SPEECH BY THE PRIME MINISTER, RT. HONOURABLE SIR MEKERE MORAUTA, KT., MP. AT THE OPENING OF POLICY & STRATEGY 2000 & THE 17TH NATIONAL AGRICULTURE COUNCIL CONFERENCE, LAE, 07 AUGUST 2000

The Rt. Honourable, Sir Mekere Morauta[1], Kt., MP.

The late Fred Fisk, a notable economist, once described Papua New Guinea's traditional life as 'affluent'. The basis of that affluence was subsistence agriculture.

Papua New Guinea is a nation of gardeners and farmers. Food crops have been grown here for at least 7,000 years. In fact inhabitants of our land have been living off agriculture for longer than almost any other area in the world. Agriculture is the heart of our country. It is also our future.

But in recent years, particularly in the original 1999 Skate Budget, Papua New Guinea's heart was cut out. It was surgery at its crudest, and nearly resulted in the death of the patient. It was surgery without the services of a qualified anaesthetist. Considering the importance of agriculture to the nation's economy, this was an act of unprecedented stupidity. A classic example of short sightedness.

Until the opening of the Bougainville copper mine, agriculture completely dominated the economy and Papua New Guinea's exports. About one-third of gross domestic product is still provided by agriculture, forestry and fisheries. Last year, just over 29 percent of the nation's export income came from the sector.

I might add, while I am here in Lae again, that the farmers of Morobe Province have reason to be proud of their economic role: this province is one of the powerhouses of the agriculture sector.

The previous Government planned to kill off Papua New Guinea's agricultural research capacity, but fortunately did not get round to the act of legislative execution.

So when we were elected in July last year, we found that the patient still had a pulse. Because we had been left with a ruined economy and government finances that were notable for their absence, we could do little but put these critical research institutions on a drip feed.

The combination of industry levies, past savings, a small amount of Government money and AusAID help for the National Agricultural Research Institute (NARI) gave the industry a reprive until the 2000 Budget.

This increased the Department of Agriculture and Livestock's recurrent allocation by almost 20 percent to 9.5 million Kina. In addition, aid money under the Public Investment Program provided about two-thirds of the total agriculture budget.

Stabex funding from the European Union has in 2000 played a vital role. The Government has approved a number of Stabex schemes aimed at improving research and extension services. For example the Coffee Industry Corporation is receiving about 4.5 million Kina for promotion and research, including a taste-improvement project.

NARI, the country's premier research body, will receive 2.5 million Kina for the establishment of its headquarters and laboratories at Bubia, outside Lae.

The Fresh Produce Development Company is receiving 2.5 million Kina from Stabex to upgrade depots in the Highlands, Lae and Port Moresby

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and for support for refrigerated containers from the Highlands.

1 million Kina has been allocated to improve National Capital District mini-markets. If further EU funds become available, and the Government strongly encourages the EU to continue its funding for agriculture, this project will be extended across the country.

The Livestock Development Corporation is receiving 3 million Kina to develop a cashew project in the Central Province.

The Government's biggest commitment of Stabex funds is to agriculture on Bougainville, in total 17 million Kina. Three million Kina of this is going to port and other transport infrastructure and production and distribution of new planting material. The remainder is linked to Aus/AID and UNDP programs, including access roads and cocoa support. The Government is playing its part, within its means.

Recurrent allocations in the national Budget to research and marketing institutions rose from zero in 1999 to 3.7 million Kina in the 2000 Budget. Most importantly, NARI received a recurrent allocation of 1.9 million Kina, against nothing in 1999.

These were small increases, and nowhere near enough to restore agriculture to its rightful place.

In the forthcoming Budget, there will be further increases, in recognition of the critical role these institutions can play in increasing national wealth and personal well-being, especially in rural areas.

Again, the increases will not be massive, but they will be carefully targeted to try to ensure that they have the maximum impact.

One emphasis will be on **crop rehabilitation**. Coffee, cocoa and copra will each receive a major injection of funds next year, specifically for rehabilitation.

The need for rehabilitation of our export crops is plainly evident. Cash crop production and export revenue have not been growing anywhere near as fast as all the experts say they could, given the undoubted potential of the country.

Proper, sustained and well-funded research and extension services can help to overcome many of the problems that afflict cash crop production. Planting material is a good example. Nothing demonstrates that better than the success of the oil palm industry. New Britain Palm Oil and others in the sector are world leaders in research, and the foundations of much of that research rest on the work done when NBPO was a state-owned business. The planting material used by the industry is without doubt world-class.

Much of the material that has been available for coffee, copra an cocoa growers in recent years has been of a much lower standard. It has severely inhibited the growth of these industries. Now, new material is becoming available through domestic research institutions.

The Coffee Research Institute has made available a new dwarf variety called Catimor, which is high-yielding and also grows in previously marginal areas in the middle altitudes. It has successfully been tried in areas such as the Bainings in East New Britain and in Milne Bay. The institute has also developed better crop management and new pruning methods to increase the yields of existing varieties.

