STATE-TRADING ENTERPRISES

Notifications Pursuant to Article XVII 4(a) in Reply to the New Questionnaire Contained in Document L/1014 of 3 July 1959

AUSTRALIA

I. Enumeration of State-trading Enterprises

There are four instrumentalities coming within the framework of Commonwealth responsibility which engage in import and/or export trade. These are:

(a) Australian Wheat Board
(b) Australian Dairy Produce Board
(c) Australian Egg Board
(d) Commonwealth Mica Pool
(e) Queensland Sugar Board. (Complementary Commonwealth and Queensland legislation places the Queensland Sugar Board in a privileged position in relation to the export of sugar.)

A number of boards are constituted under legislation of the States of the Commonwealth for the purpose of orderly marketing of various primary products. These boards usually operate on a co-operative basis and with a few exceptions, e.g., the New South Wales Egg Marketing Board, Australian Barley Board, are concerned solely with domestic marketing. They are not maintained or established by the Government of the Commonwealth, and do not, therefore, come within the provisions of Article XVII. In some instances State boards act as licensees for Commonwealth boards for some purposes. Such arrangements are referred to in the information supplied hereunder in relation to eggs.

II. Reason and Purpose for Introducing and Maintaining State-Trading Enterprises

(a) Australian Wheat Board

The Australian Wheat Board was set up at the outbreak of war in September 1939 to assist the wheat industry in a period of low prices and difficulties created by war conditions, e.g., marketing and transport.
The Commonwealth Government, under the Wheat Acquisition Regulations, constituted the Board on 21 September 1939 to acquire, with certain exceptions, all wheat held in Australia.

Under the Wheat Acquisition Regulations the Board was empowered, subject to directions of the Minister for Commerce and Agriculture, to purchase, sell or dispose of wheat or wheat products, manage and control all matters connected with the handling, storage, production, shipment, etc., of wheat acquired, and such other matters necessary to give effect to the regulations under which it was created.

The Board was reconstituted and vested with similar powers under the Commonwealth Wheat Stabilization Act of 1948 and subsequent legislation for the purpose of administering the post-war wheat stabilization plan, and remains in existence. It consists predominantly of growers' representatives: two each from New South Wales, Victoria, South Australia and Western Australia, and one from Queensland. The Chairman and remaining members are all ministerial selections, but two of them represent, respectively, flour millers and employees. There is also a finance member and a commerce member.

(b) Australian Dairy Produce Board

Commonwealth-sponsored marketing organizations have their origin in the Commonwealth's powers to regulate exports and in the difficulties met in export markets by primary industries after the First World War. In 1924, at the request of the industry, the Commonwealth Government introduced the Dairy Produce Export Control Act to regulate overseas marketing of butter and cheese. The Act was brought into force after receiving a majority of votes in a poll of producers which it provided for and it set up a Dairy Produce Export Control Board. An amending act in 1935 renamed the Board the Australian Dairy Produce Board.

The Board decided that the policy to be adopted in carrying out the powers and functions for the organization of overseas marketing would be:

1. To improve the organization of marketing dairy produce in the United Kingdom and on the Continent and to open up fresh markets in any other countries;

2. To exercise supervision over the sale and distribution in all overseas markets and bring about co-ordination among distributors and selling agents chiefly in the United Kingdom;

3. To take action to establish and maintain the identity of Australian dairy produce in the retail shops and among consumers;

4. To ensure as far as practicable continuity of supplies;

5. To withhold butter and cheese when deemed necessary on overseas markets;
(6) To use advertising and propaganda to bring Australian butter and cheese directly under the notice of consumers;

(7) To arrange with the Commonwealth Government for advances on butter and cheese.

The thirtieth of June 1955 marked the end of sale by contract to the United Kingdom of Australia's surplus butter and cheese, an arrangement that originated during World War II and applied for approximately fifteen years. This meant that henceforth butter and cheese would be sold in the United Kingdom under "free" marketing conditions and would, in consequence, be obliged to contend with price influencing factors such as supply and demand and the economic policies of countries concerned.

It was realized that those factors would come prominently into the reckoning in the arrangement of the rates of finance for butter and cheese, in determining equalization periods and interim equalization values and generally in planning the stability of the industry under the new conditions.

This called for maximum strength in selling and Australia decided to follow the example of major exporting countries in selling as a unit and co-operating as such with those countries in an endeavour to achieve stability in the United Kingdom, the world's major market for export butter and cheese.

The Dairy Produce Export Control Act was amended in 1954 to make the Board the sole exporter of butter and cheese to the United Kingdom. The Board as a trading authority does not physically handle the goods. It purchases butter and cheese destined for the United Kingdom from exporters who undertake the work and handling and sells through appointed agents in London.

