

GENERAL AGREEMENT ON
TARIFFS AND TRADE

RESTRICTED

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SUBSIDIES

Notifications Pursuant to Article XVI:1

AUSTRALIA

At the twentieth session contracting parties were invited to submit, every third year, full responses to the questionnaire on subsidies. Contracting parties were reminded of this invitation by document L/4141 dated 15 January 1975.

This notification includes changes which would normally have been included in the notification requested in L/4295 and represents the position as at February 1976.

AGRICULTURAL TRACTORS

I.

1. Nature and extent of subsidy

- (a) Bounty on agricultural tractors which is paid by authority of the Agricultural Tractors Bounty Act 1966-1973, is payable on tractors having an output of fifteen or more horsepower.

The Act which replaced the Tractor Bounty Act 1939/1966 commenced on 26 October 1966 and is due to expire on 31 December 1976.

(b) Incidence

The bounty is payable in respect of tractors manufactured at registered premises, and sold for use in Australia or in a territory of Australia not forming part of Australia.

(c) Amount of bounty paid

Year	\$A'000
1971/72	3,159.9
1972/73	2,800.0
1973/74	3,707.2
1974/75	4,441.8

(d) Rate of bounty

The rate of bounty per tractor is initially calculated as a figure varying between \$A1,040 and \$A1,560 according to the output of the engine of the tractor. This figure is then reduced according to the percentage of local content in order to arrive at the amount of bounty payable.

2. (a) Effect of bounty

The bounty appears to be according reasonable protection to local manufactures without increasing costs to primary producers.

(b) Statistics

Year	<u>Agricultural Tractors</u>		<u>Local Production^b</u>	
	<u>Imports^a</u>		<u>Production</u>	<u>Value</u>
	No.	Value (\$'000)	No.	Value (\$'000)
1968/69	14,442	32,742.0	4,462	17,978.3
1969/70	11,900	32,823.0	3,186	11,127.3
1970/71	10,421	18,755.0	2,480	9,284.2
1971/72	8,112	22,111.0	5,847	26,475.6
1972/73	12,021	36,711.0	4,885	24,334.4
1973/74	14,551	41,606.0	3,728	21,152.2
1974/75	25,231	84,154.0	3,716	25,323.6

^a Including all wheeled type tractors

^b Bountiable tractors

II.

APPLES AND PEARS

1. Nature and extent of the subsidy

(a) Background and authority

Commonwealth legislation to implement the first Scheme for the stabilization of returns to apple and pear growers was approved on 20 October 1971. Provision was made in the legislation for retrospective application to the 1971 season. The Scheme operated for the five seasons commencing 1 October 1970.

(b) Incidence

Separate stabilization funds have been set up for the different varieties of apples and pears and average export support prices are set for each variety each season. If the average export return for a variety exceeds the support price, a levy is made on growers which is contributed to the relevant stabilization fund.

(c) Amount of subsidy paid

A stabilization payment of \$A2,548,605* was made by the Australian Government to the Australian Apple and Pear Corporation for distribution to apple growers in respect of the 1974 season. Payment of \$A274 for apples was levied on growers.

A stabilization payment of \$A570,346* was made to growers in respect of 1974 season pears. Payment of \$2,993 for pears was levied from growers in the same season.

(d) Estimated amount per unit

The amount of subsidy per bushel varies according to the variety of apples or pears exported, as under the legislation each variety has a different support price

* (The Australian Government contributed a total of \$A3,069,200 of the \$A3,118,951 paid out in respect of apples and pears; the remainder was provided from moneys previously contributed to stabilization funds by growers.)

