

1992

THE PARLIAMENT OF THE
COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

DAIRY PRODUCE AMENDMENT BILL 1992

DAIRY PRODUCE LEVY (NO. 1)
AMENDMENT BILL 1992

EXPLANATORY MEMORANDUM

(Circulated by authority of the Minister for Primary
Industries and Energy, the Hon Simon Crean MP)

Dairy Produce Amendment Bill 1992
Dairy Produce Levy (No 1) Amendment Bill 1992

Outline

1. These Bills form a package aimed at providing the Australian dairy industry with a framework that will enable a more productive, internationally competitive and export focussed sector to develop. This will be facilitated by a continuation of the major existing Commonwealth assistance structures, but with phased adjustment to the level of assistance.
2. The Dairy Produce Amendment Bill 1992 extends market support payments on exports of dairy products until 30 June 2000. These payments are financed by a levy on all milk produced in Australia. While the present maximum levy of 45 cents per kilogram of milk fat is retained, the reduction in assistance is achieved by phasing down the ceiling on support payments. Market support payments presently average 22% of export prices for dairy products. This 22% rate will be the maximum level of support payments during 1992-93. Subsequently the maximum rate will be reduced in equal annual increments until 1999-2000 when it will be 10%.
3. The underwriting of dairy export prices by the Commonwealth will not be continued after 30 June 1992. In addition, the so called 'comfort clause' which has the effect of enabling any State to seek suspension of the all milk levy and so discourage interstate milk trade is being deleted. These changes will further expose the dairy industry to commercial forces both within Australia and internationally.
4. The maximum limit for the promotion levy is being increased from 5.5 cents per kilogram of milk fat to 8 cents per kilogram of milk fat. This is to provide for the possible re-orientation of industry efforts towards support for export marketing and market development, particularly for higher value products.
5. The scope for increased emphasis on market support is enhanced by allowing money from the Dairy Industry Fund, a fund administered by the Australian Dairy Corporation, to also be used for market development activities. In addition, the Dairy Industry Fund may also be used for the purchase of capital assets by the Australian Dairy Industry Council which performs the role of an industry policy council. In order to ensure balance, Ministerial approval will be required for Dairy Industry Fund expenditure on market development plus capital items and funding of the Australian Dairy Industry Council.

FINANCIAL IMPACT STATEMENT

6. Passage of these Bills will, if anything, have a positive impact on the Commonwealth budget as the Commonwealth will not continue the contingent liability of underwriting dairy export prices. Other provisions, such as changes to the all milk levy/market support payments are offsetting and have no net effect on the budget.

Notes on individual clauses

Dairy Produce Amendment Bill 1992

Clause 1 – Short title

7. Subclause (1) provides for the Bill to be called the Dairy Produce Amendment Act 1992.
8. Subclause (2) provides for the Dairy Produce Act 1986, which is the Act being amended, to be referred to as the "Principal Act".

Clause 2 – Commencement

9. Subclause (1) provides for the Act to commence when it receives Royal Assent, subject to subclause (2).
10. Subclause (2) provides for clause 6, which relates to market support payments, to commence on 1 July 1992.

Clause 3 – Application of Industry Fund

11. Amendment (a) of this clause broadens the application of section 88 of the Principal Act to allow the Australian Dairy Corporation to use the Industry Fund for market development for Australian dairy produce. Specifically, the Corporation can use the Fund for marketing and promotion of Australian dairy produce, both domestically and overseas.
12. Amendment (a) also broadens the application of the Industry Fund to include payments to the Australian Dairy Industry Council, to enable it to acquire capital assets.
13. Amendment (b) amends section 88 by requiring expenditure in connection with the Australian Dairy Industry Council, the International Dairy Federation, administration of the Industry Fund and market development for dairy produce to be subject to the approval of the Minister. Approval of the Minister must be in writing and the Minister can specify conditions in the written approval.

Clause 4 – Application of the Promotion Fund

14. This amendment allows the Promotion Fund to be used for market development for Australian dairy produce, including promotion and marketing of Australian dairy produce domestically and overseas.

Clause 5 – Market support payments

15. The current market support scheme is scheduled to 'sunset' on 30 June 1992. This amendment extends the operation of the market support scheme from 1 July 1992 to 30 June 2000.

Clause 6 – Rate of market support payments in relation to prescribed dairy produce

16. Amendment (a) removes the present requirement that the market support payments be limited to 30% of the estimated average export price of the supported dairy products.
17. Amendment (b) limits the maximum percentage rate of market support payments for each year from 1992–93 to 1999–2000. The rate is to be set at 22% for 1992–93 and is then reduced, in equal annual steps, to 10% in 1999–2000.
18. Amendment (c) requires that the actual market support payments be limited to the maximum rates for each year set out in the Bill.

Clause 7 – Special rates on market support payments for underwritten dairy produce

19. Amendments (a) and (b) remove price underwriting of exported butter, cheese, casein and milk powder after 1 July 1992. This reflects the Commonwealth's decision to discontinue financial support for underwriting.

Clause 8 – Winding-up of Market Support Fund

20. This amendment changes the date for the winding up of the market support fund from 30 June 1992 to 30 June 2000.

Clause 9 – Repeal of Division

21. Division 5 of Part VII of the Principal Act relates to the Supplementary Market Support Fund. The Division is no longer relevant as payments into and from the fund were concluded by 1 July 1989.