The Board's functions in respect of other export markets (except in isolated cases such as, for example, Federal Republic of Germany) continue to be regulatory and sales are made almost entirely on a trader-to-trader basis.

In 1958, at the request of dairy industry leaders, the Commonwealth Government passed legislation enabling the Dairy Produce Board to administer a Research and Sales Promotion Scheme in Australia. This programme is being financed by a levy on the production of butter and cheese and the Commonwealth is contributing on a £1 for £1 basis towards those funds actually expended on research. The purpose of this scheme is to increase efficiency where possible in the various sectors of the dairy industry and to promote the sale of butter and cheese on the local market.

Quantities of fancy cheese have been and continue to be imported into Australia on a trader-to-trader basis. No butter has been imported into Australia for many years now and the Dairy Produce Board has no authority to import dairy produce at any time.
Prior to the last war, the marketing of eggs, both locally and for export, was controlled in some States by egg marketing boards, while in other States no statutory control existed.

Commonwealth control over export marketing began in 1939 as a result of the war emergency. The United Kingdom Government undertook to purchase the whole of the Australian exportable surplus under a bulk contract with the Commonwealth Government. A special committee was set up by the Commonwealth to administer the contract. However, while the demand from the United Kingdom was assured, the shortage of refrigerated shipping caused many difficulties of storage, and the export of eggs in shell to the United Kingdom had to be discontinued in 1941.

These difficulties were relatively short-lived because the extension of the war to the Far East occasioned such a large demand from the Armed Forces that exports, even of powdered egg, to the United Kingdom declined to negligible proportions.

In 1943, under the National Security (Egg Industry) Regulations a scheme on a Commonwealth-wide basis was introduced to control the marketing of eggs commercially produced in Australia. The objects of the scheme, briefly, were to provide the needs of the Armed Forces and Australian civilian population on the most economic basis, and according to priority.

The scheme was financially self-supporting, though the Commonwealth Government arranged for an advance to meet payments to producers, administration costs, etc. Reimbursement, including interest, was made when receipts came in from sales.

A Controller of Egg Supplies was appointed by the Commonwealth Government, and a Deputy Controller was appointed in each State.

Exports, except for the use of the Services overseas, virtually ceased until the end of hostilities in 1945, when due to the reduced demand from the Armed Forces in the Pacific, the shipment of eggs and egg products to the United Kingdom was resumed. Shipments to the United Kingdom were then made under contract with the United Kingdom Ministry of Food.

The Commonwealth Egg Control Organisation also continued to control the local distribution of eggs and egg products.

Upon the expiry of the Commonwealth powers under the National Security Regulations, the marketing of eggs within Australia became the responsibility of the respective States. However, in order to ensure continuance of an orderly export marketing system for Australian eggs and to provide adequate safeguards in respect of the contracts entered into between the United Kingdom and Australian Governments, the Australian Egg Board was constituted to operate from 1 January 1948 under the Egg Export Control Act, 1947.
The Board purchased from the State Boards eggs and egg products for shipment to the United Kingdom at the equivalent contract prices. The contracts provided an assured market for surpluses of Australian eggs and egg products until the end of May 1953. For frozen eggs a further twelve-months' contract with the United Kingdom Ministry of Food was arranged.

In 1954 the Egg Export Control Act was amended. This Act reconstituted the Australian Egg Board and varied its functions to some extent. Its chief purpose was to give the State Boards an opportunity to market their export eggs through a single authority, instead of in competition with each other as had been the practice pre-war.

The Australian Egg Board, as reconstituted, is empowered to conduct trading operations on behalf of any of the State Boards which wish to avail themselves of the Board's facilities.

In practice, all State Boards except the New South Wales Board normally market their shell eggs for the United Kingdom/Continent trade, through the Australian Board, and all States including New South Wales market their egg pulp through the Australian Board. (This season - 1959/60 - the New South Wales Board has elected to market both its pulp and shell eggs on its own behalf.)

(d) Commonwealth Mica Pool

The Mica Pool was created to ensure the supply of mica during the 1939-1945 war. It has continued since the war, primarily to maintain the mica mining industry in Australia.

The legislation under which the Pool was created was the National Security (Minerals) Regulations 1942 under the National Security Act 1939-1940. These regulations gave in Section 6 wide powers to the Controller of Minerals Production in relation to the production and supply of minerals.

(e) Queensland Sugar Board

The Sugar Board is constituted under the Queensland Sugar Acquisition Act. Under this Act, the Board acquires all raw sugar produced in Queensland and, by arrangement with the Colonial Sugar Refining Co. Ltd., also acquires all raw sugar produced in New South Wales. Sugar is not produced in other States of the Commonwealth.

