WHEAT PRODUCTS PRICES BILL 1938

Legislative Assembly, 18 October 1938, pages 1903-5

Second reading

Having obtained leave, the Treasurer intro­duced a Bill for an Act to regulate the price of flour and other wheat products sold for consumption or use in Australia and for purposes incidental thereto. Read a first time.

Second reading.

The Hon. R. L. BUTLER (Light—Premier and Treasurer)—This legislation is somewhat unusual, but it was apparent to me at the begin­ning of June, when wheat prices started to fall, that something would have to be done to assist our agricultural industries, and I wrote to all the State Premiers on June 9. I ask members to consider the legislation, not as being of a temporary nature to assist farmers for this year only, but as a permanent scheme to try to stabilize the agricultural industry. For a long time we have overlooked the vital necessity for doing this. We have done a lot by way of tariffs, customs duties and excise to put on a stable and economic basis the many great industries of Australia. We have secured by arbitration to those engaged in them a reasonable standard of living, but we have been somewhat prone to neglect this industry, which is so vital to South Australia and the Commonwealth. The time is overdue when legislation should be passed in order to secure to our wheatgrowers a payable price for their products. I am sure members will look at the legislation in that light, not as something in the way of spoon-feeding, as we ought to avoid that. We want to ensure to the man on the land a standard of living he is not enjoying to-day. We want to give him some security for the future.

Mr. Thompson—And everybody should share in that security.

The Hon. R. L. BUTLER—I think everybody will.

The Hon. J. Mclnnes—What about the farmers’ employees?

The Hon. R. L. BUTLER—I think it will assist them, too, as I feel that if farmers have a stable price for their wheat they will improve the lot of the men who work for them. I realized last year what would happen if we had a recurrence of several years of low prices and knew we would have to face the crisis all over again. It would mean further difficulties for the farmers and with the object of overcoming them I wrote the following letter to the different State Premiers:—

In view of the collapse in wheat prices the question of a home consumption price for wheat has again come into prominence. My Government is definitely of the opinion that some attempt should be made to stabilize wheat prices not only in the interests of the wheat- grower but of the community as a whole. Further, the rather serious collapse in prices of all commodities overseas will undoubtedly have repercussions here. Therefore, I think you will agree that everything within reason should be done to prevent a fall in the consuming or purchasing power of the people of this Country, otherwise we will have a crisis all over again. I mention this only in order to show that the Commonwealth cannot remain adamant in regard to the question of stabilising wheat prices, more particularly as the States will find it almost impossible to enact a scheme which will be universally approved by all States. I have carefully analysed the pro­posals submitted to the Agricultural Council, particularly one suggested by the Victorian Minister of Agriculture (Mr. Hogan), and even if it were possible to give effect to them, which I doubt, I am certain they would not meet with the approval of our Legislature. I am still convinced that there is only one constitutional and sound way by which the interests of the wheatgrowers can be served, and that is by an excise and bounty imposed by the Commonwealth Government, and that such a scheme should be administered in such a way as to place as small a burden as possible upon the consumers. I am of the opinion that an excise should not be brought into operation until wheat prices fall below say 10s. per bag at country sidings, and which would automatically lapse when wheat prices rose above this level. As wages and salaries are based on the cost, of living the increased price of bread necessitated by such a proposal would not fall unduly upon the consumer. The Commonwealth talks about political difficulties. I presume they mean the difficulty of getting legislation through their Parliament, but I cannot conceive for a moment that they will permit political difficulties to stand in the way of the legitimate rights of the agricultural community and the interests of the people as a whole. My Government is of the opinion that a great deal of opposition could be broken down if a scheme for an excise and bounty provided that when wheat prices rose above a certain level the farmer should be compelled to contribute towards a fund from which the bounty is paid. This payment per bushel could be on a graduated scale starting at a fraction of a penny after wheat had risen say above 3s. 9d. per bushel at country sidings. This amount should be deducted from the price given to the farmer either by the merchant, miller, or pool. From the information I have, our farmers would not object to this proposal. I do not see how they could, as they would be guaranteed a minimum price of 10s. per bag at country sidings on which they would only be asked to contribute a share. I am writing to the other Premiers on the matter to ascertain whether unanimity on such a proposal is possible, as I am convinced that unless the States are unanimous the Commonwealth will do nothing. Your views on this important and intricate question would be appreciated.

