FERTILIZERS (SUBSIDY) AMENDMENT BILL 1985

Date Introduced: 20 May 1985
House: House of Representatives
Presented by: Hon. John Kerin, M.P., Minister for Primary Industry

Purpose

To extend the operation of the nitrogenous fertilizer and phosphate fertilizer subsidies until 30 June 1986.

Background

Since the early 1930s a number of schemes have operated to assist the production and consumption of fertilizers. Assistance for the consumption of manufactured phosphatic fertilizers has been available almost continuously since 1963. The bounty on phosphatic fertilizer production lapsed in December 1974 but was re-introduced in February 1976. Consumption of manufactured nitrogenous fertilizers has been assisted continuously since 1966.

A subsidy is payable, at the rate of $20 per tonne of contained nitrogen, on both locally produced and imported nitrogenous fertilizers under the Nitrogenous Fertilizers Subsidy Act 1966. Under the Phosphate Fertilizers Subsidy Act 1963, a subsidy is payable on both locally produced and imported phosphate fertilizers at the rate of $12 per tonne of single strength superphosphate or $138 per tonne on the available phosphorus content of other phosphatic fertilizers.

The main argument for fertilizer subsidies has been that "fertilizers are used in lightly assisted efficient industries and the subsidies make assistance levels more uniform between activities. They were also said to compensate farmers by partly offsetting costs imposed by tariffs and other forms of government intervention on farm incomes".[1] The Industries Assistance Commission (IAC) found that the production response to the induced lower fertilizer prices appears to be negligible; the effect of the subsidies on the efficiency of resource use is small and
bears no significant contribution to farm income or consistent relationship to protection-induced distortions.

Both fertilizer assistance schemes were due to expire on 30 June 1985. The IAC, in its interim report on fertilizers, recommended that these subsidies should cease on 30 June 1985.[2] However, the Government has decided to continue the subsidies for a further twelve months while the IAC prepares its final report. The Government has requested the IAC to consider in its final report:

- the level of assistance provided to rural industries relative to assistance to other industries;
- the Government's commitment to maintain the international competitiveness of Australian rural industries; and
- the effectiveness of the fertilizer subsidies in assisting rural industries.

Main Provisions

The Bill will come, or deemed to have come, into operation on 1 July 1985 (clause 2).

The operation of the Nitrogenous Fertilizers Subsidy Act 1966 is to be extended until 30 June 1986 by an amendment to section 3 (clause 4).

The Phosphate Fertilizers Subsidy Act 1963 will be similarly extended (clause 6).

For further information, if required, contact:

Economics and Commerce Group
LEGISLATIVE RESEARCH SERVICE

6 August 1985

References

2. ibid.