The reason of the acquisition is to control the production and marketing of sugar. By means of the acquisition the domestic price of sugar in Australia is controlled and the return to the raw sugar industry (i.e., growers and millers) is stabilized. Also control over exports is maintained and compliance with the Commonwealth Countries Sugar Agreement and the International Sugar Agreement is facilitated.
As the Sugar Board becomes the owner of all raw sugar produced it is the sole exporter of raw sugar from Australia. A small quantity of refined sugar (about 8,000 tons annually) is exported by other traders (principally the Colonial Sugar Refining Co. Ltd.) to neighbouring Pacific islands but this sugar has to be acquired from the Sugar Board which therefore exercises control over this trade.

A summary of legislation in relation to (a), (b), (c) and (e) is contained in document L/784/Add.1.

III. Description of the Functioning of the State-Trading Enterprises

(a) **Australian Wheat Board**

The information required is contained in paragraphs 6, 7, 8, 9, 10, 17, 20 and 21 of the paper prepared for Committee II on Wheat (document COM.II/14, pages 25 et seq.).

(b) **Australian Dairy Produce Board**

The information required is contained in paragraphs 8, 9, 10 and 23 of the paper prepared for Committee II on Dairy Products (document COM.II/14, pages 4 et seq.).

(c) **Australian Egg Board**

(i) The Australian Egg Board deals with exports only.

(ii) As the State Boards are the only bodies licensed to export, it cannot be said that there is free competition in the export field, though private traders export small quantities through the State Boards which may compete with one another on export markets. However, if all the State Boards elected to export through the Australian Egg Board to specified destinations, the Australian Board would then become the sole exporting authority to those destinations. If any State Board elects to export on its own behalf to those destinations in competition with the Australian Board, the latter may fix minimum prices below which sales may not be made.

(iii) The determination of the quantities to be exported is a matter for each State Board having regard to the surplus of production over domestic requirements. Each year there is a seasonal surplus of eggs in Australia and in the interests of the orderly marketing of this surplus, the Australian Egg Board is empowered to regulate the timing of shipments for overseas markets. There is no commercial demand for import of eggs into Australia.
(iv) Export prices are determined on a normal competitive commercial basis for most destinations. The Australian Egg Board fixes minimum prices for two markets only - Hong Kong and Singapore - to fulfill British Army contracts. Egg exports to the United Kingdom and the Continent are normally on a consignment basis. As no eggs for commercial purposes are imported into Australia, the question of retail prices for imported eggs does not arise. Domestic prices are fixed by the respective State Boards.

(v) The Australian Egg Board does not enter into long-term contracts but it is empowered to do so.

(d) Commonwealth Mica Pool

(i) The Pool does not normally export mica but in order to obtain the high-grade mica it requires, the Pool has had to buy larger quantities of lower-grade mica than it can sell on the Australian market. Small quantities of this lower-grade mica have been sold overseas. The Pool does not import mica.

(ii) The Pool purchases all merchantable block mica from the miners and distributes the block mica to users within Australia. The Pool has an agreement with all existing mica producers to sell to it exclusively. Private traders are allowed to import but are subject to restrictions imposed for balance-of-payments reasons.

(iii) Export prices of the Pool are determined by the market overseas. Sale prices of mica in Australia by the Pool are equivalent to the price of imported mica.

(iv) No long-term contracts have been concluded.

(e) Queensland Sugar Board

The information required is contained in paragraphs 13 to 16 and 22 to 24 of the paper prepared for Committee II on Sugar (document COM.II/14, pages 32 et seq.).

IV. Statistical Information

Statistical figures concerning the relevant products are contained in the attached annex.

V. Reasons why no Foreign Trade has Taken Place (if this is the case) in Products Affected

Exports have taken place of all the products in question.
Imports of wheat and flour do not normally take place because Australia is a competitive producer and large exporter and has no need to import wheat. Large domestic supplies preclude the necessity for any appreciable importation of dairy products. Relatively small quantities of fancy varieties of cheese are imported.

The level of domestic production renders imports of eggs unnecessary. In fact, for animal health reasons, the import of eggs or egg products from any source except New Zealand is prohibited.

In the interests of orderly marketing of the Australian surplus, the import of sugar is prohibited.

VI. Additional Information

None.
## ANNEX

### AUSTRALIA - STATE TRADING

#### IMPORTS

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<thead>
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<th>Commodity</th>
<th>Unit</th>
<th>Year</th>
<th>By the Trading Organization</th>
<th>Other</th>
<th>By the Trading Organization</th>
<th>Other</th>
<th>By the Trading Organization</th>
<th>Other</th>
<th>Production</th>
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<td>Eggs in shell</td>
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<td>-</td>
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