I wrote that letter in June which was several weeks before any proposal was submitted to the Commonwealth Government by the other States. I laid down, firstly, that there should be an excise on wheat for home consumption and, secondly, that there should be a contribution by the farmer in order to stabilize permanently, first, a price of 3s. 8d. a bushel at shipping ports and secondly, the price of flour for home consumption at a definite level. In addition to the arguments I used in this letter I consider it will be in the interests of the whole community if we can ensure to the farmer a payable price for his product—not a price so high that will lead to uneconomic or over production or a price that will lead to inflation in land values—that must be avoided by every possible means—but a price that will be sufficient to enable wheatgrowers to carry on profitably from year to year. I know that suggestions have been made that the price should be 4s. or 5s. a bushel, but we have to be particularly careful not to do anything that would lead to uneconomic production or the inflation of land values.

Mr. Thompson—A price may be economic in one place and not in another.

The Hon. R. L. BUTLER-—The farmers who went further afield usually paid less for their land than those closer to the shipping ports. All that has been considered, and I think we cannot work on any other basis than a price at shipping ports.

Mr. Lyons—Should there not be some reduction of railway rates?

The Hon. R. L. BUTLER—We cannot have everything. We have already reduced railway rates by 20 per cent. If we can assure the farmer a stabilized price he should be able to carry on and pay for the services provided by the railways. If wheat prices can be stabilized at 3s. 8d. per bushel at shipping ports, which is equal to 3s. 4d. a bushel, or 10s. a bag, at country sidings, it will not only benefit the wheatgrower but particularly those people who give credit to the farmers, viz., storekeepers, merchants, mortgagees, etc. We have to consider the unfortunate country storekeeper who gives credit to the farmer and never knows when he will be paid. This class suffered tremendously during the last depression. If the farmers’ creditors know that the farmer has a secured price they will know what security he has for anything they may advance him. In this way a stabilized price will benefit everyone. For a State and a country which depends on agriculture so much as we do any retrogression in this industry is seriously reflected in all industries and in Government finance. Reduced spending power of the agricultural community and reduction in the wealth of the industry has a very serious tendency to cause unemployment in all industries. The fall in the price of wheat means that the aggregate return to the farmers will be £9,000,000 less than the previous year. A reduction of £9,000,000 in the wealth of the agricultural community inevitably means that they are unable to pay their debts and carry out ordin­ary improvements, and this affects every industry. That £9,000,000 circulating through avenues of trade would be turned over four or five times a year, but this will be lost to the whole community.

In a State like this which depends so vitally upon agriculture, when there is a depression in that industry almost every other industry is affected immediately. For that reason it becomes a national question of the first magnitude, and I- feel sure it will be treated as I such. I am convinced, and I have always said so, that had the farmer received a payable price of 3s. 4d. per bushel at country sidings since 1930 it would: have obviated such legislation as Farmers Assistance and Debt Adjustment Acts. I think every member will agree that ensuring to the farmer a payable price for wheat is infinitely more sound and economic than the form of assistance rendered both by States and the Commonwealth over a period of years. Certainly the loss to the State would have been infinitely less. If the farmer is guaranteed a payable price, then he should be able to carry on as he did in the past without consistent Government spoon-feeding. This is a question which concerns every member. Immediately after a drought or hail storm or a frost, Parliament is asked for a grant or loan, whereas in pre-war days although we had droughts and periods of low prices, the assistance the fanner received from the Government was practically nil. Nevertheless he appeared always able to meet his liabilities and make provision in the good years for the bad years that ultimately came.

Mr. Thompson—In a number of districts they had not had a crop for several years.

