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APPLE AND PEAR EXPORT UNDERWRITING AMENDMENT BILL 1986

Date introduced: 12 February 1986
House: House of Representatives
Presented by: Hon. John Kerin, M.P., Minister for
Primary Industry

DIGEST OF BILL

Purpose

To extend the apple and pear export underwriting scheme (the Scheme) for a further five years and to modify the operation of the Scheme.

Background

The Scheme was established in 1981 to give the apple and pear industries protection from the rapid decline in export prices, particularly in 'at risk' apple prices (i.e. the price paid for apples shipped before sale). At risk prices fell from an average \$7.55 per case in 1980 to 85 cents in 1981.[1] The Scheme provides for a per carton payout to all exporters to bring the average price for all exports up to the underwritten level, i.e. 95% of the weighted average price of the previous four years.

The Scheme has only operated once, in 1981, when \$4.8 million was paid to apple exporters.[2] The payout in 1981 was \$1.61 per case which increased the return to at risk exporters to \$2.46 per case. This can be contrasted with the return to apples sold forward (i.e. those sold prior to shipment). The price per case of forward sold apples increased from \$8.39 in 1980 to \$8.64 in 1981, so that when the underwriting payout was made in 1981 apples sold forward returned \$10.25 per case. In 1984, 75% of apple exports were sold forward.[3]

The Industries Assistance Commission (IAC) has recently reviewed the apple and pear industries, and its findings and recommendations are contained in its 1985 report, Apples and Pears (No. 369). As regards the

underwriting scheme, the IAC recommended that it continue for a further three years but be restricted to at risk sales.[4] The Government rejected both these recommendations and decided on the scheme to be introduced by this Bill.

Outline

The scheme to be introduced by this Bill will apply for five years. Forward and at risk sales will be underwritten separately and the method of calculating the floor price will be altered.

Main Provisions

Sub-clauses 3(e) and 3(f) will amend section 3 of the **Apple and Pear Export Underwriting Act 1981** (the Principal Act) to provide that the amended scheme will operate from 1 January 1986 for five years.

Section 5 of the Principal Act is to be amended to require the Minister to determine floor prices for both forward sale and at risk categories. The floor prices will be 85% of the return per box in the three of the preceeding four seasons that had the highest returns (clause 5).

An underwriting payment will be made when the average return in either of the at risk or forward sales categories falls below the floor price set for that category (clause 8 which amends section 8 of the Principal Act).

Clauses 9 to 12 provide for increases in the penalties for offences against the Principal Act.

For further information, if required, contact the Economics and Commerce Group.

5 March 1986

Bills Digest Service
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References

1. Industries Assistance Commission, Apples and Pears, Report No. 369, 27 August 1985, p.51.
2. Ibid., p.38.
3. Ibid., p.51.
4. Ibid., p.51.

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