2. Effects of Subsidy

- (a) The scheme operates to provide welfare assistance through export support, at the same time as measures to encourage contraction in production are implemented.
- (b) Statistics of production, consumption, imports & exports

Fresh Apples & Pears - Production,
Consumption, Exports & Imports
(Tonnes)

Year	Production	Australian Consumption (1)	Imports	Exports
<u>Apples</u>				
1970-71	442,702	262,942	-	150,149
1971-72	360,310	241,712	-	101,565
1972-73	425,266	242,031	-	134,373
1973-74	330,257	201,920	-	79,098
1974-75 (2)	399,844	N. A.	96 (3)	83,422
<u>Pears</u>				
1970-71	187,627	79,574	-	39,414
1971-72	184,245	97,372	-	39,200
1972-73	163,139	52,924	-	46,394
1973-74	152,628	53,813	-	37,129
1974-75 (2)	146,374	N. A.	0.06 (3)	32,591

(1) Subject to revision

(2) Estimated

(3) Preliminary

N.A. - Not available.

III.

BOOKS

1. Nature and extent of subsidy

(a) Background and authority

The Book Bounty Act 1969/1973 provides for payment of bounty on books and is operative from 1 June 1969. The Act is due to expire on 31 December 1978.

(b) Incidence

Bounty is payable on approved books manufactured and sold in Australia. Initially approved books were those registered for transmission through the post as a book. In 1970 the eligibility criteria was changed to one relating to tariff classification with a requirement that the book must have a minimum number of pages.

(c) Amount of bounty paid

Year	\$A'000
1971/72	3,180.6
1972/73	2,984.4
1973/74	3,409.0
1974/75	5,935.7

(d) Rate of bounty

Bounty is payable to the printer at the rate of 33 $\frac{1}{2}$ per cent of the total cost of production of the book.

2. (a) Effect of the bounty

It has reduced the outward flow of printing orders to overseas printers.

(b) Statistics

Books on which bounty has been paid.

Year	No. of Titles	No. of Books
1971/72	5,627	37,028,409
1972/73	4,751	30,721,409
1973/74	5,592	28,006,348
1974/75	5,128	35,574,000

IV.

CELLULOSE ACETATE FLAKE1. Nature and extent of subsidy(a) Background and authority

Payment of bounty on cellulose acetate flake produced and sold for rayon yarn manufacture was commenced in 1956 after consideration by the Government of a recommendation by the Tariff Board, after public enquiry. The Cellulose Acetate Flake Bounty Act 1956-1973 is due to expire on 30 June 1976.

(b) Incidence

The bounty is payable in respect of cellulose acetate flake produced at registered premises and sold for use in the manufacture in Australia of cellulose acetate rayon yarn.

(c) Amount of bounty paid

Year	\$A'000
1971/72	165.8
1972/73	171.0
1973/74	206.0
1974/75	162.4

(d) Rate of bounty

The current rate of bounty is 8.8 cents per kilo and the current amount available for the total bounty payment has been limited to \$A200,000 for each of the remaining bounty years, commencing 1 January 1971.

2. (a) Effect of bounty

The effect has been to maintain the efficient operation of this segment of the chemical industry.

(b) Statistics

Imports of cellulose acetate flake into Australia are negligible and cellulose acetate flake is not separately recorded in official production or export statistics.

V.

DAIRY PRODUCTS

1. Nature and Extent of Subsidy

(a) Background and Authority

Successive Australian Governments have provided financial assistance to the dairy industry since 1942. In accordance with its general policy the Government saw a need to ensure that any assistance provided to the industry should be directed towards helping the industry as a whole to adjust production to satisfy realistic local and overseas market demands. From 1947 up to June 1975 the assistance was embodied in a series of five-year stabilization plans.

The Dairying Industry Act 1962-73 provided for payment, through factories, of bounties to producers on the production of butter, butterfat products containing not less than 40% butterfat, and on cheese. In July 1973 it was announced that the bounties on the production of butter and cheese would be phased out over a two-year period ending June 1975.

The Processed Milk Products Bounty Act, 1962-72, provided for the payment of a bounty on the butterfat content of processed milk products exported. This bounty was withdrawn after 30 June 1975.