The Hon. R. L. BUTLER—I will deal with that aspect later. After submitting my scheme to the other Premiers in June, the price of wheat continued to fall, and I therefore communicated with the Wheatgrowers ’ Association in all States, and I think I was instrumental in getting them into agreement on general principles. I certainly appreciate the assistance that these associations rendered because I think it; was their unanimity that enabled something to be achieved at the Premiers’ Conference which was called at my request. All along I have realized the necessity of obtaining unanimity not only among the various Governments but also among the wheatgrowers. After continued efforts I was successful in inducing the Premier of New South Wales to convene a Premiers ’ Conference to discuss the wheat position. At this conference the whole matter was exhaustively discussed and unanimous decisions arrived at, as follows:—

1. That this conference affirms the necessity of action being taken to ensure wheatgrowers a payable price for their product.
2. That, as a first step of urgent national importance, Governments of the Commonwealth and States should take such immediate joint action in their respective jurisdictions as is necessary to implement a home-consumption price plan in the season 1938-39, and following seasons; such plan to be based on an equalization levy on wheat or flour (used for home consumption) collected under the excise power of the Commonwealth.
3. That such proposal should also ensure a stable home consumption price of flour and bread in the various States at a level fair to both producer and consumer, based on a home consumption price of 4s. Sd. per bushel country sidings for wheat, or its equivalent; special arrangements to be made (as on former occasions) to meet the special circumstances of Tasmania.
4. That it is of vital importance that such proposal be of a long-range character, and placed on a sound legal, financial, and commercial basis from the outset, and not left vulnerable to legal challenge or dependent on voluntary co-operation. I
5. That -conference is unanimously of opinion that it is impossible to devise any practical plan based on voluntary co-operation of growers, millers, and merchants.
6. This conference has received several proposals from farmers’ organizations for the institution of a permanent price equalization fund built up by contributions from the Commonwealth and wheatgrowers. The conference is of opinion that they are worthy of detailed examination, and as they involve Federal finance this conference submits them to the Federal Government for consideration.

These resolutions were submitted to the Commonwealth Government, which has since agreed to impose an excise on flour to assist the wheatgrowers, but a decision on other matters is still awaited. I want to stress that the Commonwealth Government has agreed to implement an excise on flour for home consumption, but the question of establishing a wheatgrowers’ fund has not yet been decided.

The Hon. R. S. Richards—-What will be the effect of the legislation whilst that question is in abeyance?

The Hon. R. L. BUTLER—In order to clear up the doubt which existed in the minds of some Federal Ministers, I forwarded the following letter to the Prime Minister, dated October 3, 1938, which I think covers the point raised by the Leader of the Opposition:—

As there appears to be some doubt in the minds of your Ministers as to the wheat pro­posals which have been submitted to the Commonwealth by the States, and on which there is a considerable measure of agreement between the States, I would like to take this opportunity of explaining to you the main principles of the schemes .which have been submitted. As I think you are aware, the matter is now becoming an urgent one. In my view the principles are as follows:—

1. The Wheatgrowers’ Fund.—There will be established by Commonwealth law a wheatgrowers’ fund. Into this fund there will be paid—(a) the proceeds of the tax on flour to be imposed by the Commonwealth by a Flour Sales Tax Act; (b) contributions from farmers collected indirectly by means of a tax on wheat purchased or exported; and (c) any moneys which may be raised in aid of the fund by loan or by grant from the Commonwealth.
2. The Tax on Flour.—As I understand the position in regard to this matter the States are to fix the price of flour at some figure in excess of £11 a ton, representing the figure which would be the price of flour if wheat were 5s. 2d. a bushel f.o.l. Williamstown. When the States have done this, the Commonwealth will impose a flour tax which will extract from the miller the difference between the normal selling price of flour based on the ruling price of wheat, and the artificial price fixed by State legislation. No doubt the amount of this tax will be something in the vicinity of £5 per ton. This flour tax will operate so long as the price of wheat remains below 5s. 2d. a bushel f.o.l. Williamstown; but I will explain later it is not by any means contemplated that subsidies will be paid to farmers on all prices of wheat below 5s. 2d. a bushel.

The Hon. R. S. Richards—Will the tax be at or below £5 a ton?

The Hon. R. L. BUTLER—The flour tax will apply whilst the price of wheat remains below 5s. 2d. a bushel f.o.l. Williamstown . Although this flour tax will apply whilst the price is below 5s. 2d. it is not intended that the money in the fund shall be used to provide farmers with a bounty when the price of wheat rises above 3s. 8d. After the price of wheat passes 3s. 8d. money will be paid into a fund to act as a reserve fund. This would happen if the home consumption price of wheat went to 6s. a bushel.

