PARLIAMENT OF AUSTRALIA
DEPARTMENT OF THE PARLIAMENTARY LIBRARY

WHEAT MARKETING BILL 1979

Date Introduced: 8 November 1979
House: House of Representatives
Presented by: Hon. P.J. Nixon, Minister for Primary Industry

Purpose

To provide for the implementation of new arrangements for the marketing and pricing of wheat and wheat products and payments to growers.

Background

In 1939, the Australian Wheat Board was constituted by the National Security (Wheat Acquisition) Regulations (Statutory Rules 1939, No. 96) under the National Security Act 1939. The Regulations commenced operation on 21 September 1939. The Board's constitution was continued by successive Wheat Industry Stabilization Acts, the first of which was enacted in 1946. These Acts, together with complementary State legislation, have required all wheat to be marketed through the Board and have empowered the Board to be the sole receiver and seller of wheat on the domestic market and wheat and wheat products on the export market. The Board became the sole owner of all wheat delivered to it and administered the Wheat Industry Stabilization Scheme. In addition, the Wheat Industry Stabilization Acts provided for deliveries of wheat to the Board, price guarantees for export sales, home consumption prices for domestic sales and equalised prices to growers.

The Commonwealth Wheat Export Charge Acts have provided for the collection of an export charge on wheat in seasons of high export prices. These changes contributed to a Wheat Prices Stabilization Fund. Withdrawals were made from the Fund to increase grower returns when the guaranteed price exceeded the average of the export and domestic prices. The Commonwealth made contributions when the Fund was insufficient to provide for the guaranteed price to growers.

During the currency of the Sixth Plan (1974-79) there was considerable discontent with the existing arrangements. Growers were upset with the time taken between deliveries of wheat to the Board and final payments from the Board. The Board did however offer discounting
facilities for early payment to growers in special circumstances.

The constitutional validity of the present scheme was challenged unsuccessfully in the High Court in the Clark King Case. There is another challenge not yet completed (Vobergaug v Australian Wheat Board). The major issue is the application of section 92 of the Constitution to the legislation. In addition to the legal challenges, none of which have yet been successful, there is an extensive illegal trade in wheat.

The I.A.C. conducted an inquiry into the wheat industry and made its report in June 1978 (I.A.C., Wheat Stabilization, 1978). As a result of this inquiry and subsequent considerations the Commonwealth decided to make new arrangements. The proposed legislation is a package of seven Bills; the Wheat Marketing Bill 1979, the Wheat Research Amendment Bill 1979, the Wheat Industry Stabilization (Reimbursement of Borrowing Costs) Amendment Bill 1979, Wheat Products Export Adjustment Bill 1979, Wheat Levy Bill (No. 1) 1979 and Wheat Levy Bill (No. 2) 1979. These Bills provide for new marketing arrangements for the five year period commencing 1 October 1979.

The major differences between the current package of Bills, the seventh five-year plan and the previous five year plan are:

(a) Abolition of the stabilized price scheme in favour of a flexible guaranteed price.

(b) New financial arrangements which, it is envisaged, will allow earlier payments to growers.

(c) Increased powers of the Australian Wool Board to strengthen its control over the domestic wheat market.

Provisions

(Further detail is provided in the Explanatory Memorandum circulated by the Minister).

Part II (clause 6) provides for the continuation of the Australian Wheat Board as a legal entity.

Part III (clauses 7-11) provides for the powers of the Minister. The Minister's power is to extend to wheat acquired under Complementary State Acts (clause 7). Clause 8 requires the Minister to determine a guaranteed minimum price (GMP) for wheat in a season (1 October to 30 September) according to the formula provided in sub-clause
8(2). The formula provides a GMP per tonne on an equivalent Australian standard white grade basis equal to 95 per cent of the average of the preceding two seasons plus the current season (sub-clause 8(2)). The price for current seasons shall be made on the basis of estimates of the net pool return for that season after advice from the Wheat Board and the Bureau of Agricultural Economics (sub-clause 8(3)). Sub-clause 8(5) limits the movement in the GMP to 15 per cent in either direction. Clause 9 provides for the Minister to determine the net pool return after deducting various costs from the proceeds of the disposal of wheat by the Board.

