POULTRY INDUSTRY LEVY AMENDMENT BILL 1979

Date Introduced: 21 February 1979
House: House of Representatives
Presented by: Rt. Hon. Ian Sinclair, M.P.,
Minister for Primary Industry

Short Digest of Bill

**Purpose**

To increase the maximum rate of the Commonwealth hen levy from $1.00 to $2.00 per hen per year.

**Background**

In 1962, a non-statutory consultative body, the Council of Egg Marketing Authorities of Australia (CEMAA) was formed comprising all members of all 6 State Egg Marketing Boards (SEMB). Currently CEMAA has 40 members, 26 of whom are producers. Recommendations by CEMAA for a Commonwealth equalization scheme for the egg industry to replace the various State schemes were incorporated in the CEMAA Stabilisation Scheme which commenced on 1 July 1965. Under the scheme, unit returns from domestic and (lower-priced) export egg markets are equalized, within State boundaries. To enable this, the Commonwealth makes payments to the States from funds raised by a Commonwealth levy on the owners of hens. Such payments are used by the SEMBs to raise unit export returns to equal unit wholesale domestic returns.

The necessary Commonwealth legislation for this scheme is embodied in 3 Acts: the Poultry Industry Levy Act 1965 (which imposes a levy on commercial hens, not less than 6 months of age and in flocks of more than 20 hens), the Poultry Industry Levy Collection Act 1965 (which provides for the collection of the hen levy) and the Poultry Industry Assistance Act 1965 (which established the Poultry Industry Trust Fund (PITF), into which are paid amounts equal to funds collected from the hen levy). The hen levy is not to exceed $1.00 per hen per year. The operative rate is prescribed after recommendations from CEMAA have been considered by the Minister. From 1 July 1965 to 30 June 1966 the operative rate was $0.72 per hen per year and since 1 July 1966 it has been at the maximum of $1.00. The levy applies in all States and in the Australian Capital Territory (ACT). On the recommendation of CEMAA, hens in the Northern Territory (NT) have been exempted.
Moneys in the PITF are applied as re-imbursements to the States (but not to the ACT) for raising export returns from eggs and also for research into the Australian egg industry. The small proportion which goes towards research is obtained partly from the use of a portion of the hen levy proceeds (the egg producers' contribution) and partly by way of a special appropriation of the Consolidated Revenue Fund paid into the PITF (the Commonwealth's contribution).

Over the years, the SEMBs have sometimes regarded their respective equalized prices (using PITF disbursements) as insufficient to provide an adequate return to producers. In such cases, the State Boards have set their wholesale domestic prices at levels above the calculated equalized price. To raise unit export returns to equal the domestic prices, the SEMBs have then collected their own State-imposed complementary 'pool levies', payable by egg producers. However, in recent years such SEMB pool levies have become substantial in some States, making it worthwhile for producers to sell eggs outside their SEMBs (e.g. interstate sales) to avoid payment of the State levy. For example, at 9 February 1979 SEMB 'pool levies' were: Central Queensland 7.5 cents per dozen, South Queensland 10 cents per dozen, N.S.W. 0.5 cents per dozen, Victoria not publicly known (believed to be around 5 or 6 cents per dozen), Tasmania 12 cents per hen per month (equivalent to about 9 cents per dozen), S.A. 13 cents per dozen and W.A. 1 cent per dozen. By comparison, the Commonwealth hen levy of $1.00 per hen per year is equivalent to 6 cents per dozen (assuming an average annual production of 200 eggs per hen).

Because of the threat to orderly marketing in the egg industry posed by the opportunity existing for producers to avoid payment of the SEMB pool levies, CEMAA in 1977 recommended to the Australian Agricultural Council (AAC) that the maximum rate of the Commonwealth hen levy should be raised from $1.00 to $2.00 per hen per year. The AAC agreed to this by a majority decision in August 1977 and a unanimous decision in August 1978.

This Bill when enacted, will raise the maximum rate of the Commonwealth hen levy from $1.00 to $2.00. The operative rate will be prescribed after CEMAA recommendations have been considered. The new operative rate is expected to be well above the present level of $1.00, perhaps around $1.50, and the increase is intended to replace (by-and-large) the State-imposed 'pool levies'.

CEMAA has given an assurance that the Commonwealth hen levy proceeds will only be used for PITF disbursements
to the States, research and administration. CEMAA has also given an assurance that if any PITF disbursements to a SEMB are in excess of its equalization requirements, the excess will be returned as a direct payment to producers in that State on a per hen basis. This might occur in States which export a low proportion of their production and hence have less export 'losses' to support. (Under the CEMAA Scheme, PITF disbursements to each State are guaranteed to be at least 75% of their contribution, by way of hen levy proceeds, to the PITF).

Provisions

From 1 July 1969 (clause 2), the maximum rate of the Commonwealth levy on hens will be raised from $1.00 to $2.00 per hen per year (clause 3).