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LONDON

**1993**

**THE PARLIAMENT OF THE  
COMMONWEALTH OF AUSTRALIA**

**HOUSE OF REPRESENTATIVES**

**DAIRY PRODUCE AMENDMENT BILL 1993**

**EXPLANATORY MEMORANDUM**

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

### **Dairy Produce Amendment Bill 1993**

#### **Outline**

1. This Bill introduces amendments to the Dairy Produce Act 1986. The amendments will provide greater commercial flexibility to the Australian Dairy Corporation allowing it to save on costs and to implement a risk management program enhanced by specific reference to its capacity to undertake hedging operations with banks.
2. The Australian dairy industry will benefit from the cost savings and from the operation of a Corporation which would be more competitive and more closely aligned to generally accepted commercial practice.
3. The Australian Dairy Corporation is currently restricted in the range of banking and foreign exchange implements that it can use. The amendments extend the range of financial activities in which the Corporation can participate. The amendments also extend the range of banks with which the Corporation can conduct its commercial operations. These amendments will result in reduced costs for both the Corporation and the industry.
4. The Act as it stands allows the Corporation to reduce the risk of future trade and financial transactions (that is, to hedge). However, banks were concerned that the legislation does not specifically empower the Corporation to deal with banks in futures operations and are reluctant to conduct financial transactions with the Corporation. The proposed amendments will specifically authorise the Corporation to enter into futures contracts with banks to reduce risk.
5. The amendments also allow the Corporation to consolidate the Market Support Fund, the Industry Fund, the Promotion Fund and other Corporation monies, thus reducing banking charges and management expenses. At the same time, the Corporation will be required to maintain the integrity of each of these funds by maintaining separate records for each fund.
6. The minor amendments are to remove references to the supplementary market support arrangements. These arrangements have not operated since 1989.

#### **FINANCIAL IMPACT STATEMENT**

7. Passage of these Bills will not have any direct financial impact on the Commonwealth budget.

### Notes on Individual Clauses

#### Dairy Produce Amendment Bill 1993

##### Clause 1 – Short title

8. Subclause (1) provides for the Bill to be called the Dairy Produce Amendment Act 1993.
9. 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. This clause provides for the Act to commence on the day it receives Royal Assent.

##### Clause 3 – Interpretation

10. This clause amends the definition of "approved bank" and provides for the Corporation to deal with an increased range of approved banks. This will allow the Corporation to obtain more competitive terms and conditions for its banking transactions.

##### Clause 4 – Proper accounts to be kept

11. This clause amends section 72 of the Act and requires the Corporation to maintain separate records of all its financial dealings with each of the Market Support Fund, the Industry Fund and the Promotion Fund. Under clause 7 the Corporation is no longer required to keep separate bank accounts for these funds.

##### Clause 5 – Application of money of Corporation

12. This clause amends section 74 of the Act and allows the Corporation to invest in an increased range of financial activities and specifically states that the Corporation can make short term deposits with banks.

##### Clause 6 – Hedging through currency contracts etc.

13. This clause repeals and substitutes for section 79 of the Principal Act.
14. Subclause (1) defines currency and futures contracts.
15. Subclause (2) provides for the Corporation to enter into currency contracts, futures contracts, interest rate contracts and currency, interest rate or commodity swaps, and options.
16. Subclause (3) limits the Corporation to hedging purposes and defines the types of trading activities that are covered. The Corporation activities covered include contracts to borrow and raise money, to invest money, to purchase or sell dairy produce, to pay for overseas promotion of Australian dairy produce and to transact foreign currency.

17. Subclause (4) provides for the Minister to set guidelines for the Corporation when they enter into or deal with contracts, and subclause (5) outlines some possible guideline limits. Subclause (6) requires the Corporation to adhere to the established guidelines.
18. Subclause (7) provides for the use of contracts in relation to the risk management of financial transactions. The financial transactions covered are actual or proposed borrowing or raising of money by the Corporation, investment revenue, actual or proposed sales or purchases of dairy products, payments for overseas promotion of Australian dairy produce and foreign exchange transactions.

Clause 7 – Repeal of section

19. This clause removes the requirement for the Corporation to maintain separate bank accounts for the Market Support Fund, the Industry Fund and the Promotion Fund. Under clause 4 separate records must still be kept for each fund.

Clause 8 – Investment of money standing to credit of a relevant fund

20. This clause allows the Corporation to more efficiently manage the funds through use of a broader range of banking instruments. Most commercial trade in the short term money market is conducted through banks.

Clause 9 – Minor amendments

21. These amendments remove any references to the Supplementary Market Support Fund. Payments into and from the fund were concluded on 1 July 1989.

