

1995

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

DAIRY PRODUCE LEVY (No. 1) AMENDMENT BILL 1995

EXPLANATORY MEMORANDUM

(Circulated by authority of the Minister for Primary Industries and Energy, Senator  
the Hon Bob Collins)



## **DAIRY PRODUCE LEVY (No. 1) AMENDMENT BILL 1995**

### **GENERAL OUTLINE**

1. The purpose of this Act is to impose levies on market milk and manufacturing milk produced in Australia. The levy will be paid by the producer, in the case of the market milk levy, and by the manufacturer in the case of the manufacturing milk levy. The appropriate amount of the levy will be determined by rate based on milk fat and protein content.
2. This Act works in conjunction with the *Dairy Produce Act (1986)*, the *Dairy Produce Levy (No. 2) Act 1986* and the *Primary Industries Levies and Charges Collection Act (1991)*.
3. The *Dairy Produce Levy (No 1) Amendment Act 1995* changes the nature of the market support levy from one based on milk fat content to one based on the milk fat and protein components of dairy produce. This reflects a change from the previous legislation, brought about because milk companies now pay milk producers on this basis.
4. The new domestic market support mechanism requires that the current all milk levy be replaced by two separate levies. The first of these levies provides for the imposition of a market milk levy on the producer of market milk to be collected by milk manufacturers. The second levy is a manufacturing milk levy on all milk used in the manufacture of milk products, other than market milk, and is imposed on manufacturers. The manufacturing levy is therefore an input levy rather than a product levy. The amount of both levies will be determined by rate based on the milk fat and protein content of the relevant produce. Levy paid on milk used in manufacture which is subsequently exported will be rebated upon proof of export or alternatively used to reduce the manufacturer's gross levy liability for the month of export.
5. The other existing milk levies, Corporation, promotion and research and development, will continue however the amount of levy payable will be determined on the two component basis of milk fat and protein after 30 June 1995. The EXANDIS (Exotic Animal Disease Preparedness Consultative Council) levy expires on 30th June 1995 but action will continue beyond that date to collect outstanding levy. The market milk and manufacturing milk levies only will terminate on 30 June 2000, although levies incurred prior to that date will continue to be collected beyond 30 June 2000.

### **FINANCIAL IMPACT STATEMENT**

6. There are no direct financial implications of this Act for the Commonwealth as the domestic market support scheme is funded by industry to extract a consumer transfer from the domestic market. The annual amount of revenue and outlays under the new scheme will be approximately equal, being similar to those existing under the current market support scheme.

## **NOTES ON INDIVIDUAL CLAUSES**

### **Clause 1 - Short title**

7. This Act will be called the *Dairy Produce Levy (No. 1) Amendment Act 1995*.

### **Clause 2 - Commencement**

8. The *Dairy Produce Levy (No. 1) Amendment Act 1995* will commence on 1 July 1995.

### **Clause 3 - Amendments**

9. The *Dairy Produce Levy (No. 1) Act 1986* is subsequently amended as set out in the Schedule.

## **SCHEDULE**

### **1. Subsection 4(1) (definitions of "authorised person", "butteroil", "cheese", "dairy product", "milk fat levy", "relevant owner"):**

10. The above mentioned definitions are omitted.

### **2. Subsection 4(1):**

11. Subsection 4(1) of the *Dairy Produce Levy (No. 1) Act 1986* is amended, as set out in the schedule, to provide definition of four terms (Australian Bureau of Agricultural and Resource Economics, Council, manufacturer and month) which are fundamental to the interpretation of this Act.

### **3. Subsection 4(2) to (7):**

12. Subsections 4(2) to 4(7) of the *Dairy Produce Levy (No. 1) Act 1986* are omitted and substituted with 4(2) defining the manufacture of dairy produce as any process applied to leviable dairy produce after that produce is received from the producer.

### **4. Part II:**

13. Part II of the *Dairy Produce Levy (No. 1) Act 1986* is repealed, to provide for a new mechanism of levy imposition, and replaced by the following:

## **PART II - LEVIES ON RELEVANT DAIRY PRODUCE**

### **Imposition of levies**

14. Section 5 states that the market milk, manufacturing milk, Corporation, promotion and research and development levies will be imposed on relevant dairy produce. The market milk and manufacturing milk levies will cease to be imposed on 30 June 2000. Subsection 5(2) limits the levies applicable under this Act to those mentioned under subsection 5(1). Each of these levies can only be applied once for any

quantity of produce, even after further modification or transformation in the manufacturing process. The market milk levy and the manufacturing milk levy are mutually exclusive, whereas the Corporation, promotion and research and development levies apply to all milk.

