

1982

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

Wheat Marketing Amendment Bill 1982

EXPLANATORY MEMORANDUM

(Circulated by authority of the Minister for Primary  
Industry, the Hon. Peter Nixon, M.P.)



## OUTLINE

This Bill provides for certain changes to the existing marketing and pricing arrangements applying to the wheat industry under the Wheat Marketing Act 1979. The revised arrangements would apply for the two seasons commencing 1 October 1982; arrangements to apply after 1 October 1984 are currently the subject of an IAC Inquiry.

The existing marketing and pricing arrangements rely on complementary Commonwealth/State legislation and each of the States intend to amend their legislation to put the revised arrangements into effect.

The Bill provides for implementation of proposals put forward by the Australian Wheatgrowers Federation and Australian Wheat Board (AWB) aimed at improving the operational flexibility and efficiency of the AWB.

An important feature of the Bill is that the AWB will be able to operate on futures markets for hedging purposes thus providing it with an accepted commercial facility in international grain trading. The Board will also be able to establish financial reserves; offer growers optional arrangements for the payment to them of the Guaranteed Minimum Price (GMP); transfer residual stocks of wheat from one season's pool to another; redeliver wheat to contributing growers; and to provide for subsequent adjustment of provisional allowances and charges to individual growers to reflect actual costs and sales realisations for wheat delivered.

There are provisions in the Bill enabling the AWB to import and market within Australia foreign wheat and to act on behalf of the Australian Development Assistance Bureau (ADAB) to secure foreign wheat for Australia's food aid program. This facility will assist the AWB in allocating supplies when harvests are drastically reduced by drought. Specific proposals to import wheat will be considered on a case by case basis under the Customs (Prohibited Imports) Regulations.

The Bill also provides for amendments to the legislation of a machinery nature. These relate to the basis for remuneration of authorised receivers, procedures for making progress payments to growers, and the alignment of the accounting period with the crop year.

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The Bill contains provisions to safeguard the Commonwealth's financial liability under both the Guaranteed Minimum Price arrangements and the excess interest reimbursement arrangements.

Following is a more detailed description of the Bill.

## EXPLANATION

### Short title

Clause 1 provides for the Act to be cited as the Wheat Marketing Amendment Act 1982.

### Commencement

Clause 2 provides for the amended Act to come into operation on the day it receives the Royal Assent.

### Interpretation

Clause 3 defines 'futures contract' as a wheat futures contract, a currency futures contract or a financial futures contract.

'futures market' is defined as a market, exchange or other place at which futures contracts are regularly made or traded.

There are separate definitions to distinguish between wheat harvested in Australia and overseas.

### Net pool return

Under Clause 4, sub-sections 9(2) and 9(3) of the Principal Act are amended to ensure that amounts associated with the charges and allowances referred to in sub-section 21(2) will be excluded from the calculation of the net pool return. These charges and allowances can vary between growers and will therefore be to the account of individual growers in accordance with the operation of section 21 and the new section 22A (clause 9).

Sub-section 9(3) of the Principal Act is amended so that moneys paid into reserve accounts under clause 6 are not included as a cost in calculating the net pool return, thereby safeguarding any Commonwealth liability under the GMP arrangements. Section 9 only relates to wheat harvested in Australia and therefore imported wheat is excluded from the calculations including any Commonwealth liability under the GMP arrangements.

In the event that the Board operates outside the futures guidelines determined under clause 5, the amended sub-section 9(3) provides that the result of such futures contracts will be excluded from calculation of the net pool return.

### Powers of Board

Under clause 5, new sub-sections are added to section 12 of the Principal Act to enable the AWB to operate on futures markets for hedging purposes subject to guidelines approved by the Minister. The Board's futures operations would enable it to minimise risks including currency risks, associated with wheat sales (both cash and credit), and with borrowings for financing the Board's operations.

Sub-section 12(1A) and 12(1B) are separated out for constitutional reasons.

Sub-sections 12(1C) and 12(1D) provide that the Board's futures operations must be in accordance with guidelines approved by the Minister.

Sub-section 12(1E) defines "hedging purposes".

Sub-section 12(1F) enables the AWB to act on behalf of ADAB in securing foreign wheat for Australia's food aid program.

Sub-section 12(2) is amended to exclude futures contracts and imports of overseas wheat from the restrictions relating to size of contracts to be entered into by the Board.

### Reserves

Under clause 6, a new section 12A is added to enable the Board to establish financial reserves from the 1982-83 season onwards and to deduct moneys from sales of wheat and wheat products for those reserves. Sub-section 12A(4) enables any moneys no longer required for reserves to be applied for the benefit of the wheat industry in a manner approved by the Minister.