For copra, no new suitable planting material has been available for years. A new hybrid is now being developed by the Cocoa Coconut Research Institute (CCRI) at Madang. Hopefully, it will have beneficial results.

A similar situation exists for cocoa. In the 1980s the CCRI undertook a poorly planned and run cocoa plant breeding program, which set the industry's develpment back by many years, with poor material being planted, and industry debt increasing by tens of millions of kina. Now the CCRI and the Cocoa-Coconut Extension Agency are offering new planting material.

The Government is committed to the rehabilitation of export crops, particularly through wide distribution of quality planting material. Industry bodies will be asked to recommend the best ways of allocating the funds for this initiative.

We have begun initial talks with the Asian Development Bank for loan funding specifically for improving research and extension services. The main beneficiaries would be NARI and the individual industry institutes.

Last week there was a valuable planning consultation session with the Australian Centre for International Agricultural Research concerning a five year collaborative program between Australian and PNG institutions. This would involve the agriculture, fisheries and forestry sectors. These programs have proved successful in the past and will be more so in the future once Papua New Guinea has revitalised its own research bodies.

Two other areas will demonstrate the Government's renewed commitment to agriculture: an extension of the **tax credit scheme** to the agriculture sector and a greater emphasis on **collaborative research** with the private sector.

The tax credit scheme has, by and large, worked successfully in the resources sector. The Government is prepared to extend it to agriculture. The Bogan Tax Review is currently considering the cost implications of such a scheme, and how it might practically be applied to support the development, but particularly the maintenance, of essential rural infrastructure. Certain services, including agriculture extension and research, might also be eligible activities to be funded by the scheme.

Agriculture stands to gain a great deal from research undertaken by the private sector and national institutions together. Collaborative research overseas has been immensely rewarding, not just for the companies concerned but also for the partner institutions and scientists and for farmers. There are many areas of agricultural research that would be beneficial both to the nation and to commercial partners.

There is little point in having successful crops if they cannot be taken to market and sold for a price that is above the cost of production yet affordable to the average buyer. The level of imported fruit and vegetables in our shops highlights the lack of coordinated action for the development of the sector.

It has been demonstrated that we can grow almost anything in the country, yet our long-term successes have been few and far between. The reason is poor marketing, and another is high cost. Cost is a severe inhibiting factor at both ends of the process: input and out. To overcome this primarily means having an efficient transport infrastructure system.

Infrastructure development and maintenance, along with primary industries, health, education, revenue generation and law and order, are the Government's six priorities. These were the only areas to receive additional funds in the 2000 Budget and I expect a similar pattern in 2001. These have received sixty-five percent of the Government's total expenditure this year. The economic and infrastructure sectors received 10.5 percent of the total expenditure.

I know only too well that this is not enough, and I am committed to increasing it in the 2001 and 2002 Budgets. But it is not just money that will revitalise agriculture. Our approach, our thinking, our priorities in the sector need to change. Sound development of agriculture requires that **farming** be given the status and support it deserves. Not administrative bodies, nor state marketing bodies, nor public servants, but farming, planting old and new crops: real-life agricultural activities must be our focus.

Regulatory and marketing functions should be clearly separated, with oportunities for genuine competition encouraged in the interests of producers. Trading monopolies by public or private bodies should be discouraged, thus reducing opportunities for abuse. Accordingly, the Government will review the system and structure of marketing copra. Marketing should not in my view be a state function. Regulation, however, should.

As part of the public sector reform programme the Department of Agriculture and Livestock and other institutions in the sector will be examined to ensure excessive drafting, institutional hierarchies and overheads are pruned. The programme will ensure that the focus is genuinely on supporting producer interests, or supporting effective provincial and district-based extension services.

For years the provinces and other industry bodies have perceived that the Department as virtually irrelevant, or even as a handicap or bottleneck. Its new role requires a markedly leaner but more professional service body, entailing the transfer of technical staff to Districts and industry bodies, while securing relevant economic, marketing and information technology skills.

Various structures are possible, involving different links across the renewable resources sector, but the support structure for the sector must be practical, affordable, and be responsible and responsive to farmers. We simply cannot afford a great institutional superstructure that fails to deliver support services.

It is clear that in recent years farmers have secured better services from corporatised and privatised industry bodies. Opportunities to outsource activities will be pursued.

That this can be successful is demonstrated here in Morobe Province and the Eastern Highlands under the new extension project being funded by the Asian Development Bank.

Ladies and gentlemen, over the last year the Government has necessarily been preoccupied with the programme of economic, monetary and budget stabilisation. Our objectives have, on the whole, been achieved. The groundwork has been laid for real economic growth and development.

On the budget, from the savings generated from reduction of our debt service burden and from refocusing government activities, supported by the funds now flowing from the World Bank, the IMF and donor countries will, from next year, allow us to invest more in agriculture and infrastructure. The improved investment climate should also encourage much greater private investment in agriculture.

These factors combine to provide us with a chance to give our most important sector a new life line. We cannot afford to let the opportunity pass by. What an achievement it would be if, in years to come, economists were to describe our modern agriculture as the basis of a truly affluent society.