

**MULTILATERAL TRADE  
NEGOTIATIONS  
THE URUGUAY ROUND**

RESTRICTED

MTN.GNG/NG5/W/134  
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COMPLIANCE REPORTS PURSUANT TO PARAGRAPH 16 OF  
THE MID-TERM REVIEW DECISION ON AGRICULTURE

Report by Australia

1. As part of the April TNC agreement, participants agreed to a package of short-term reform measures aimed at signalling their commitment to the long-term liberalization of agricultural trade. An important element of the package on short-term elements was the participants' agreement to report on their compliance with the undertakings to freeze existing levels of support and reduce support and protection levels in 1990.
2. Further to Australia's notification on cutback commitments for 1990, as contained in MTN.GNG/NG5/W/116, Australia therefore wishes to report on its compliance with the commitment to ensure that domestic and export support and protection levels prevailing in April 1989 in the agricultural sector were not subsequently exceeded. Australia makes this report in light of the draft guidelines provided by the secretariat in MTN.GNG/NG5/W/117.
3. Australia is pleased to confirm that no new programmes have been introduced to increase support to the agricultural sector. Indeed, the Government has made concerted efforts to restructure domestic agriculture to make it more responsive to market signals. A number of industries have experienced, and will continue to undergo, significant decreases in the already modest levels of support which they enjoy. These sectors include, wheat, dairy, sugar, dried vine fruits, citrus and tobacco. Other industries, including beef, sheepmeat, oilseeds, rice and cotton are not directly supported by any Federal Government programmes.
4. The accompanying table and attachment summarize our compliance with the short-term undertakings made at the April TNC and provide further information on Australian support and protection arrangements for various agricultural commodities.

GATT SECRETARIAT

UR-89-0435

Table 1

Compliance Report

<u>Commodity</u>	<u>Internal support</u> (support prices or other) as at		<u>Import access*</u> (Tariffs or NTMs) as at	
	8/4/89	1/12/89	8/4/89	1/12/89
<u>Wheat</u>	1. Australian Wheat Board has compulsory acquisition powers	1. Powers removed		
	2. Government underwrites guaranteed minimum prices to producers	2. Terminated	NIL	NIL
	3. Administered prices set for domestic market	3. Terminated		
<u>Coarse grains</u>	NIL	NIL	1. Approval required for import	1. No change
<u>Beef</u>	NIL	NIL	NIL	NIL
<u>Wool</u>	\$ 25 million/year for wool promotion	No change	NIL	NIL
<u>Sheepmeat</u>	NIL	NIL	NIL	NIL
<u>Sugar</u>	1. Administered price set for domestic market	1. Terminated	1. Import embargo	1. Terminated. Tariff imposed of \$ 115/tonne
			2. Export controls	Lifted

Table 1 (cont'd)

Commodity	Internal support (support prices or other) as at	1/12/89	8/4/89	1/12/89	Import access* (Tariffs or NTMs) as at
<u>Cotton</u>	NIL	NIL	NIL	NIL	NIL
<u>Rice</u>	NIL	NIL	NIL	NIL	NIL
<u>Oilseeds</u>	NIL	NIL	1. 10% DC 5% on some vegetable oils	1. No change	
<u>Dairy</u>	1. Levy on all milk fat at rate of A\$ 0.45 per kg. and paid to Market Support Fund	1. No change	1. Tariff on casein of 5-10% 2. Tariff quota of 11,500 for most cheeses. In quota tariff A\$ 96/tonne Out of quota tariff A\$ 2,100/tonne	1. No change 2. No change	
	2. MSF funds domestic price at rate of 21% to equalize export and domestic price	2. Market support reduced to 18%			
	3. Supplementary Market Support and scheme	3. Terminated			
<u>Apples and pears</u>	1. Export underwriting to guarantee a minimum return when prices fall below 85% of average returns achieved in recent years	2. No change	NIL	NIL	

Table 1 (cont'd)