Mr. Christian—The consumer would get the benefit.

The Hon. R. L. BUTLER—The consumer is assured that the price of bread will never go above the price fixed in the Bill.

The Hon. R. S. Richards—Nor below it.

The Hon. R. L. BUTLER—That is so. The letter continues:—-

1. Contributions by Farmers.—I regard as particularly important that part of the scheme under which farmers will in periods of relatively high prices contribute money to the Wheatgrowers ’ Fund to be used for paying subsidies in periods of low prices. I should like to point out that the farmers’ organizations which were represented at the Premiers’ Conference on this matter agree that the farmer should be called upon to make contributions into the Wheatgrowers’ Fund in times of good prices to build up a fund sufficient to pay reasonable subsidies in times of low prices. The suggestion which I put forward in relation to these contributions, and which I think has found most support, is that when the price of wheat rises above 3s. 8d. a bushel one-quarter of the difference between 3s. 8d. and the price actually received by the farmer should be recovered by means of a purchases tax or export levy. As far as I can see at present a tax on all wheat purchased would be the simplest way of handling the matter. Under this scheme wheatbuyers would be licensed and would be taxed at such a rate on wheat purchased by them at more than 3s. 8d. a bushel as to ensure that they contributed in aid of the fund one- quarter of the difference between 3s. 8d. and the ruling price for wheat. No doubt a formula to give the rate of this tax could be worked out without difficulty. The proceeds of this purchases tax would be paid into the Wheat­growers’ Fund, and would be used for making payments when wheat falls below 3s. 8d. Wheatbuyers would have to be licensed, and in my view the Commonwealth would do this as part of the mechanism for collecting the purchases tax. Alternatively, farmers ’ contributions could be collected by means of an export levy, which can be worked without difficulty.

We all agree that if we ask the consumers to contribute towards the fund when prices are fairly high we can reasonably insist upon the farmers contributing one farthing for every penny increase when the price of wheat rises above the standard price of 3s. 8d, Over a period of years the wheat price has risen above 3s. 8d. If a half-penny a bushel were decided upon the fund would soon be self-supporting. The flour tax may not be sufficient to give the farmers a standard price, but the Commonwealth can reasonably make money available to be paid into the fund for redemption over a number of years.

Mr. Craigie—Do the manufacturers contribute to any fund to average up for the poor seasons they have, seeing that some of them pay 80 per cent, dividends?

The Hon. R. L. BUTLER—They have big reserve funds.

Mr. Craigie—Is it a general fund or for their own benefit?

The Hon. R. L. BUTLER—For their own benefit. The letter continues:—

1. Borrowing on the security of the Fund.— If the necessary legislative provision were made for building up the fund by the flour tax and the wheat purchases tax or export levy it should be possible to raise money on the security of future payments into the fund, for the purpose of making some additional payment to the farmer in the event of next season’s prices remaining as low as they are at present.
2. Payments from the Fund.—It should, I think, be clearly understood that no payments would be made from the fund in order to give farmers a price in excess of 3s. 8d. a bushel. When wheat is above 3s. 8d. a bushel the farmer must pay into the fund and not take money out of it. In view of the very low prices now ruling for wheat it does not seem possible at present to secure to the wheat- grower 3s. 8d. a bushel by means of the tax on flour only. This should produce enough money to pay 5d. to 6d. a bushel on all wheat produced. My idea is, however, that provided wheatgrowers are compelled to contribute to the fund it ought not to be difficult for the Commonwealth to raise a loan say, of £3,000,000, for making additional payment to the farmers, this loan to be redeemed over a period of years by the farmers’ contributions. I particularly desire to ask that your Government should give serious consideration to this aspect of the question, more particularly as harvest prospects are only fair in South Australia owing to the exceptionally dry September, and poor in Victoria. I also understand that the conditions in Western Australia and New South Wales are only fair. This retrogression in prices, plus unsatisfactory yields, must seriously affect the whole agricultural industry of Australia, and the effect upon State Government finance is bound to be serious. Furthermore, I am afraid it will necessitate the further continuance of our Farmers Relief Act.
3. Payment to Millers.—In the somewhat unlikely event of wheat rising above 5s. 2d. a bushel f.o.l. Williamstown, part of the wheatgrowers’ fund should be used for paying bounties to millers, so as to ensure that the net cost of the wheat purchased by them for flour does not exceed 5s. 2d. a bushel at Williamstown. I understand there is no serious difficulty in working out a method of making these payments.