### Transfer of wheat to another season

Under clause 6 a new section 12B is added to enable the Board to transfer a residual stock of wheat from one pool to another subject to the AWB having determined a price for the wheat, and the transfer not causing or increasing the liability of the Commonwealth under the GMP arrangements. The net pool return for the transfer and transferee pools will be adjusted accordingly.

Importation and sale by the Board of overseas wheat

Under clause 6 a new section 12C is added to enable the Board to import wheat into Australia and to handle and market that wheat. Sub-section 12C(2) requires that overseas wheat be sold in Australia at a price which is consistent with the pricing provisions for Australian - produced wheat under Section 26.

Advance payment for wheat of season other than last 2 seasons

Clause 7 provides for new sub-sections under section 21 of the Principal Act to enable the Board to enter into optional arrangements for payment of the initial advance GMP entitlement to growers. Growers will still be able to receive their GMP entitlement as a lump sum on delivery of wheat or, if preferred, as two or more payments on conditions as are determined by agreement between the Board and the grower.

Sub-section 21(1B) is added requiring that the options are equitable as between growers.

Final payment for wheat of season other than last 2 seasons

Under clause 8(a) new sub-sections are added to section 22 so that any deductions for reserves under clause 6 or any profits/losses from unauthorised futures transactions are brought to account in final payments to growers. The new sub-section 22(2A) provides for a formula which ensures that a grower's equity in the final season's pool is reduced by the value of any redelivered wheat under clause 11 thus avoiding double counting. The new sub-section 22(2B) provides for the allowance adjustments under clause 9 to apply for the 1982/83 and 1983/84 seasons.

Under clause 8(b) sub-section 22(5) is amended to remove the unnecessary constraint that advances on account of the final payment must be approved by the Minister.

Clause 8(c) is a consequential amendment.

### Adjustments for allowances made under section 21

Clause 9 enables the Board to make payments to individual growers and also make recoveries from growers by the amount that the final amounts of the charges and allowances referred to under section 21(2) differ from the provisions made at the time of the advance payment. This clause ensures that the full amount of these charges and allowances, which can vary significantly between growers, will be brought to the account of individual growers.

Sub-section 22A(2) enables the Board to make adjustments to individual growers to take account of any quality allowances made by the Board in respect of the price charged for redelivered wheat under clause 11.

### Payment for wheat of last 2 seasons

Clause 10 complements clause 8 and ensures that new provisions under sub-clauses 8(a), 8(b) and 8(c) apply to any payments to growers under this Act for the seasons 1984-85 and 1985-86.

### Home consumption price of wheat

Clause 11 adds new sub-sections (8), (9) and (10) to section 26 enabling growers to take redelivery of a season's wheat for use as stockfeed on the grower's property or an associated farm, at a price determined by the Board which is equitable between growers. The price for redelivered wheat will be based primarily on the amount of the GMP payment adjusted for certain quality differences between the delivered and redelivered wheat and also handling, storage and other costs incurred by the Board in respect of that wheat.

Sub-section 26(11) limits the quantity of redelivered wheat to a grower to the amount of wheat delivered by that grower for that season.

Sub-section 26(12) aligns the final purchasing day for redelivered wheat to the final delivery day for wheat of a season or such other day as the Minister may determine. Growers will not be able to take redelivery of wheat under this Act beyond the 1983-84 season when key marketing provisions in this Act will expire.



Special account for freight to Tasmania

Clause 12 amends section 27 so that the provisions of that section relating to Australian - produced wheat are extended to imported wheat.

Disclosure of Interests by Members of the Board

Clauses 13 and 14 bring sections 34 and 35 of the Act into line with modern provision relating to disclosure of interests.

Amounts payable to Board in respect of commercial borrowings

Under clause 15 of the Bill section 46 is amended to exclude from the excess borrowing cost reimbursement arrangements any additional borrowing costs incurred by the Board in respect of either the optional advance payment arrangements under clause 7 or any additional amounts payable under sections 21 and 22A for quality allowances. The reimbursement arrangements only apply to wheat harvested in Australia and therefore do not cover borrowings in respect of any imported wheat.

Application to Board of Division 2 of Part XI of Audit Act

Clause 16 amends section 54(2) to align the Board's financial year with the crop year ending 30 September. There is also a complementary amendment requiring the Board to submit its annual report by 31 March of each year instead of 30 June.

Sub-section 54(2) is also amended to cover the transition year 1981-82.

The provision in sub-section 54(2) (b) enabling the Minister to extend the reporting period will remain.

Sub-section 54(2) (b) is amended to provide for disclosure of the details of any reserves established by the Board pursuant to clause 6.

Remuneration and allowances of authorised receivers

Clause 17 amends section 55 so that remuneration by the Board for costs incurred by its authorised receivers will be at specified rates determined by the authorised receivers from time to time and in accordance with remuneration agreements in existence at the time.



