DAIRY PRODUCE LEVY (NO. 1) BILL 1986

Date introduced: 7 May 1986
House: House of Representatives
Presented by: Hon. John Kerin, M.P., Minister for Primary Industry

DIGEST OF BILL

Purpose

To impose various levies required to cover the administrative expenses of the Australian Dairy Corporation (ADC), to cover the cost of the ADC's promotional activities, to finance new market support arrangements, and to raise moneys from the dairy industry for dairy research.

Background

The two major initiatives in this Bill are the imposition of the market support levy (on the milk fat content of 'relevant dairy produce') and the dairy products levy (on certain 'dairy products'). Both levies are central to the proposed new dairy marketing and price support arrangements, full details of which are provided in Bills Digest 86/63. The market support levy will finance the market support payments, and the dairy products levy will finance the supplementary market support payments.

Three other levies imposed on the milk fat content of relevant dairy produce - the corporation levy, the promotion levy, and the research levy - are to replace levies for similar purposes which are currently imposed on milk and butterfat under the Dairying Industry Research and Promotion Levy Act 1972. The change to a standard milk fat basis arises from the decision to base the market support levy on milk fat and the desirability of having a standard base for all levies on milk. The market support levy will be imposed on milk fat for two major reasons, according to the Minister. First, he considers overseas experience shows that levy avoidance through 'de-watering' of milk could be a significant problem if the market support levy were cast in
'per litre' terms. Second, he considers that it also makes sense in that the rate of payment to the producer for his milk generally varies in direct proportion to the milk fat content. Under the existing arrangements, the amount of levy payable normally does not reflect the amount of milk fat contained in milk; the levy is calculated at a rate per litre regardless of fat content except for cream where the levy is based on fat content.

Main Provisions

Clause 2 provides, in effect, that the scheduled date for commencement of the Act is 1 July 1986.

Sub-clause 4(1) establishes definitions for the purposes of the Act. Dairy products to which the dairy products levy applies are likely to be butter, butteroil and cheese, though additional products - wholemilk powder, skim milk powder, or casein - may be prescribed as dairy products if it appears that the new support arrangements will not adequately support their domestic price. Relevant dairy produce means whole milk and whole milk products, in effect all dairy produce.

Clause 5 provides for the imposition of the market support levy, the corporation levy, the promotion levy and the research levy.

Sub-clause 5(2) provides a termination date in respect of the market support levy (and consequently in respect of the market support arrangements generally). The termination date will be 1 July 1992 (sub-clause 5(3)).

Clause 6 provides for suspension of the market support levy following receipt by the Commonwealth Minister of a notice from another member of the Australian Agricultural Council calling for its suspension. This is discussed fully in Bills Digest 86/63.

Clause 7 specifies maximum rates for each of the milk fat levies: 45 cents per kg of milk fat (or 2 cents per litre for milk of average fat content) for the market support levy, 2.5 cents per kg of milk fat for both the corporation and the research levy, and 5.5 cents per kg of milk fat for the promotion levy. Operative rates will be set by regulation (clause 7), following recommendations by the ADC in the case of the market support levy and by the Executive Council of the ADIC in the cases of the three other milk fat levies (clause 14). (The operative rate of
market support levy will need to be a rate sufficient to finance the operation of the market support payments system).

Clause 8 provides for the producer of the relevant dairy produce to be liable to pay the milk fat levies.

Clause 9 imposes a levy on certain dairy products. The incidence of this levy will in effect be restricted to domestic sales of dairy produce (sub-clause 9(2)).

The rate of levy is to be prescribed by regulation (clause 10). On current estimates of export returns, the butter levy is likely to be of the order of $600-$700 per tonne and the cheese levy $250-$300 per tonne as at 1 July 1986. (Details of the planned phase-out of these levies are given in Bills Digest 86/63).

Clause 11 provides that the levy shall be paid by the proprietor of the factory at which the dairy product is manufactured, unless the ADC has sold the dairy product in which case the levy is payable by the ADC.

For further information, if required, contact the Economics and Commerce Group.

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