Agricultural Industry Services Amendment Bill 2007
Wine Grapes Marketing (Reconstitution) Amendment Bill 2007
Rice Marketing Amendment Bill 2007

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Bills introduced on motion by Ms Virginia Judge, on behalf of Mr Nathan Rees.

Agreement in Principle

Ms VIRGINIA JUDGE (Strathfield—Parliamentary Secretary) [10.10 a.m.], on behalf of Mr Nathan Rees: I move:

That these bills be now agreed to in principle.

The three bills propose changes to the legislation that increase efficiency and ensure that the intention of the legislation is clear. The bills make several useful amendments that will simplify and make more accountable how agricultural committees determine and collect compulsory charges. The amendments will also improve the purchase and marketing of two of New South Wales' important agricultural products, wine grapes and rice. I am pleased to introduce these three bills, and will address each one in turn.

The first bill, the Agricultural Industry Services Amendment Bill, proposes amendments to the Agricultural Industries Services Act 1998. The Act provides for committees to deliver a range of services to the growers in particular agricultural industries or areas. The Act also provides for the committee to collect a compulsory charge from the growers to fund the services. There are two such committees in the Riverina district, one for wine grape growers and the other for citrus growers. Under parallel legislation in Victoria, there are also committees for citrus and wine grape growers in the Murray Valley. These function in a similar way to the committees in the Riverina.

The services provided by these committees include fruit fly control, promotion of local product, provision of market information to growers and training initiatives. The two industry committees are fully accountable to their growers and to Parliament for both their financial performance and their activities. The legislation in Victoria, South Australia and New South Wales has the same intent. However, the procedures currently prescribed in New South Wales for grower contributions differ from those in the other States. They have also proved difficult to apply, and to audit.

The current practice of the citrus growers committee is to calculate the compulsory charge for each grower based on that grower's accumulated deliveries to all fruit receivers. The committee is then expected to invoice growers individually for that amount. This is not only time consuming, it is also extremely difficult for the committees to do because they do not have access to individual farm consignment data. The proposed additional rate collection method is much more workable, because it allows for a third person, such as a fruit receiver, to collect rates on behalf of the committee. Receivers can collect rates from growers when those growers deliver their fruit to the receiver. The amount of the rate can be deducted from the delivery return issued to the grower. This will be the least costly and most easily accountable way to collect the rate. This is because the rate is based on the quantity of commodity delivered to a receiver.

The amendments will also enable inspectors to issue notices to receivers requiring them to keep appropriate records and provide certain information relating to commodities received. This will ensure collected rates can be audited. The amendments aim to better reflect how transactions actually take place. They will also be consistent with what is prescribed in other States. Further, it will be much easier for New South Wales committees to comply with the provisions of the legislation, and easier for the flow of funds to be audited. Both the wine grape and the citrus growers committees support the intent of the proposal.

The bill seeks one further amendment to the Agricultural Industry Services Act. This is to clarify who can be

appointed to carry out inspections of fruit receival records. Currently the Act can be interpreted to suggest that inspectors are exclusively regulatory officers employed by the Department of Primary Industries. It would be beneficial to have a broader definition of who can carry out inspections. Such a definition could ensure inspectors have appropriate accountancy and audit skills, and the flexibility to be on hand when required. The bill therefore provides a broader definition and allows for non-departmental inspectors to be appointed. New South Wales fruit packers and processors involved in these industries support the proposals before the House. They are sensible amendments that will assist industry to better carry out its business.

I now turn to the second bill, the Wine Grapes Marketing Board (Reconstitution) Amendment Bill. The amendments in this second bill extend the operations of the Wine Grape Marketing Board (Reconstitution) Act 2003 and amend other of its provisions. The Act is due to expire on 1 January 2008 and the proposed amendments will extend the Act until 1 January 2010. The present Act resulted from a 2001 national competition review. Under the Act the Wine Grapes Marketing Board was granted powers to facilitate a transition from a highly regulated market to a more competitive market. This meant a move from centralised vesting and price controls to one where industry participants individually negotiated prices.

The key provision that will be extended by this bill is the power for the board to set default terms and conditions of payment for wine grape sales that are not the subject of a complying contract, as defined in the principal Act. These sales are commonly referred to as "spot market" sales. The transitional period has nearly finished without having facilitated grower and winery price negotiations as expected. Extending the operation of the Act will allow more time for grower and winery negotiations to develop. At the same time, it should be noted that a voluntary national code is being developed between the Winemakers Federation of Australia and Wine Grape Growers Australia. The voluntary code will address contractual issues between growers and winemakers. If the voluntary code is in place before the proposed revised expiry date of the Act the need for the Act can be reconsidered at that time.

The Act provides for price schedules to be provided to the board by purchasers of wine grapes. The schedules are currently used for pricing wine grapes that are sold outside an appropriate, or complying, contract in what are called spot sales. It is proposed to amend the Act to remove the need for wineries to submit price schedules to the board for spot sales. While this provision was intended to improve price information for growers, in practice it proved to be somewhat inflexible and resulted in adverse outcomes for growers. The indicative prices were often lower than they might otherwise have been, as wineries were cautious to avoid setting too high a price benchmark early in the season. Wineries and the board both support the removal of this requirement. Wineries will be free to advise growers less formally of the prices they are willing to pay, and to amend those prices either up or down as market conditions change.