Commodity	Internal support (support prices or other) as at	1/12/89	8/4/89	Import access* (Tariffs or NTMs) as at	1/12/89
<u>Citrus fruit</u>	NIL	NIL	NIL	NIL	NIL
<u>Citrus juice</u>	1. 10% reduction in sales tax for local content of 25%	2. No change		Tariff 27% DC 22%	24% DC 19%
<u>Dried vine fruit</u>	1. Statutory equalization scheme for domestic and exported product	1. No change			
	2. Voluntary equalization when production below minimum for statutory scheme	2. No change		1. Tariff 23% DC 18%	1. Tariff 21% DC 16%
	3. Sultana underwriting scheme to guarantee a minimum return when prices fall below 85% of average returns achieved in recent years	3. No change			
<u>Tobacco</u>	1. Stabilization plan	1. No change		1. Tariff 23% DC 18% or \$ 1.42/kg. if lower	1. Tariff 21% DC 16% or \$ 1.42/kg. if lower
	2. Local leaf content	2. No change			
<u>Wine</u>	NIL	NIL		1. Tariff: 15-31% Champagne: 13%	1. Tariff: 15-29% Champagne: 12%

All imports subject to S & P measures as per Article XX

Defined as direct support provided by Federal Government

ATTACHMENT

Support and Protection Arrangements - by Commodity

Wheat

As at April 1989

The Australian Wheat Board (AWB) controlled both domestic and export marketing of wheat and had compulsory acquisition powers although in some cases, permits were issued to enable producers to sell directly to buyers.

Support arrangements to the industry, which had been in place since 1984, included advance payments and an underwriting scheme based on a government Guaranteed Minimum Price (GMP) for different categories of wheat. The GMP was based on 95 per cent of a three-year moving average based on the estimated return for the current season and the two lowest of the three previous seasons. Advance payments were administered by the AWB which had a pool system.

1986/87 was the only season for which the Government was required to make a payment under the scheme as a result of the subsidy-induced sudden fall in world prices that year. This was the first payment under Government stabilization schemes for wheat since the 1972/73 season.

Administered wheat prices for human consumption in the domestic market were set quarterly by the Minister for Primary Industries. These prices were higher than export prices to take into account the costs involved in selling wheat in Australia.

As at December 1989

Legislation was passed this year aimed at making the industry more responsible for its marketing arrangements. Consistent with this goal the reforms were undertaken which took effect on 1 July 1989.

The AWB's monopoly control of the domestic wheat market ceased with the removal of compulsory acquisition powers. In addition the guaranteed minimum price arrangements were terminated. At the same time, administered domestic pricing arrangements ended.

Under the new arrangements, the Government guarantees AWB borrowings for the purpose of making advance payments to growers. The level of the guarantee will commence at 90 per cent of the aggregate estimated net pool returns (AENPR) for 1989/90 and phase down to 80 per cent over five years.

The new system of determining AENPR is more responsive to prevailing world prices because it is based on a forecast of only the next season's price without reference to the prices which may have prevailed during previous years. The AENPR is determined as follows:

Return to Growers from AWB pools

(ABARE estimate based on domestic and world prices)

less Costs

(AWB estimate of storage, handling, transport and administration costs)

equals Aggregate Estimated Net Pool Return

### Dairy

#### As at April 1989

The Australian dairy industry is characterized by a manufacturing sector broadly under the control of Commonwealth legislation and a fluid/town milk sector tightly regulated under individual State legislation.

New Commonwealth dairy marketing and assistance arrangements were implemented in 1986/87 aimed at reducing assistance levels and improving the competitiveness of the industry both domestically and internationally by providing a more uniform level of export assistance across all products and reducing the domestic price support to a level equal to New Zealand c.i.f. prices by 1992.

A Market Support Fund (MSF) for exports was established, funded by a levy on all milk fat produced, at a maximum rate of 45 cents per kilogram. Payments are made from the MSF to manufacturers of dairy produce on export (based on dairy component) at a maximum rate of 30 per cent of the estimated average export price (as export prices for dairy products have risen, the rate of market support has fallen from 30 per cent in 1986/87 to 18.5 per cent in 1989/90). The Australian Dairy Corporation administers the payment of the MSF.

Domestic Price Support is assisted through MSF payments. This support system is designed to make the domestic sale price equal to the price the producer receives for the exported product.

The majority of cheese imports are subject to a tariff quota of 11,500 tonnes with any imports inside this quota being subject to a tariff rate of \$ 96 per tonne and imports in excess of quota to a tariff of \$ 2,100 per tonne. Imports have been well below the quota level.

#### As at December 1989

No change, except for the termination on 1 July 1989 of the product levy on domestic sales of butter and cheese (which was paid into the Supplementary Market Support Fund to provide additional payments when MSF payments were made).

