

1994

THE PARLIAMENT OF THE
COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

DAIRY PRODUCE (WORLD TRADE ORGANIZATION AMENDMENTS) BILL
1994

EXPLANATORY MEMORANDUM

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

Dairy Produce (World Trade Organization Amendments) Bill 1994

Outline

1. The purpose of this Bill is to terminate market support payments to the Australian Dairy industry as established under the Dairy Produce Act 1986 and extended, until 30 June 2000, by the Dairy Produce Amendment Act 1992.
2. The market support payment scheme is essentially a domestic market support scheme delivered through payments on exports of dairy products and financed by a levy on all milk. The payment encourages manufacturers to export and forces domestic consumers to pay the equivalent of the world export price plus the per unit market support payment to divert manufactured product to the domestic market. This raises the price of dairy products to domestic consumers above the export parity price, creating what is termed a consumer transfer to the dairy industry.
3. The market support payment is paid by the Australian Dairy Corporation to manufacturers on the basis of exported dairy product. This payment and the consumer transfer are then available to be passed back to suppliers of domestic milk for manufacturing. The scheme is to be phased out under the 1992 Plan on 30 June 2000.
4. Market support payments are classified as an export subsidy under the Uruguay Round of multilateral trade negotiations. Australia is committed to reduce export subsidies paid on export of dairy products from 1 July 1995 in both expenditure and volume terms.
5. This Bill brings forward the planned termination of the market support payment scheme from 30 June 2000 to 30 June 1995, thereby completely removing the subsidy on the export of dairy products and demonstrating Australia's ability to meet its Uruguay Round commitments when Australia signs the World Trade Organization Agreement, scheduled to commence 1 January 1995. In the event of the World Trade Organization Agreement not coming into force until after 1 July 1995, this Bill provides for the planned termination of the market support payment scheme to be delayed until the first day of the next financial year after the financial year in which the World Trade Organization Agreement comes into force.

FINANCIAL IMPACT STATEMENT

6. There are no financial implications of this Bill for the Commonwealth as the market support payment scheme, which is funded by industry and the consumer transfer, is being terminated.

Notes on individual clauses

Clause 1 - Short title

7. Subclause (1) provides for the bill to be called the Dairy Produce (World Trade Organization Amendments) Act 1994.
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. If the World Trade Organization Agreement enters into force for Australia on or before 1 July 1995, the Act commences on 1 July 1995. If the World Trade Organization Agreement does not enter into force for Australia on or before this date, the Act takes effect on the date that the Agreement enters into force for Australia. This latter date is the day declared by the Governor-General by Proclamation under paragraph 2(5)(b) of the *Copyright (World Trade Organization Amendments) Act 1994*.

Clause 3 - Interpretation

10. This clause defines three new terms which are fundamental to the amendment of certain dates in the Principal Act.

Clause 4 - Market support payments

11. Amendment of Section 94 of the Principal Act alters the date of termination of the market support payments from 30 June 2000 to 30 June 1995, unless the World Trade Organization Agreement does not come into force by 1 July 1995 in which case the amendment provides for market support payments to continue for a further financial year or years until such time as the financial year in which the Agreement comes into force has ended.

Clause 5 - Import offset payments

12. Amendment of Section 94A of the Principal Act brings forward the final year during which import offset payments will be paid from that year beginning 1 July 1999 to the beginning of the "relevant year". The "relevant year" is defined as that financial year beginning 1 July 1991 or any later financial year that ends immediately before the World Trade Organization Agreement year, as defined in Section 3, begins.

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

13. Amendment of Section 95 of the Principal Act allows for market support to still be paid provided the export occurs before the start of the World Trade Organization Agreement year, as defined in Section 3.

Clause 7 - Winding-up of Market Support Fund

14. Amendment of Section 102 of the Principal Act alters the date from which the Market Support Fund is to be wound-up from 30 June 2000 to the start of the World Trade Organization Agreement year, as defined in Section 3.