Part IV (clauses 12-25) contains provisions relating to the marketing of wheat. Clause 12 sets out the Wheat Board's powers over domestic and export wheat marketing, and provides for certain financial matters. Most provisions refer to wheat produced in a Territory. (Complementary State legislation will contain similar provisions relating to wheat produced within a State). State corporations (Bulk Handling Authorities) or their agents are authorized to receive wheat on behalf of the Board (clause 13). Provision is made for the delivery to the Board of wheat produced in a Territory (clause 15) which may be effected by delivery to an authorized receiver (clause 16). Exemptions are provided for in the case of inferior wheat, seed wheat (clause 17) and wheat used for domestic purposes (clause 18). Provision is made in clause 19 for direct delivery by a grower to a buyer under a permit from the Board under certain conditions. The wheat concerned remains the property of the Board, payment is made to the Board, but the Board shall repay the grower any excess over the home consumption price (clause 19). Clause 20 establishes the Board's monopoly in the marketing of wheat with the exceptions already noted. Provision is made for an advance payment equal to the GMP with adjustments for quality, less handling and storage costs (sub-clause 21(2)). Provision is also made for an interim advance payment not greater than 85 per cent of the GMP for the previous season (sub-clauses 21(4) and 21(5)).

Provision is made for final payments when the average net pool return exceeds the GMP (clause 22). Sub-clause 22(5) allows the Board to make advances against the final payment.

Part V (clauses 26-28) refers to the sale of wheat on the domestic market. Clause 26 determines the home consumption price of Australian standard white at $127.78 per tonne in the first season with prices in the four subsequent seasons to be determined by the formula in the schedule to the Bill (sub-clause 26(2)). An additional amount will be added to meet the cost of shipment to
Tasmania (clause 26(3)). Sub-clauses 26(4), 26(6) and 26(7) permits price variations in the case of wheat sold for stock feed and industrial uses and for quality variations. The Schedule provides a formula for determining the home consumption price in the light of changing costs and the movement of export prices with a 15 per cent limit on year to year price movements. Clause 27 provides for the treatment of moneys used to meet the cost of wheat shipments to Tasmania. Clause 28 sets out provisions for operating wheat quotas during a season proclaimed to be a quota season.

Part VI (clauses 29-39) provides for the membership and organization of the Australian Wheat Board.

Part VII (clauses 40-55) makes provision for various financial matters. The Fund established under the Wheat Industry Stabilization Act 1974 is continued in existence as the Wheat Finance Fund (clause 40). Clause 41 provides for the payment into the Fund of the levy payable under the Wheat Levy Acts and interest income earned by moneys in the Fund. The purpose of the Fund is to provide moneys that may be borrowed by the Board (clause 42). Moneys in the Fund in excess of $100m and the remaining balance at 30 September 1984 are to be paid to the Board. The Board will return the moneys to growers according to their past levy contributions or export charges depending upon how those moneys were obtained (clause 43).

Sub-clause 44(1) provides for the Reserve bank to make advances with Commonwealth guarantees, to the Board to finance functions specified in the Act except for interim advance payments. The Board may also borrow commercially, by issuing securities or otherwise, with provision for Commonwealth guarantee, except in the case of finance for making interim advance payments (clause 44).

Clause 46 provides for the Board to be reimbursed for any additional costs and expenses incurred as a result of raising funds commercially rather than obtaining advances from the Reserve Bank.

Provision is made for the Commonwealth to meet any difference between the GMP and the net pool return (clause 49).

Part VIII contains miscellaneous provisions. Clause 57 provides for the establishment of consultative groups of persons to consider and advise on matters relating to the Board's functions.