(b) Incidence

Bounties on butter and cheese production were paid to the Commonwealth Dairy Produce Equalisation Committee Ltd., a voluntary industry organisation, for distribution to butter and cheese factories. The factories were in turn required by legislation to pass the moneys on to farmers. The bounty on processed milk products was paid to manufacturers to enable them to have access to milk on the same terms as butter and cheese factories. The bounty was payable only in respect of processed milk products actually exported.

(c) Amount of Subsidy Paid

Levels of bounty on butter and cheese production since 1972 have been:

1972/73	\$A27 million
1973/74	\$A18 million
1974/75	\$A 9 million

Since 1964/65, the maximum allocation for bounty on the export of processed milk products had been fixed at \$800,000 per annum. The level of bounty in 1972/73 was the maximum of \$A800,000; in 1973/74 it was \$557,450 and for 1974/75 it is anticipated the total payment will be \$A519,647.

(d) Estimated amount Per Unit

For 1972/73 the bounty on butter was 5.5 cents per

pound and on cheese 2.6 cents per pound. For 1973/74 the rates were 3.8 cents for butter and 1.8 cents for cheese and for 1974/75 1.9 cents for butter and 0.95 cents for cheese.

2. Effect of the Subsidy

The bounties on butter and cheese were intended primarily to reduce the price of these products to the Australian consumer and to maintain a high level of domestic consumption.

The bounty on exports of processed milk products was designed to correct an anomaly in competition for milk supplies between subsidised butter and cheese factories and otherwise unsubsidised manufacturers of processed milk products.

PRODUCTION, CONSUMPTION, EXPORTS AND IMPORTS

FACTORY BUTTER
(000 TONNES)

	1971/72	1972/73	1973/74	1974/75
PRODUCTION	195.4	184.8	175.5	161.4
AVAILABLE FOR CONSUMPTION IN AUSTRALIA	112.0	109.0	104.2	98.5
EXPORTS (INCL. SHIPS' STORES)	61.7	79.0	60.1	32.6
IMPORTS	--	-	-	-

NOTE: Figures in terms of butter equivalent for dry butter fat, ghee and tropical spread.

FACTORY CHEESE
(000 TONNES)

PRODUCTION	80.8	93.4	95.8	98.9
AVAILABLE FOR CONSUMPTION IN AUSTRALIA	53.8	60.6	63.4	57.7
EXPORTS (INCL. SHIPS STORES)	33.3	29.6	38.0	34.2
IMPORTS	5.9	7.5	7.4	8.0

PROCESSED MILK PRODUCTS
CONDENSED CONCENTRATED AND EVAPORATED MILK
(FULL CREAM) (000 TONNES)

	S		U		S		U	
PRODUCTION	16.7	72.1	14.3	48.6	12.7	35.3	14.4	34.6
APPARENT CONSUMPTION	11.9	66.4	12.2	44.7	11.2	33.3	N/A	
EXPORTS (INCL. SHIPS' STORES)	4.5	4.9	2.1	2.9	1.6	2.5	2.5	3.5
IMPORTS	1	-	-	-	-	-	-	-

S = Sweetened
U = Unsweetened

PROCESSED MILK PRODUCTS
POWDERED MILK (FULL CREAM)
(000 TONNES)

	1971/72	1972/73	1973/74	1974/75
PRODUCTION	29.6	36.3	37.4	44.4
APPARENT CONSUMPTION	13.9	17.4	16.1	N/A
EXPORTS (INCL. SHIPS' STORES)	14.9	19.5	22.3	27.3
IMPORTS	-	1.2	1.4	1.4

INFANTS' AND INVALIDS' FOOD
(000 TONNES)

PRODUCTION	27.3	26.7	29.0	34.0
APPARENT CONSUMPTION	14.6	11.4	21.4	N/A
EXPORTS (INCL. SHIPS' STORES)	13.5	18.0	8.0	9.3
IMPORTS	-	3.3	-	-

(Source: Australian Bureau of Statistics)

VI.