It will be seen that my Government was the first to see the critical time ahead, and I can say, without being egotistical, that we were mainly responsible for the agreement which was eventually arrived at. The Bill contains part of the Statute law necessary to carry out the plan for stabilizing wheat prices. It is only a small part of the law, because the greater part of the arrangements must be made under Commonwealth legislation. It is, however, desirable, in order that members may understand the Bill properly, that I should give them a general explanation of all the proposals which have been discussed and which may ultimately be included in the plan for stabilizing prices. The arrangements for assisting wheatgrowers can. be divided into two parts. Firstly, there are the arrangements for providing funds, and secondly, the arrangements for distributing bounties or other payments out of the funds.

I will deal first with the possible ways of raising money. The method which is most generally approved of and which is dealt with by this Bill is the excise on flour. The excise on flour is no new thing. It was imposed by the Commonwealth in the years 1933 to 1936 at an original rate of £4 5s. a ton, afterwards reduced to £2 12s. 6d. It is, in the ultimate analysis, a method of securing a home consumption price for wheat consumed in Australia. In the years mentioned the Commonwealth imposed the excise on flour without any complementary legislation on the part of the States for fixing the price of flour. The result of the excise, in practice, was that the price of flour increased by an amount per ton approximating to the amount of the excise, and the Commonwealth Parliament had to bear the sole responsibility for this increase. This year, however, the Commonwealth Government definitely said it would not take the responsibility for imposing an excise on flour unless the States first fixed the price of flour at a figure representing the normal price, plus an additional amount for the excise. The States have now all agreed to introduce Bills to fix the price of flour at a figure which will allow for an excise on flour of between £4 and £5 per ton; and the Com­monwealth has promised that when all the States have passed their Bills and brought them into force, it will impose the necessary excise and appropriate the proceeds for helping wheatgrowers. It is estimated that an excise on flour, based on a home consumption price of wheat of about 5s. at shipping ports would produce enough money to pay a bounty of about 5d. to 6d. a bushel, based on a total crop of about 180,000,000 bushels. Of course it looks as if the original estimate will be substantially reduced on present estimates. Members will understand that as the total yield is reduced so the bounty will increase.

It has been suggested that the Commonwealth Government should contribute something to the wheatgrowers’ fund from general revenue, but, in view of its heavy commitments for defence, I am afraid this is not likely to be done. It was for that reason I suggested that the Commonwealth Bank, on behalf of the Commonwealth Government, should make a loan to aid wheatgrowers to ensure a payable price of 3s. 8d. a bushel at shipping ports.

If the necessary Commonwealth laws were passed for establishing the Wheatgrowers’ fund and for imposing and collecting the necessary contributions from wheatgrowers, there seems to be no reason why money should not be borrowed for this season on the security of future payments to be made to the fund. There is little doubt that in the course of time the price of wheat will again rise, and in that event substantial payments would flow into the fund from farmers’ contributions levied by means of the export duty or the purchases tax. These payments could be used to liquidate a loan of a reasonable amount raised for meeting the difficulties which confront us during the current season. In my opinion there would be no undue risks in this scheme, provided there is a contribution to the fund by the fanner, and I now desire to refer to this aspect of the question.

The third source of money for wheatgrowers which has been suggested is contributions by the farmers themselves. The Wilson-Uppill plan provided for a voluntary contribution by each wheatgrower who received more than 3s. 8d. a bushel for any wheat. The principle was that the wheatgrower should pay voluntarily one-half of the money received in excess of 3s. 8d. a bushel into the wheatgrowers’ fund. The South Australian Government, however, takes the view that voluntary contributions will not work and suggests that there should be provision for compulsory contributions by wheat­rowers in times of relatively high wheat prices. The Government’s view is that whenever wheat rises above 3s. 8d. a bushel (or some other agreed standard price in the vicinity of 3s. 8d.) one-quarter of the price in excess of the standard price should be recovered by means of an export duty or a tax on wheat purchased, paid into the wheatgrowers’ fund, and kept in the fund for the purpose of paying bounties when wheat fell below the standard price.