The amendment will result in the board no longer having the consequential power under section 9 of the Act to calculate an average price for wine grapes in the Murrumbidgee Irrigation Area sold without a price schedule having been made available in respect of those grapes. This change will allow for more competition in the market. It will also encourage the development of marketing and negotiation skills by growers, in keeping with the original intention of the Act. There are several benefits from the proposed amendments to the Act. Apart from encouraging the negotiating skills of wine grape growers, they will provide further opportunity to make use of contract sales arrangements. Importantly, the amendments will reduce regulatory red tape and its associated compliance costs in the wine industry.

I turn now to the third bill, the Rice Marketing Amendment Bill. The bill proposes amendments to the Rice Marketing Act 1983 which will effectively improve the international marketing of New South Wales rice. They do this by clarifying the existing provisions for the operation of a single desk for New South Wales rice exports. As well, the amendments put in place requirements that ensure the independence of the Rice Marketing Board. Rice growing is a longstanding industry in New South Wales. Commercial rice crops were first grown in New South Wales in 1924 in the Riverina district. Since then the New South Wales rice industry has grown to become a major contributor to Australia's wealth. The size of the industry is evident from the New South Wales figures for 2006. It employed over 8,000 people and produced over one million tonnes of rice. Exports go to 75 countries around the world and have an annual value of over $400 million. Unfortunately, the current drought is having a serious impact on the industry. Until we have good rains that replenish our dams the annual rice harvest, and export earnings, will be much lower than these figures. We all look forward to a recovery in production and exports, as it is the significance of this export trade in a normal year that brings us to the present amendments.

The Rice Marketing Act provides for the establishment and activities of marketing boards for New South Wales commodities. In 2005 amendments were made to the Act, then called the Marketing of Primary Products Act 1983. The amendments changed the name of the Act to the Rice Marketing Act 1983. Significantly, these amendments also provided for the deregulation of the New South Wales domestic rice market. The policy of deregulation had resulted from a national competition policy review of the Act, and was implemented through the introduction of authorised buyer permits. The review also supported the retention of a single desk for the export of New South Wales rice. In other words, it supported the principle of having only one approved buyer to sell New South Wales rice outside of this great nation of ours. The Rice Marketing Board issues the permits for those seeking to trade New South Wales rice on Australia's domestic market. A condition of the permits is that a permit

holder cannot sell this rice to anyone outside Australia.

The amendments to the Rice Marketing Act that deregulated the market have now been in operation for 12 months. It has become evident during this time that further minor amendment is needed to the Act. It is needed to ensure that the intent of the national competition policy review with regard to marketing New South Wales rice overseas is clear in the legislation. Currently, because the Act does not specifically provide for a single export desk, the Rice Marketing Board maintains it administratively. It does so by granting a preferred buyer the exclusive approval to sell New South Wales rice outside Australia. A particular advantage of the single export desk is the strong negotiating power on world markets it gives to rice growers, without cost to the Australian taxpayer.

However, the Act does not explicitly state that the Rice Marketing Board can give only one of its buyers an exclusive export approval. The underlying intention of the Act is clear. It says the board must include a particular condition when appointing authorised buyers. This condition prohibits the authorised buyer from selling or supplying New South Wales rice outside Australia, except with the board's written approval. This is an important point. This bill makes it clear that the board can give an undertaking to an authorised buyer it approves as an exporter that it will be the only authorised buyer so approved. The bill further provides that no other authorised buyer can be given approval to sell rice outside Australia while such an undertaking is in place.

There is another potential problem with the Act as it stands. Currently it is not an offence for a person who is not the appointed export buyer to sell or supply New South Wales rice outside Australia. This means that, despite the Rice Marketing Board's appointment, someone who is not appointed by the board to do so could sell rice grown in this State outside Australia without being prosecuted. The proposed amendments to the Rice Marketing Act will clearly spell out the single desk export arrangements. They will also make it an offence for anyone who is not specifically appointed as the preferred export buyer to sell New South Wales rice outside Australia. As well as providing clarity for the single export desk, the bill also puts in place provisions to increase the independence of the Rice Marketing Board. It does this by increasing by two the number of independent board members. The board will now have three industry-elected members and four independent members. This is a significant change. It will overcome any perception of conflicts of interest. To support the independence of the board a new requirement is being made for the position of chairperson. He or she will be appointed from the independent members once the term of the current chairperson expires.

In summary, these amendments to the constitution of the board ensure high standards of governance. This is most appropriate for a statutory board. Overall, these changes will provide a clear way forward for the marketing of this State's rice internationally. They also ensure that the board has broad representation, and that the interests of all growers are protected. These changes can only benefit the industry, the economy and the community. The amendments in these three bills bring effective and practical improvements to different aspects of the sale and marketing of important agricultural products, and the provision of services to growers.

The amendments to the Agricultural Industry Services Act ensure that the agricultural services committees have consistent, fair and transparent processes for the collection of the charges that support the committees. The amendments to the Wine Grapes Marketing (Reconstitution) Act will allow for the transition to a more competitive market for wine grapes. The amendments to the Rice Marketing Act will make very clear the arrangements under which New South Wales Rice is sold overseas. In all, the amendments will be advantageous for farmers and growers, and for those marketing their produce. I commend these bills to the House.

Debate adjourned by Mr Daryl Maguire and set down as an order of the day for a future day.