DRIED VINE FRUITS1. Nature and extent(a) Background and authority

Legislation to implement a scheme for the stabilization of returns to growers of dried vine fruits (currants, sultanas and raisins) was passed by the Commonwealth Parliament in 1971 and is contained in the Dried Vine Fruits Stabilization Act, the Dried Vine Fruits Levy Act and the Dried Vine Fruits Levy Collection Act. The plan covers the crops of five seasons commencing with the 1971 season, and the scheme has recently been extended on an unchanged basis for 1976.

(b) Incidence

Under the plan three Funds are set up - a Currant Stabilization Fund, a Sultana Stabilization Fund and a Raisin Stabilization Fund. A base price per ton is declared for each of these three varieties each season. The base price is adjusted each year of the plan according to movements in an index of cash costs. Where the average realized net return to the grower for a variety is within the range of \$10 per ton above or below the base price, no payment is made into or out of the relevant Fund. When the average realized return is more than \$10 per ton above the base price, all of the excess over the \$10, with a limitation of \$A20, is levied for the relevant Fund, subject to no levy applying unless the total pack for that variety exceeds a prescribed minimum tonnage. A Stabilization payment equal to the shortfall below \$A10 is paid when the average realized return is more than \$A10 below the base price. However, such payment is subject to a maximum of \$A23 per ton if a Government contribution is involved, and this ceiling and the rate per ton is reduced in so far as tonnage is in excess of the maximum prescribed for that particular variety. In a year when a stabilization payment is payable, an advance (to the extent of 90 per cent of the then estimated payment) is made (the remaining 10 per cent being payable following final assessment of realizations).

(c) Amount of stabilization payments paid

For the 1971 season, the first season to be covered by the new stabilization plan, the following final payments have been made

Currants	\$A 35,881
Sultanas	\$A321,305
Raisins	Nil

Payments to growers of sultanas for 1972 totalled \$A1,158,703.

A levy was imposed on growers of currants for 1972 of \$A27,469. A levy of \$A127,400 was imposed on growers of raisins for 1972.

Stabilization payments and grower contributions were not required in relation to the 1973 crop due to high prices and the short crop.

Preliminary estimates suggest that the 1974 situation could be the same as 1973.

2. Effect of the payments

The main effect of the scheme has been in stabilising incomes. The effect on production and exports is difficult to assess due to the variability of production.

Season	Production(a)	Consumption(a)	Long Tons	
			Imports ^(b) ₍₊₎	Exports(a)
1970	92,007	23,180	-	68,827
1971	57,502	20,084	9	37,418
1972	105,074	23,931	-	81,143
1973	54,277	22,628	-	31,649
1974	55,978*	22,526*	35**	33,452
1975	65,560	22,560	n.a.	43,000

* Estimated

** Preliminary

+ Year ending 30 June following year.

n.a. Not available.

VII. ELECTRONIC COMPONENTS

1. Nature and Extent of Subsidy

(a) Background and Authority

A subsidy, designed to maintain production of certain electronic components selected for their defence, telecommunications or technological significance, was introduced in July 1974 by the government pending receipt and consideration of a report by the Industries Assistance Commission on Telecommunications Equipment. The scheme is aimed at maintaining the production of goods for the domestic market only.

The subsidy is administered by the Minister for Industry and Commerce, through annual budget allocations to the Australian Department of Industry and Commerce.

(b) Incidence

Subsidy payments are made in accordance with agreements made between the recipient company and the government. Only those components selected by the government for their defence, telecommunications or technological significance qualify for subsidy.

(c) Amount of Subsidy Paid

Payments in 1974/75 totalled \$A385,000. The budget estimate for 1975/76 was \$A1.48 million.

(d) Rate of Subsidy

The rate of subsidy is generally calculated so as to provide an operating profit of 10% a year before tax on the funds employed in the manufacture of the components.

2. Effect of Subsidy

(a) The subsidy scheme has achieved its objective of maintaining the production of specified components pending a decision by the government on the Telecommunications Equipment industry.