I will turn now to the payments to be made to farmers from the fund. In the view of the Government the fund should, as a general rule, be used to try and ensure for farmers a stabilized standard price of not less than 3s. 8d. a bushel or some other agreed figure in the vicinity of 3s. 8d. We certainly do not contemplate, when farmers are receiving 3s. 8d. a bushel for their wheat in the market, that they should receive any payment out of the fund, even if the fund has money available. It is contemplated that when the price of wheat is between 3s. 8d. a bushel and 5s. 2d. a bushel the excise on flour will still continue to be collected, but will not be distributed as bounties. The proceeds of the excise will be used to build up the fund to meet payments when the price of wheat again falls below the standard price aimed at. It does not seem reasonable to tax the people of Australia for the purpose of securing to the farmer any price in excess of 3s. 8d. If the farmer does receive more than the standard price that will be because of the naturally high price of wheat and not because of subventions from the public. Under the proposed scheme when the price of wheat is above the standard price a farmer must pay into the wheatgrowers’ fund and not take money out of it. For the current year, owing to the possible failure of many crops it appears that some special arrangement for assistance to those wheatgrowers who have suffered should be made.

The Hon. E. S. Richards—That will apply every year. A farmer who does not produce any wheat will come under the benefits of such a scheme.

The Hon. R. L. BUTLER—If he does not produce any wheat he should not be a wheat- grower.

The Hon. R. S. Richards—Take the ease of the farmers at the northern end of Yorke Peninsula where, for the last three years, the seasons have been unprecedently dry, and previously they had never known a failure. Will they get anything out of this?

The Hon. R. L. BUTLER—They will get some crop on northern Yorke Peninsula. I am sure Mr. Richards does not suggest that farmers right up to Port Pirie will not get any return.

The Hon. R. S. Richards—Unless there is a big change in the season some of them will not get any wheat.

The Hon. R. L. BUTLER—A bounty on wheat to a farmer who grows nothing will not assist him. For that reason I have suggested to the Commonwealth and the other States that without departing from the principle of paying a bounty on production a certain portion of the funds should be set aside to assist necessitous wheatgrowers. It would be for the States to say how this money should be disbursed. From what I have ascertained the Federal Government and Parliament will not agree to the establishment of a principle of paying a bounty on an acreage basis. Any attempt to enforce it would, I think, kill the whole proposition. The view the Commonwealth holds is that all States have what are known as marginal areas, which have been proved over a period of years to be unsuitable for wheatgrowing. They do not consider, and I agree with them, that the consumers of bread should be taxed to keep such farmers in uneconomic production. The Commonwealth maintains that this is a problem entirely for the States. I hold similar views—that we are not justified in imposing a tax on consumers to maintain farmers in uneconomic production, as a number have been for several years. The Commonwealth Government said, “You opened up the country and settled them on the land, and it is your problem to solve". I think, however, that for this year we could ask for a certain portion of the fund to be set aside to assist them, and I feel that Victoria, which is facing a bad season, will suggest something of the kind. I am certain we will never get any scheme on an acreage basis, and rightly so. Farmers in the area mentioned by Mr. Richards have had bad seasons in the past, but it is usually fairly profitable wheatgrowing country. We shall find in many instances that where crops have failed this year they failed last year, and, in fact, have failed for a number of years. We have to face the position whether we can afford to keep men in those districts attempting to grow wheat. In the north many of the farms are too small. A large number of men in the Hawker district are trying to grow wheat and raise stock, but they will not get a bushel of wheat nor will they have a blade of grass. I do not want members to think that the fund will be used in any way to help solve that problem.

Mr. Thompson-—Don’t you think that the tax proposed on bread is too high?

The Hon. R. L. BUTLER—No. I am certain that under the proposal the price of bread will not rise above 5 1/2d. delivered or 5d. over the counter.