## Sugar

### As at April 1989

National sugar trade policy was set within the framework of consecutive five-year Commonwealth/Queensland Sugar Agreements. Under these agreements, imports of sugar and certain sugar products were prohibited by the Commonwealth Government. In return the Queensland Government, which acquired all sugar produced in Queensland and purchased all sugar produced in New South Wales, made refined sugar available at Australian refineries and selected urban centres at or below an administered price set every six months, taking into account international price movements and domestic inflation.

Domestic and export marketing was conducted by agents appointed by the Queensland Government. The Commonwealth administered export controls on sugar under the Customs (Prohibited Exports) Regulation to ensure domestic supply in times of possible shortages.

### Current arrangements

Support and protection to the domestic sugar industry were significantly reduced through a number of important changes which took effect on 1 July 1989.

On 1 July 1989, the import embargo was replaced with a tariff régime for both raw and refined sugar of A\$ 115 per tonne phasing down to A\$ 70 per tonne by 1 July 1992. Export controls were also lifted.

Administered domestic pricing arrangements were terminated and domestic refining and marketing arrangements made fully commercial.

## Citrus

### As at April 1989

Commonwealth involvement in protection of the citrus industry is limited to applying tariffs on imports of citrus juices and allowing reductions in sales tax for citrus beverages with high local content.

Fruit-juice-based beverages with a minimum Australian or New Zealand juice content of 25 per cent incur a sales tax of 10 per cent rather than 20 per cent which applies to other juices and aerated and carbonated soft drinks.

A 27 per cent (DC 22 per cent) tariff is in place for citrus juice imports.

### As at December 1989

As above except for reduction in tariff rate to 24 per cent (DC 19 per cent) as from 1 July 1989.

Dried vine fruit

As at April 1989

A statutory equalization scheme provides for the equalization of returns received for dried vine fruit sold on the domestic and export markets through the imposition of a levy on domestic sales. Growers may seek exemption from application of the statutory scheme for specific DVF varieties on the basis of low production levels as has been the case for raisins in four of the past five seasons and for currants once in the same period. A voluntary scheme then operates under provisions of the Trade Practices Act 1974.

A sultana underwriting scheme guarantees minimum returns for sultana production in each of the 1986 to 1990 seasons, equal to 80 per cent of average export returns at the f.o.b. level in the preceding three seasons. No payments have been made under the 1986-90 scheme and the last underwriting payment for sultanas was made in 1982.

A tariff of 23 per cent (DC 18 per cent) payable.

As at December 1989

As above except for reduction in tariff to 21 per cent (DC 16 per cent).

Apples and pears

As at April 1989

Export underwriting arrangements for apples and pears guarantee a minimum return for exports in any year when prices fall below 85 per cent of average export returns achieved in recent years.

As at December 1989

No change.

Deciduous canning fruit

As at April 1989

Tariff of 10 per cent in place

As at December 1989

No change.



WineAs at April 1989

Tariff rates are composite rates which have both an ad valorem and specific component. These rates are within the range of 15-31 per cent, except for double fermented wines (including champagne) which is 13 per cent.

As at December 1989

Tariffs reduced to a range of 15-27 per cent on 1 July 1989, with double fermented (including champagne) at 12 per cent.

TobaccoAs at April 1989

The tobacco industry is managed under the terms of a series of five-year stabilization plans agreed by industry, States and the Federal Government. This provides for annual aggregate national quotas and average minimum price to be determined by the Federal Minister responsible for agriculture and Ministers in the three tobacco producing States.

General tariff rate is 23 per cent (DC 18 per cent). Concessional tariff entry applies to all imports by manufacturers which guarantee to purchase at least 50 per cent of their requirements from Australian growers.

As at December 1989

As above except for reduction in general tariff rate to 21 per cent (DC 16 per cent).

Rice

Not directly supported by any Federal Government programmes.

Cotton

Not directly supported by any Federal Government programmes.

Oilseeds

Not directly supported by any Federal Government programmes.

Sheepmeat

Not directly supported by any Federal Government programmes.

Beef

Not directly supported by any Federal Government programmes.

Wool

Not directly supported by any Federal Government programmes except for A\$ 25 million per year Government assistance to wool promotion, for three years, announced in May 1988.