(b) Statistics

As the particular items subject to subsidy are not recorded individually in Australian statistics, meaningful statistics on consumption, production, exports and imports are not available.

VIII. METAL WORKING MACHINE TOOLS BOUNTY

1. Nature and extent of subsidy

(a) Background and authority

The Metal Working Machine Tools Bounty Act 1972-73 which came into operation on 11 August 1972 is to operate until 30 June 1977.

(b) Incidence

The Act provides for the payment of bounty on the production and sale of certain metal working machine tools manufactured at registered premises.

(c) Amount of bounty paid

Year	\$A'000
1972/73	656.7
1973/74	973.5
1974/75	1,701.8

(d) Rate of bounty

The rate of bounty is initially calculated as being one-third of the factory cost of the machine tools. This figure is then adjusted according to the percentage of local content in order to arrive at the amount of bounty payable.

2. (a) Effect of bounty

The bounty provides reasonable protection to local manufacturers.

(b) Statistics

Statistics are not available as the particular items subject to the bounty are not recorded individually in Australian statistics.

IX.

NITROGENOUS FERTILIZERS

1. Nature and extent of subsidy

(a) Background and authority

Subsidy on nitrogenous fertilizers is paid under the Nitrogenous Fertilisers Subsidy Act 1966-1974. It provides for payment of subsidy on fertilizers containing manufactured nitrogenous substances including urea and sulphate of ammonia or of natural sodium nitrate. It was due to expire on 31 December 1975, but was recently extended to 30 June 1977.

(b) Incidence

Subsidy is payable on locally produced nitrogenous fertilizers, on imported nitrogenous fertilizers not locally manufactured and on imported fertilizers where the local producer is not prepared to sell like or directly competitive goods on as favourable terms as the terms on which the imported non-dumped goods are sold.

(c) Amount of subsidy paid

Year	\$A'000
1971/72	9,783.6
1972/73	13,116.1
1973/74	13,573.1
1974/75	13,982.9

(d) Rate of subsidy

The rate is \$A 78.74 per tonne of nitrogen content in the fertilizer.

2. (a) Effect of subsidy

The effect of the subsidy has been to reduce costs for industries which have been major users of nitrogen and to encourage the use of nitrogenous fertilizers in newer fields such as cereal growing and pasture improvement.

(b) Statistics

(i) Nitrogenous fertilizers, other than sulphate of ammonia and urea, are not separately recorded in official production statistics;

(ii) Consumption, imports and exports of nitrogenous fertilizers in Australia:

Consumption and Imports

Year	Apparent consumption ('000 tonnes of N)	Imports	
		Quantity ('000 tonnes of N)	Value f.o.b. (\$A'000)
1971/72	124.2	8.1	N/A
1972/73	166.6	7.1	N/A
1973/74	172.3	N/A	N/A
1974/75	177.6	N/A	N/A

1. Exports of nitrogenous fertilizers from Australia are not recorded separately.

X. PHOSPHATE FERTILIZERS

1. Nature and extent of subsidy

(a) Background and authority

Bounty on phosphatic fertilizers was paid by authority of the Phosphate Fertilizers Bounty Act 1963-1971. The original Act extended by amendments in 1966, 1968 and 1971, expired on 31 December 1974. However in February 1976 the subsidy was re-introduced to apply until 30 June 1977, on the same basis.

(b) Incidence

Bounty was payable in respect of specific phosphate fertilizers i.e., superphosphate and ammonium phosphate. It was paid to the producer with the legislative requirement that the full benefit be passed on to the end-user.

(c) Amount of bounty paid

Year	\$A'000
1971/72	45,794.9
1972/73	56,589.7
1973/74	66,962.2
1 July to 31 Dec. 1974	29,307.9

(d) Rate of bounty

The operative rate, in respect of the 1963/66 legislation, was \$A6 per long ton of superphosphate, provided the phosphorus pentoxide content was between 19.5 per cent and 20.5 per cent. On double and triple strength superphosphates and on ammonium phosphate, the rate was \$A30 per long ton of the phosphorus pentoxide content. In 1968 the rates were increased to \$A8 and \$A40 respectively and in 1969 to \$A12 and \$A60 respectively. The amendment to the Act in 1968, also provided for specified trace elements, if added to superphosphate, to attract bounty as superphosphate. Since 1969 the Act provided for payment of \$A 11.81 per tonne of standard superphosphate produced and sold for use as fertilizer in Australia.