Mr. Thompson—Will you fix the price of bread as well as the price of wheat?

The Hon. R. L. BUTLER—There is nothing in the Bill, but I am prepared to listen to members on that point.

Mr. Lacey—As you say that the price of flour will not rise above a certain figure, why not include in the Bill a provision fixing the price of bread?

The Hon. R. L. BUTLER—I could, but I want to hear members’ views. There are two sides to the question. Experience has shown that one price fixing scheme in New South Wales did not work too satisfactorily to the consumers. It has been practically abolished now and the price of bread has been fixed by agreement between the millers and the bakers. I have had a request that I should include in the Bill a scheme for fixing the price of bread, but it comes mainly from those who do not like undercutting by. some bakers.

Mr. Lacey-—Couldn’t you fix in the Bill a maximum price to be charged for bread?

The Hon. R. L. BUTLER—Yes, and I could fix a minimum, but I think millers will want a fairly high minimum to prevent anybody from undercutting the price. I do not want anybody to think that the consumers will be exploited by the legislation. Various schemes have been submitted in regard to the proposal. The Wilson-Uppill plan provided for a contribution from revenue and not an excise on flour. It set out that loans to the fund were to be redeemed over a period of years by farmers’ contributions. The contribution suggested was half the increased price over 3s. 8d. a bushel, payments to be voluntary, but since then the scheme has been modified to include an excise on flour and to make contributions compulsory. The Wilson-Uppill plan is now in accord with the one I suggested to the various Governments last June, except that the contribution of the farmers should be one-quarter of the increased price and not one half. I appreciate the efforts of those two gentlemen, who did a tremendous amount of work and devoted much of their personal time not only in outlining the scheme, but bringing it before the public. That was the real value of their work. I appreciate also the work they are now doing in Canberra in trying to get this legislation through.

Turning now to the Bill itself it will be observed from the preamble that the proposed plan is one of co-operation between the Com­monwealth and the States for the purpose of ensuring wheatgrowers a payable price for their product. As I have said, the States’ part in the plan is to fix the prices of the substances which will be taxable under the Commonwealth Flour Tax Act. The Bill will apply to all the substances included in the definition of "flour” in clause 3. The term "flour" is not limited to the ordinary wheaten flour of commerce, but includes most substances produced by the milling of wheat, including self raising flour. It does not, however, include material used in manufacturing breakfast foods or foods for birds or livestock, for example, bran and pollard, or any substance used in the manufacture of cornflour, meat products, or of any other goods not being foodstuffs. The reason for excluding those substances is that they have in the past been exempted from the Commonwealth flour tax, and as far as we can see at present the new flour tax will. be on. the same lines as the old one. The Bill contains a provision for altering the definition of flour so as to make it coincide with any definition set out in any Commonwealth Act imposing a tax on flour.

For the purpose of advising the Government as to the price to be fixed for flour there will be a committee called the Wheat Products Prices Committee consisting of three members appointed by the Government. The provisions as to this committee are contained (in clauses 5 to 11, inclusive. The main point is that the committee must act in co-operation with the similar committees to be appointed by the Commonwealth and the other States. It will be necessary for the prices of flour and other substances fixed under the Bill to conform to an Australian standard; for example, the price of flour in South Australia must be what might be called, the South Australian equivalent of the flour prices fixed in New South Wales and Victoria. Such prices can only be determined if the committee has expert knowledge of the wheat and flour trade in this State and acts in collaboration with the other Australian authorities. For this reason the Government proposes a relatively small advisory committee which will consist of persons who are thoroughly familiar with the wheat and flour trades, and who will be able to render real assistance in the joint deliberations of the Commonwealth and of the other States. At the conferences at which this Bill was prepared the Commonwealth authorities asked that the legislation of the States should provide for small expert committees rather than large representative bodies. As all the committees will have to work in collaboration with each other, it is apparent that difficulties will arise if the committees are too large. The Government agrees with this view and asks Parliament to accept a committee of three on the understanding that the Government will appoint a committee which will at the same time be competent and impartial. It must be borne in mind that the committees are only advisory; final decisions under the Bill must be made by the Ministers who will be bound to consider what is best in the interests of the general public.

