DAIRY INDUSTRY STABILIZATION LEVY AMENDMENT BILL 1985

Date Introduced: 7 May 1985
House: House of Representatives
Presented by: Hon. John Kerin, M.P., Minister for Primary Industry

Short Digest of Bill

Purpose

This Bill amends the Dairy Industry Stabilization Levy Act 1977 and imposes a levy on certain manufactured dairy products.

Background

These changes are part of a wide-ranging reform of the regulations covering marketing arrangements for the dairy industry (see Bills Digest 85/59 in particular, and also 85/61 and 85/62). As outlined in detail in Bills Digest 85/59, the proposed marketing arrangements involve, amongst other things, the abolition of the present stabilization levies which are imposed on "prescribed products" - butter, certain varieties of cheese, skim milk powder, casein and whole milk powder and the associated pooling and equalisation of returns. In their place, a system of market support payments on total exports will be introduced. These payments will ultimately be financed only by the market support levy on total milk production. Once these new arrangements are in place, the level of support provided for the manufacture of dairy products will be significantly lower than is currently the case.

As part of transitional arrangements designed to ease the movement over time to the lower level of support, supplementary market support payments will be made. This Bill imposes the dairy products levy that will be used to finance these payments. The levy is payable by the proprietor of the factory at which the relevant product is produced. The levy will be imposed in 1985-86 by regulation on butter, butteroil and cheddar cheeses at the level that maintains current minimum wholesale prices (DVLPs) for these products. As such, export returns will exceed the export target price level (or its equivalent for non-prescribed products).
The levies will be phased out in subsequent years under a formula which is designed to reduce the levies over a period of two to six years, with the time depending on the rate at which production and/or market milk prices decline. Hence, if production falls slowly or if market milk prices do not decline, this support will be withdrawn more quickly. Within this approach, the ADC must ensure that the aggregate of all supplementary market support payments approximates the aggregate of the amount raised by the dairy products levy.

Importantly, the formula is designed to insulate against a rapid fall in milk production or market milk prices, but a rise in either production or the price of market milk would have the same effect as no change in these factors. This is designed to ensure that State Governments do not attempt to maintain current levels of support for the dairy industry by increasing market milk prices.

Dairy products levies will not be imposed on other prescribed products – skim milk powder, whole milk powder and casein – since support provided by the introduction of the market support levy will be sufficient to maintain returns to producers on these products.

Main Provisions

Sub-clause 1(2) establishes the Dairy Industry Stabilization Levy Act 1977 as the Principal Act.

Clause 4 establishes that the Dairy Industry Market Support Bill 1985 shall be incorporated and read as one with this Bill.

Clause 5 defines the dairy products that may be subject to the levy.

Clause 6 provides for the levy to be imposed on dairy products produced at a factory on or after 1 July 1985.

Sub-clauses 7(1)-(7) establish the basis for determining the rate of levy for 1985-86 and subsequent years.

Sub-clauses 7(8)-(9) establish the procedures through which those paying the levy must be notified as soon as is practicable of the rates of levy that will operate each year.
Clause 8 provides that the levy is no longer payable on a dairy product when the rate of levy is less than $50 per tonne.

For further information, if required, contact:

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