#### Amount of market milk levy

15. Section 6 provides for the market milk levy to be levied on the relevant milk fat and protein content of market milk, at the prescribed rates applying at the time, for these components of market milk.

#### Amount of manufacturing milk levy

16. Subsection 7(1) provides for the manufacturing milk levy to be levied on the relevant milk fat and protein content of dairy produce used by a manufacturer at the prescribed rates applying at the time for those components of manufacturing milk. In the case of imported produce, the amount of levy offset against the export rebate is calculated in the same manner.
17. Subsection 7(2) allows for manufacturers to pay a monthly gross levy which is defined as the amount of manufacturing levy payable on the milk fat and protein content of product for a particular month less any rebates owed on product that has been exported in that month. The export rebate owed to a manufacturer for a particular month is detailed in subsections 7(3) and 7(4) as the volumetric totals of the milk fat and protein of exported produce for that month multiplied by the relevant prescribed rates applying at the time. The manufacturer need not also be the exporter of that dairy produce in order to claim a rebate on the exported milk fat and protein content of that produce.
18. If the export milk fat and protein components of a manufacturer's exported dairy produce exceed the amount of manufacturing milk levy payable for any particular month, subsection 7(5) states that no manufacturing milk levy is payable in that month.
19. Subsection 7(6) provides a safeguard against abuse of the domestic market support scheme. The intention of this section is to deduct from any rebate on exported dairy produce (based on milk fat and protein content) an amount equal to the total of market milk and manufacturing milk levy had it been paid on imported produce (on milk fat and protein content) by the same or related body corporate. This protects against export rebate claims being made on produce that is imported and subsequently exported, or used to replace domestic market produce diverted to the export market, and for which there has been no contribution toward the domestic market support scheme as there is no complementary levy on imported produce.
20. If the level of offset due to the importation of dairy produce is greater than the amount of manufacturing levy payable for any particular month, then subsection 7(7) provides for such excess to be disregarded for the purposes of calculating the gross levy for that month and that excess is carried over to the next successive month.

### Amounts of other levies on relevant dairy produce

21. Section 8 states that the amount of levy payable for each of the market milk, manufacturing milk, Corporation, promotion and research and development levies for a particular quantity of dairy produce is the prescribed rate at that time in cents per kilogram multiplied by the relevant milk fat or protein content of that quantity of dairy produce.

### Milk fat rate

22. Section 9 specifies the maximum milk fat rate for each of the dairy levies in cents per kilogram of milk fat.

### Protein rate

23. Section 10 specifies the maximum protein rate for each of the dairy levies in cents per kilogram of protein.

### By whom levies payable

24. The market milk, Corporation, promotion and research and development levies are payable by the producer of the relevant dairy produce (subsections 11(1) and 11(3)), while the manufacturing milk levy is imposed directly on the manufacturer as defined (subsection 11(2)).

## **5. Part III:**

25. Part III is repealed as it relates to the Supplementary Market Support Payment Scheme which has been terminated and wound-up.

## **6. Section 12:**

26. Section 12 is repealed as the appointment of authorised persons is no longer necessary.

## **7. Section 14:**

27. Section 14 provides for regulations to be made setting the operational rates for each levy.
28. Subsections 14 (2), 14(3) and 14(4) are omitted and substituted by the following:
29. Before making regulations prescribing the appropriate levy rates, the Governor-General must consider: any recommendation on the setting of levy rates for the market milk, Corporation, promotion and research and development levies made to the Minister by the executive of the Australian Dairy Industry Council (Subsection 14(2)).
30. The rate of levy on manufacturing milk required to deliver the level of support which would have been provided had the current market support arrangements

continued to 30 June 2000 will be calculated annually by the Australian Bureau of Agricultural and Resource Economics (ABARE) and taken into consideration in the recommendation by the Minister for Primary Industries and Energy to the Governor-General (Subsection 14(3)).



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