Clause 12 provides for the registration of flour millers. The object of this provision is merely to assist in the administration of the Bill. It will, of course, be impossible to enforce the Bill unless every flour miller in South Australia is known to the Government. Clause 13 provides that the Minister may call for returns as to wheat, flour, bran and pollard. This provision also is necessary for the purpose of properly administering the Bill. Clause 14 contains the principal provision of the Bill. It provides that the Governor may on the recommendation of the committee fix the minimum price only, or both the maximum and minimum price, at which any substance included in the definition of flour may be sold. As I have indicated before, the Commonwealth Government took the definite stand that it would not impose an excise on flour unless the States took the responsibility of fixing the minimum price for the substances subject to excise. We must, therefore, in order to ensure the inauguration of the wheat prices plan, fix a minimum price for the substances included in the definition of flour. As regards ordinary wheaten flour it was decided at the conferences that the price fixed for ordinary flour must be not less than £11 per ton, and if the State decides on a maximum, the maxi­mum must not be more than £13 10s. a ton. Where flour is sold in small bags there must be an additional amount allowed for the bags. If prices are fixed between the limits mentioned it will be possible to allow for a reasonable flour tax to be imposed, and at the same time to allow the ordinary trade competition to go on as it has in the past, the only difference between the old system and the new being that the price will be increased by the amount of the tax. This Bill fixes a minimum of £11 and if necessary a maximum of £13 10s. and all that the committee will have to do is to fix the intermediate prices.

The Hon. It. S. Richards—It does not fix the price of bread.

The Hon. R. L. BUTLER—As I have already said I am prepared. to listen to members on that point. If Parliament thinks that there should be a fixed price for bread to prevent any exploitation of the public I am prepared to consider it.

The Hon. R. S. Richards—Do you think the bakers need some protection?

The Hon. R. L. BUTLER—They do a little. They are rather desirous to have a fixed minimum price so that there cannot be undercutting. Whether the House is prepared to take away the right of the public to buy cheap bread I do not know.

The Hon. R. S. Richards—The bakers also suggest a maximum price

The Hon. R. L. BUTLEB- I think there are some bakers, probably foreigners, using their own labour and manufacturing bread at a cheap rate under conditions not too hygienic.

The Hon. J. Mclnnes—They are subject to the Health Act.

The Hon. R. L. BUTLER-Yes. I am quite prepared to hear the views of members on fixed minimum and maximum prices. The provision for fixing a maximum price for flour is not essential to the wheat price stabilization plan; but the power to fix this price is included in the Bill so that it can be used, if necessary, to protect the public. The proclaimed prices may be varied from time to time, but it is not contemplated that variation will be required very frequently. Once the price is fixed the Commonwealth will impose a flour tax, and will vary it periodically according to the price of wheat, so as to keep the price of flour stable. A proclamation fixing the price of flour may be revoked by the Government either on the advice of the committee or with the consent of the Prime Minister of the Commonwealth. It is not anticipated that it will be necessarv to have any fixed price after the Commonwealth flour tax is removed.

Mr. Rudall—Why does the Prime Minister come into the question of an alteration by proclamation?

The Hon. R. L. BUTLER—As the Commonwealth Government is imposing the tax it should certainly have the right to suggest to us any alteration.

Clause 15 provides penalties for failing to observe the fixed price. Clause 16 provides that any sums demanded by a seller of flour from his customers in respect of flour tax shall be deemed to be part of the price of the flour. Clauses 17, 18, and 19 are administrative provisions as to regulations, offences, and stamp duty.

The Bill as drafted is based on the uniform draft Bill prepared at conferences in Canberra. The Government, of course, does not desire to unnecessarily restrict the power of members to criticize and amend the Bill; but it ought to be pointed out that it is essential if the wheat stabilization plan is to be inaugurated, that the main principles of the Bill, namely, those as to the fixed minimum price for flour should be passed without alteration in principle. The Government has submitted the Bill to millers ’ representatives in this State who have given it very careful consideration and are of opinion that it is a workable measure. I move the second reading.

The Hon. R. S. RICHARDS secured the adjournment of the debate.