2. Effect of Bounty

(a) Overall, the bounty had the effect of reducing costs and encouraging greater use of phosphate fertilizers as a means of increasing production, particularly in the wool and wheat industries.

(b) Statistics

Phosphate Rock

Year	Imports		Local Production ('000 tonnes)
	Quantity ('000 tonnes)	Value (\$A'000)	
1971/72	2,258.1	N/A	N/A
1972/73	2,968.3	N/A	N/A
1973/74	3,103.9	N/A	N/A
1974/75	2,639.1	N/A	N/A

Superphosphate

Year	Imports ('000 tonnes)	Local Production ('000 tonnes)
1971/72	Nil	3,876.9
1972/73	Nil	4,790.6
1973/74	Nil	5,670.0
1974/75	Nil	2,818.0

The Industries Assistance Commission is currently considering the question of whether the Australian Government should provide assistance to users of superphosphate and other phosphatic fertilizers, and if so, what form of assistance would be appropriate.

In the interim period the bounty has been reintroduced as from 11 February 1976 at the same rate as previously and will apply until June 1977.

XI.

REFRIGERATION COMPRESSORS

Nature and Extent of Subsidy

(a) Background and authority

Under the Refrigeration Compressors Bounty Act of 1975 assistance by way of a bounty was afforded to the manufacture in Australia of sealed unit compressors of 1.5 kw or less. The bounty was implemented following Government acceptance of an IAC recommendation for reduced duties on compressors and for the payment of bounty for a period of 2 years ending on 3 February 1976. The purpose of the bounty was to allow the compressor industry an opportunity to adapt to the reduced tariff levels while at the same time giving refrigeration equipment manufacturers, who also faced reduced tariffs, the immediate benefit of a reduced cost for a major component. The bounty has now ceased.

(b) Incidence

To receive a bounty a compressor had to be produced by the manufacturer during the bounty period and used as a component in the manufacture of other goods that were subsequently sold for use in Australia.

(c) Amount of subsidy

Subsidy payments totalled \$3.9 million in 1974-75, and the \$2.0 million included in the 1975-76 Budget Estimates was expected to complete the bounty payments.

(d) Rate of Subsidy

The rate of subsidy was \$A5.00 per unit.

2. Effect of Subsidy

(a) The temporary bounty assisted the Australian industry to adjust to a lower rate of duty.

(b) Production, Consumption, Exports, Imports

The bounty was paid only on compressors for use within Australia; it was not paid on compressors exported for use in equipment overseas. The production of eligible compressors was about 1.1 million units in the two years in which the bounty applied.

Imports in the last three years of compressors of the type on which bounty was paid have been:-

<u>Year</u>	<u>Units</u>
1972/73	3,343
1973/74	8,637
1974/75	17,663

XII.

SHIPBUILDING1. Nature and Extent of Subsidy(a) Background and Authority

Until December 1973 assistance to the Australian shipbuilding industry was provided through a bounty and a prohibition on ship imports without permit from the Minister for Transport under the Australian Coastal Shipping Commission Act (1956) (as amended). New assistance arrangements were introduced under this same Act until the Ship Construction Bounty Act came into effect on 20 June 1975, which gave legislative effect to the new arrangements.

Under the new Act assistance is provided through a phasing down bounty to be finally reduced to 25% after 1980 for all ships constructed in Australia, and for use in Australian waters or internationally under the Australian flag. The scheme permits the purchase of vessels from overseas, if the after-bounty price of the lowest acceptable Australian tender is higher than the overseas tender price, including delivery (on a cash payment basis).

