



Speech by

JOHN KINGSTON

MEMBER FOR MARYBOROUGH

Hansard 15 September 1999

PRIMARY INDUSTRIES LEGISLATION AMENDMENT BILL

Dr KINGSTON (Maryborough—IND) (12.18 p.m.): Firstly, I wish to address the policy environment, not created by the member for Inala, within which this Bill must try to legislate for the benefit of Queensland primary producers. The mandarins in the Federal Treasury have embraced the theory, now elevated almost to a not-to-be-monitored religious cult, of economic rationalism. They believe that, in a perfect market, there is little role for Government in trade matters: just leave it to market forces, just sit back, relax, and enjoy the rape that follows. I am told that that "sit back, relax" statement is an ancient Asian proverb, but I can assure the House that it is not adhered to in Asian trade policies.

I suggest that we should look at the spectacular development of Singapore under the interventionist policies of Lee Kuan Yew. For five years, I operated a successful foreign-owned business in South-East Asia. I can assure members that it was much tougher than it is here. I agree that it is essential that Queensland industries are competitive. However, despite lowered Government funding for essential research, I think that the majority are already.

I have a real problem with the blind faith that the Federal mandarins have in the perfect market—the level playing field. The level playing field is a myth. Let us take sugar as an example. Queensland sugar producers face a 65% tariff on imports within quota into Thailand, whilst outside quota attracts a tariff of 99%. We are not allowed access to the European Union. We are allowed an 8.3% share of the USA's tariff rate quota and that attracts a duty of 62.5c a pound. When our pork producers were besieged by Canadian pork, the Federal Government agonised for months while pork producers were perishing. It finally produced a report that proved to its satisfaction that giving our pork producers 10% tariff protection for one year would not break the WTO guidelines. Forty-five per cent of pork slaughtering in the US is controlled by four companies: ConAgra, IBP, Cargill and Sara Lee.

The USA spreads the gospel of trade liberalisation and compliance with the WTO guidelines, but when Australian lamb established a market within the US, how much time did Clinton spend deliberating over the WTO guidelines before he imposed a tariff and a quota? Four companies control 70% of sheep slaughtering in the USA. The USA kills 35 million head of cattle a year and exports 10% of the resulting meat volume, but the USA—the spreaders of the gospel of free trade—have a restrictive trade policy that limits beef imports to the equivalent of 10% of their own production. Whilst they maintain this restrictive trade policy, the USA cannot become a net importer of beef.

Some weeks ago Queensland Country Life featured an article that stated—

"Beset by low returns, American farmers are pleading to be put back on the Government teat and the USA Government, heading for an election year, is listening."

I would add that, to the credit of the current Minister, as I saw on television, he has now discovered where that particular part of bovine anatomy is, but he still approaches it from the wrong side.

The US\$7.4 billion farm rescue package, which was passed four weeks ago by the US Senate, follows last year's US\$5.9 billion bail-out and comes on top of a further US\$16.6 billion in other farm subsidies last year. I recommend to members that they read other recommendations to the US Government, including a US\$7.4 billion bail-out for drought and natural disasters, support for the US sugar program, the abolition of the North American Free Trade Agreement and the International Monetary Fund and—I ask honourable members to please listen to this—the absolute shutdown of

competing imports whenever the prices for a farm commodity slip below the US cost of production. I could continue and list other recommendations that distort the global market.

What really concerns me is the domination of the international food markets by a relatively few transnational companies and the commonality of ownership of groups of those companies. For instance, it can be claimed that the international commodity trade is controlled as follows: grain by Continental, Cargill, Bunge and some others; meat by IBP, ConAgra, Cargill, Sara Lee and Hommel; dairy by Nestle, Borden, Kraft and others; edible oils and fats by Unilever, ADM, Proctor and Gamble; sugar and cocoa by Nestle, Tate and Lyle, and Cadbury; beverages and drinks by Guinness, Bass, Seagram, Coca Cola, Pepsi and others; and food distribution by Nestle, Grand Metropolitan, RJR, Nabisco and others. It is disturbing that many of those companies can trace a degree of ownership and control back to one investment house. Additionally, some of those companies are owned by billionaire families that essentially answer only to their own ambitions. Three cartel members control 64% of the beef packing in the US: Cargill has 18%, ConAgra has 20% and IBP has 26%.

International writers such as Martin and Schumann are calling for the primacy of government of nation states to be returned to the democratically elected Government. I was delighted to hear the Premier refer to the primacy of government as one of his objectives in his Budget Speech. If members have any doubts, I recommend that they read the book *Stop—Think* by Paul Hellyer, a past Deputy Prime Minister of Canada. He lists the impacts of globalism on Canada and it is very uncomfortable reading.

