DAIRY PRODUCE MARKET SUPPORT 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 contains many of the mechanical features of the proposed marketing arrangements for the dairy industry, especially in regard to the collection and administration of levies and the payment of support payments, and provides for the repeal of legislation that is designed to stop interstate trade in market milk.

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 Bills Digests 85/60 and 85/62).

As outlined in Bills Digest 85/59, the proposed marketing arrangements involve the imposition of a market support levy on total milk production, which will be used to finance the payment of market support payments on total exports. This Bill provides for the collection and administrative arrangements for the market support levy, establishment of a market support fund and the payment of market support payments. In particular, this Bill provides the basis for determining the rate of market support payment for each prescribed dairy product - it is the difference between the export target price and estimated average export price in the current year - and the formula used for calculating the export target price. As mentioned in Bills Digest 85/59, this price is calculated as 130 per cent of the average export price of the relevant dairy product in the year in which the target price is to apply and the previous two years. Market support payments for non-prescribed products are to be determined by the Australian Dairy Corporation having regard to the rates of market support payments applicable to prescribed dairy products. All market support payments will be paid from a market support fund, established under this Bill principally to receive funds collected from the market support levy.
Use of a three year average when calculating the export target price, rather than the current year only, means that support will be slightly countercyclical. That is, if prices are trending downwards, the target price will not just reflect the low price in the most recent year, but will also reflect the higher prices in past years, and consequently the market support payment will be higher than if the current year only was used in the formula. Conversely, with prices trending upwards, the target price will be reduced by previously lower prices, rather than reflecting just the recent high prices, and so the market support payment will be relatively lower. Therefore, the industry will get progressively less assistance as prices rise, but progressively more assistance as prices fall.

This Bill enables the ADC to establish special market support payments, to effect the transition from present arrangements and to deal with other specific contingencies. For example, this will apply in respect of exports to countries that impose quantitative restrictions on imports from Australia, in order to preserve the historically determined pattern of equity between manufacturers which has resulted from the way export sales to such markets have been dealt with in the past. This provision is also intended to apply to produce which was committed for export prior to the announcement of the new arrangements and will enable the avoidance of large losses to some persons who made decisions on the basis of past arrangements. This provision will also apply to imports of dairy produce used in the manufacture of other dairy produce, in order to ensure that imports are not indirectly assisted by the new arrangements. This Bill also provides for the ADC to guarantee a certain rate of market support payment to operate over a specified period of time or in respect of a specified contract in advance of actual export. This is designed to boost the ability of Australian traders and manufacturers to compete effectively on the international market for dairy products.

Bills Digest 85/60 provides the background and rationale for supplementary market support payments, which will be financed by the imposition of the dairy products levy. This Bill provides for the collection and administrative arrangements for the levy, establishment of a supplementary fund to receive the proceeds of this levy, and payment of supplementary market support payments. These payments will be determined for a marketing year as a percentage of the export target price and will therefore reflect movements in international price relativities for dairy products.
This Bill includes a number of other administrative and regulatory provisions, which provide for:

- access to premises;
- requirements for returns and information to be supplied;
- penalties in respect of non-payment of the levy and offences relating to either applications for payment or to returns; and
- a court which can order that any payment falsely obtained be repaid, impose a penalty, and review decisions directly affecting the rights of an individual.

This Bill provides for the payment of any underwriting contributions by the Federal Government into the market support fund. Underwriting payments are not provided for in legislation, and are financed by means of an appropriation from consolidated revenue.

Finally, this Bill provides for the repeal of the Dairy Industry Assistance Act 1977 and the Dairy Industry Assistance Levy Act 1979, which are widely considered to have inhibited interstate trade in market milk. Therefore, it has been suggested that this action will lead to a breakdown of the regulation and separation of the market milk sector in each State. However, the small volume of interstate trade in market milk before the legislation was passed would suggest that other factors have acted to limit interstate trade. Other possible reasons for the low level of interstate trade include: fear of retaliatory action leading to loss of the market milk premium (that is, the extent to which market milk prices exceed manufacturing milk prices); a desire by those in the industry not to upset traditional arrangements; natural protection provided to most States by distance and associated freight costs; and finally, the possibility that State dairy authorities could initiate action to eliminate or control such sales in order to protect the market milk premium. The Government is of the view that it is inappropriate for it to impose restraints on interstate milk trade.

Main Provisions

Part 1 - Preliminary

Clause 2 provides that the legislation will come into force on 1 July 1985.
Clause 3 provides for the repeal of the Dairy Industry Assistance Act 1977 and the Dairy Industry Assistance Levy Act 1977, and also the Dairy Industry Stabilisation Act 1977 (and subsequent amendments) which will be replaced by this Act. The latter Act will continue to apply in respect of leviable dairy products produced up until 30 June 1985.

Clause 4 provides definitions for the purposes of this Bill.

Clause 5 provides that the States (and Northern Territory) and their authorities are subject to this legislation.

Part 2 - Collection of Market Support Levy

Clause 6 provides that the levy must be paid 28 days after the month in which the leviable product is sold.

Clause 7 provides the arrangements whereby the levy may be paid on behalf of the producer by the purchaser of the product.

Sub-clause 7(8) provides that in exceptional circumstances the Minister may release a person from liability to pay the levy.

Clause 8 provides for the imposition of a penalty for non-payment of the levy.

Clause 10 provides for the refund of any amount that is overpaid.

Part 3 - Collection of Dairy Products Levy

Clause 11 provides that the levy must be paid 14 days after the month in which the leviable product is sold or used in the production of other products.

Clause 12 provides for the imposition of a penalty for non-payment of the levy.

Clause 14 provides for the refund of any amount that is overpaid.

Part 4 - Market Support Fund and Market Support Payments

Clause 16 establishes the Fund.

Clause 17 provides that the Fund shall contain receipts from the market support levy, and also Commonwealth
Clause 19 establishes the formula for determining the rate of levy in respect of prescribed products.

Clause 20 establishes the basis for determining the rate of levy in respect of non-prescribed products.

Clause 21 provides that the ADC may determine special rates of market support payment, including a zero rate.

Clause 22 provides that the Corporation may, upon request, guarantee a certain rate of market support payment.

Clause 24 establishes the purposes for which monies in the Fund may be used: payment of the market support levy; reimbursing the Commonwealth for costs incurred in collecting the levy; transfers to the Supplementary Fund to ensure that supplementary payments can be made; and payments to the ADC for deficits arising from its trading activities.

Part 5 - Supplementary Market Support Fund and Supplementary Market Support Payments

Clause 29 provides that the Fund shall contain receipts of the dairy products levy and any transfers from the Market Support Fund.

Clause 31 provides the basis for determining the rate of payment.

Clause 32 defines the purposes for which money in the Fund may be used, of which the major purpose is payment of the supplementary market support payment. Also, money in the Fund at the time it is wound up will be paid into the Market Support Fund.

Part 6 - Miscellaneous

Clauses 36-46 relate to various administrative and regulatory arrangements; the main arrangements are outlined in the background above.

For further information, if required, contact:

17 May 1985
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