(b) Incidence

The level of bounty is to be phased down from its present maximum level of 45% to a maximum of 25% by 31 December 1980. The maximum level is determined by a formula whereby a subsidy of 25% is paid on vessels up to 1000 tonnes gross, increasing by 2½% points for each 1000 tonnes gross or part thereof, until the maximum level in accordance with the phase down is reached. The phase-down pattern provides that the maximum level of 45% be reduced by 2 percentage points each year, so that the long term level of assistance of 25% will apply after 31 December 1980.

Vessels exceeding 90,000 deadweight tonnes and offshore oil driller vessels for use in Australian waters are eligible for subsidy at the rate of 25%.

(c) Amount of Subsidy in Millions \$

1971/72	1972/73	1973/74	1974/75
13.0	30.7	21.0	31.0

(d) Estimated amount per unit

Not available.

2. (a) Effect of Subsidy

The effect of the bounty is to reduce the Australian price to shipowners thus enabling Australian shipbuilders to be competitive with overseas yards.

(b) Statistics

Not available

XIII.

SUGAR

1. Nature and extent of the subsidy

(a) Background and authority

This is a system of rebating part of the price of the sugar content of certain manufactured products exported. Under this arrangement, which has operated for over forty years, the cost of the rebate is borne by the Australian sugar industry. The system operates under an agreement between the Commonwealth and Queensland Governments, the agreement being approved by legislation enacted by the Commonwealth Parliament.

(b) Incidence

When the world free market price for sugar, expressed on a comparable basis, is less than the price for Australian sugar sold in Australia, rebates, equal to the difference between the two prices, are granted to exporters of fruit products and other approved products, according to the sugar content of the products.

(c) Amount of subsidy paid

In the year ended 30 June 1975, the sum of \$A5228 was paid in export rebates on approved products other than fruit products. Export rebates on fruit products amounted to \$A48 in the year ended 30 June 1975.

(d) Rate of subsidy

Export rebate was paid during this period on approximately 836 tonnes of refined sugar. The average rate of export rebate during the period mentioned was approximately \$A6.31 per tonne.

2. Effects of subsidy

(a) Quantitative effect

The rebate is designed to remove any disability in relation to exports of products containing sugar arising from payments of prices for domestic sugar above ruling free market levels overseas. Its effect is to place the Australian exporter of these products in the same position as if he imported the cheapest available sugar, of similar quality, free of duty. It is thus intended to safeguard, not to stimulate, exports of products containing sugar.

(b) Statistics

Raw Sugar: Production, Consumption, Imports
and Exports
('000 tonnes)

<u>Calendar</u> <u>Year (a)</u>	<u>Production</u>	<u>Consumption</u>	<u>Imports</u>	<u>Exports</u>
1968	2800.3	688.9	-	2184.9
1969	2268.6	699.0	-	1530.7
1970	2506.9	720.9	-	1641.9
1971	2732.1	733.9	-	1761.8
1972	2868.9	734.1	-	2297.6
1973	2582.8	777.8	-	2102.8
1974	2937.9	783.7	-	1807.9
1975 (est)	2936.0	708 (e)	-	1666.5 (p)

Source: I.S.O. Sugar Year Book 1974

(a) Statistics for previous reports were a seasonal basis
Statistics are now recorded on a Calendar Year basis

(e) Estimate

(p) Preliminary 10 months to 31 October 1975.

(c) Previous representative year

The export rebate system has been in force for such a long period and the fluctuation of the world parity are so frequent, that comparison of the amounts or rates paid in previous years would be meaningless.

XIV.

WHEAT1. Nature and extent of subsidy(a) Background and authority

A new five-year Wheat Industry Stabilization Plan commenced with the 1974-75 season. (The previous plan was extended one year to cover the 1973-74 season). The plan operates under the Federal Wheat Industry Stabilization Act, 1974 and complementary State legislation of the same title.