Dairy Produce Levy (No.1) Amendment Bill 1992

Clause 1 – Short title

22. Subclause (1) provides for the Bill to be called the Dairy Produce Levy (No.1) Amendment Act 1992.
23. Subclause (2) provides for the Dairy Produce Levy (No.1) Act 1986, the Act which is being amended, to be referred to as the "Principal Act".

Clause 2 – Commencement

24. Subclause (1) provides for the Act to commence when it receives Royal Assent, subject to subclause (2).
25. Subclause (2) provides for [clauses 4 and 5], which relate to collection of the levy on milk, to commence on 1 July 1992.

Clause 3 – Imposition of levies

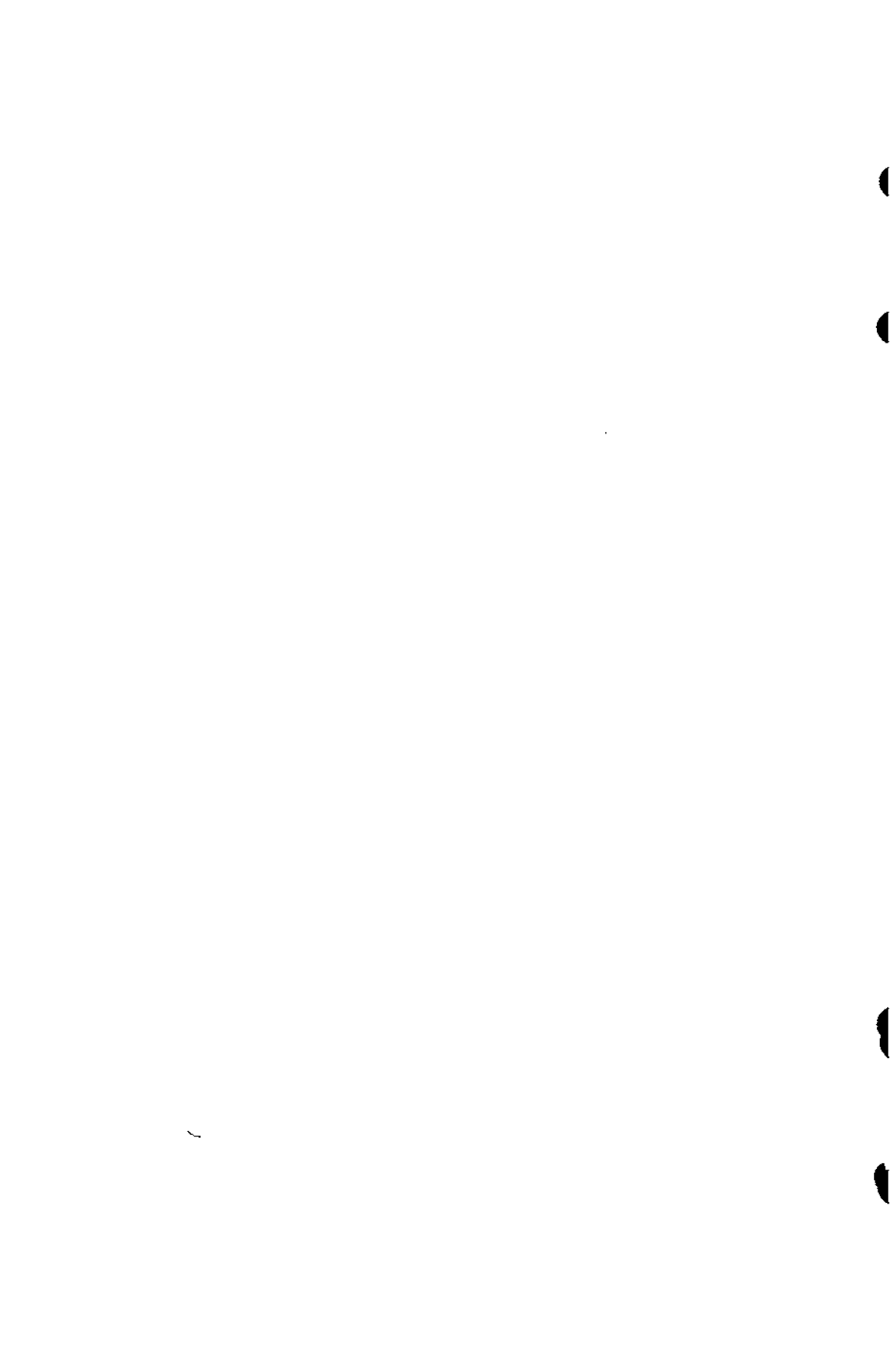
26. Amendment (a) extends the period during which a levy on milk can be collected to 30 June 2000.
27. The Minister can extend the end date of the all milk levy if there are inadequate funds to meet outstanding commitments for market support payments. Amendment (b) changes the date for this, from 1 July 1986 to 1 July 2000, to reflect the above extension of the scheme.

Clause 4 – Repeal

28. This amendment repeals section 6 of the Principal Act. Section 6 contains the 'market support revocation clause' which allows States to take action to suspend the all milk levy. The arrangement is commonly known as the 'comfort clause' and operates through the Australian Agricultural Council (Agricultural Council of Australia and New Zealand).

Clause 5 – Rates of levies

29. This amendment increases the ceiling rate of the promotion levy from 5.5 to 8.0 cents per kilogram of milk fat. The operative rate of the promotion levy continues to be set by regulation.



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