However, consumers still pay. Deregulation was greeted with an additional consumer tax of 7c a litre levy to pay for a \$1.6-1.8b. plus adjustment package. Luckily, the Government assures us that this is not an additional consumption tax! When it was found that the compensation funding should be taxed as income the levy increased to 11c, giving the Commonwealth a windfall of some \$500 m. There was a bit of double dipping in Victoria from compensation funds as well. However, all is not lost. As we speak, Johnny Farnham is putting on rock concerts for the dairy farmers still adversely affected. I wish him luck in working out who should receive the proceeds.

To sum up, the economic analyses by the profession were the main intellectual drivers and crucially influential in the reform of the dairy industry's marketing arrangements. For a policy maker not only concerned to be economically pure, there remains many issues. Eg, to what extent has the consumer benefited or has and will the rent be taken by the major chain stores at the expense of the remaining dairy farmers (will it ever be measured post-deregulation), is there an inherent conflict between the objectives of

economic efficiency and maximum competition, how much product innovation now comes from major manufacturers, has economics entrenched farmer beliefs in the production per se paradigm and/or was it worth all the pain for individuals and why does the profession not combat some of the nonsensical analyses of the media and address the real costs and benefits of and actuality of agricultural production ??

The 1986 arrangement were:

- 1 The cessation of export pooling so that exporters became more market responsive.
- 2 The replacement of the then current stabilisation arrangements so that a more uniform level of assistance be provided for all products.
- 3 The market support arrangements be financed in a less distorting way, by a levy on all milk production ( 2c a litre, approx.)
- 4 The progressive reduction in domestic price support to a level no higher than the price level at which New Zealand dairy products could be sold on a free trade basis.
- 5 The continuation of measures to protect the industry from unfair import competition (anti-dumping and countervailing duty measures) with a promise by the Commonwealth to take other measures if these proved to be inadequate.
- 6 Reform of the ADC to enhance its effectiveness (along the lines of statutory marketing reform that I was implementing at the time)
- 7 Assistance to be made available for specific purposes for adjustment, for marketing innovation, for research and dairy product underwriting.
- 8 An arrangement negotiated with the States so that they only matched part of the Commonwealth's \$40m for adjustment in respect of carry on assistance (It should be noted that Cabinet had a Structural Adjustment Committee)
- 9 The dairy industry to be specifically invited to take advantage of a \$25m special fund for new marketing activities (and they did!)
- 10 An increase in the operative rate of the research levy-at the request of the industry.

It took many discussions with the States, New Zealand, the ADC and industry to put all this in place once the legislation was passed. This resulted, among many other things, a "comfort clause" for the market milk States (which was triggered twice) and a MOU with New Zealand as well as regular discussions between the ADC and its New Zealand counterpart.