As in previous plans, the stabilization arrangements embodied in the new plan provide in general for the building up of a fund contributed by growers from a levy on exports, when the average export return exceeds the "stabilization price" (known in previous plans as the "guaranteed price"). The stabilization price will be moved annually according to a formula which takes account of movements in export returns.

If a pool's average export return falls below the stabilization price, the deficiency is met from the fund. If the fund becomes exhausted, the deficiency is met by the Australian Government.

There are certain limitations to the contributions to, and payments from the fund. These distinguish the new plan from the previous plan. In particular, the possible Government subvention is limited, whereas previously the Government's commitment was open-ended.

Briefly, the limitations are:-

- (1) the contribution to, and withdrawal from the fund is limited to a maximum of A\$5.51 per tonne on exports or A\$30 million in total, whichever is the less.
- (ii) growers' contributions phase out when the average export price approaches A\$55.12 per tonne, and withdrawals from the fund phase out when the average export price approaches A\$73.49 per tonne.
- (iii) any Government contribution to the fund is to be repaid to the Government from industry contributions in subsequent seasons of the plan period before those industry contributions are accumulated in the fund; and the net Government contribution to the fund over the five seasons is not to exceed A\$80 million.

The stabilization fund for the new plan commences with a credit balance of about A\$50 million, being contributions by growers under the previous plan in respect of 1973-74 season's exports. The maximum contribution of A\$30 million will be made by the industry in respect of the 1974-75 pool, and the fund will therefore reach its ceiling of A\$80 million. With the limitations on withdrawals and taking into account sales from 1975-76 crop and current market prices, it is unlikely that any government subvention will be called for during the life of this plan.

(b) Incidence

The Australian government has entered into a contingent liability to underwrite returns on exports within the prescribed limits should the circumstances set out in the legislation arise. Any such contributions would be returned to growers through the Australian Wheat Board in conjunction with pool payments through the Board.

(c) Amount of Subsidy

It seems unlikely at this stage that any subsidy payments from the government will be required for the duration of the current scheme.

2. Effects of Subsidy

The previous stabilization arrangements have provided some security of return to growers, as payments from the funds have moderated fluctuations in returns. However, the effect of the stabilization schemes in encouraging wheat planting is not quantifiable. In this connection it should be noted that wheat delivery quotas were superimposed on stabilization from 1969/70 and these had some restrictive effect on plantings until 1973/74 when greatly increased quotas meant the effect was only nominal. Quotas were suspended in 1975/76 and a decision was recently taken that no quotas will apply for the 1976/77 season.

The new stabilization arrangements commencing with the 1974-75 season provide the grower with a much more limited measure of security against price fluctuations overseas as compared with earlier arrangements. Firstly, the stabilization price is moved each year in accordance with the trend in market prices, unlike the guaranteed price which was varied according to cost movements. Secondly, there are definite limits to the extent to which the Government can be called upon to underwrite the plan.

(b) Statistics of production, consumption, imports and exports

It is not possible to isolate and measure what influence the Government subvention under the stabilization scheme has had on production and exports. However, the following statistics are given to continue the series provided in previous reports.

	<u>Wheat</u>			
	<u>Production, Domestic Consumption and Exports</u>			
	<u>(Marketing Year 1 December to 30 November)</u>			
	<u>(million tonnes)</u>			
	<u>1971-72</u>	<u>1972-73</u>	<u>1973-74</u>	<u>1974-75</u>
Production	8.5	6.4	12.1	11.5
Domestic Consumption	2.7	3.3	3.3	N.A.
Exports	7.8	4.1	7.4	N.A.

Notes:

- (i) Australia very rarely imports wheat, the last occasion being in 1957-58.
- (ii) Because of the varying factors influencing the levels of wheat production, consumption and exports over time, comparison with years prior to the introduction of the stabilization scheme in 1948 is not meaningful.
- (iii) The wheat delivery quotas scheme introduced in 1969-70 had, up until 1972-73, some restrictive effects on production which virtually disappeared with the large increase in quotas from 1973-74.