There are many examples of countries whose economies have prospered utilising protection for fledgling industries and agriculture: Australia under Menzies, Germany with its rye and steel policy, Singapore under Lee Kuan Yew, Japan and more recently Malaysia, especially Penang. Members should look at what happened to Mexico when it opened its borders without constraint. Despite the largest bail-out in history by the IMF, this nation of one hundred million people is worse off than before the NAFTA agreement and the massive IMF loan. Anne Hufschmid insists that Mexico is now on the threshold of ungovernability and civil war.

That concludes my scattered attempt to present a snapshot of the world agricultural trading environment. I will now dwell on a current Queensland crisis—the South Burnett Meatworks.

I have spent many years working in Australia and overseas as a consultant within the national meat industry and it is not a nice industry. It is not full of Queensland gentlemen and gentlewomen such as sit within this House. In fact, Australians are generally regarded as being pushovers within the international meat market and this is an opinion and a fact we have to change.

I applaud the Premier's stand on pineapples from Thailand. I diverge briefly to comment on foreign pineapples entering Australia. In 1991 I was commissioned by an Indonesian company to design a cattle feedlot as an appendix to a pineapple plantation in Sumatra. That plantation had 14,000 hectares of pines and employed 7,000 workers who were paid US\$1 a day. It had a modern cannery that worked 23 hours a day, six days a week. As soon as they fed the pine waste to cattle, they saved a 15% environmental tax. Whilst planning the accommodation, I asked how many square metres they allowed per person in the sleeping quarters and I was told one. As the member for Tablelands would attest, that is possible if they have three-tiered bunks that are slept in three times a day by nine different people. In the product display room I saw some tins of pineapple that were familiar. The last time that I had seen that brand was in a major supermarket in Queensland.

I return to the international meat trade. I assure members—and I know this from personal face-to-face experience with world leaders in meat hygiene—that the fact that Australia has the best meat hygiene in the world will not be allowed to enhance our international trade. I have been told this by the boss of the English equivalent of AQIS and his counterparts in the EU. The Englishman said, "I'm sorry old chap. Your meat hygiene is excellent but when my political masters tell me to, I will tip a bucket on you." He gave me this tie—the meat hygiene service tie—as a condolence.

Honourable members would be aware that 37% of meat processing within Australia is foreign owned. The only other countries that may rival us in this regard are Brazil and Argentina. Surely we are more solvent than those countries.

The Premier has been critical of the management of the Murgon works. However, with respect, I submit that he has been badly advised. In 1988 I studied almost every meatworks in eastern Australia for the then AMLRDC. Murgon was an industry hygiene leader. The kill line is currently in good condition and is fast, but some industrial renegotiation may be needed for it to stay competitive in the future. The current manager is a marketer whose attitude is that it is a marketing company that happens to own an abattoir. That is a logical management approach. Its marketing wing, QSun, which is still trading, has made good connections with some large and demanding Asian and international supermarkets selling its value-added products. It has done what our meat industry should have done in 1989. Thus yesterday's Budget should assist QSun.

South Burnett's major problem is a lack of equity. I am deeply concerned about what an international company that owns processing interests in Australia has done to Murgon. Last year, it lost over \$80m worldwide, with approximately \$50m of that occurring in Australia. This is widely recognised within the Queensland industry. Murgon's direct marketing to international supermarkets goes a considerable way towards resolving the pricing/profit problem for quality cuts.

If the Murgon meatworks closes, the 1,200 shareholders will lose the works, which is valued for insurance at \$23m but which would probably cost double that to replace. Its scrap value is \$4m. The 3,000 suppliers will lose sales proceeds. But more importantly, in the longer term they will lose an essentially locally owned and competitive outlet for their cattle. Preserving the Murgon meatworks is very important, because it is an outlet for smaller producers who turn off small lots.

The closure of the meatworks would have a negative socioeconomic impact on Wide Bay and Murgon. The State of our Regions report and a report by QCROSS both highlight the socioeconomic position in Wide Bay. I have been to several creditor and producer meetings. The will is there. The producers to whom I have spoken—and there are many—are willing to subscribe funds, pledge the supply of stock and pay South Burnett a 5% commission to preserve this essential outlet.

I know that it is not desirable policy for Government to bail out every cash-strapped business. However, I think Murgon is worthy of special consideration for the following reasons: the actions of a multinational company which I equate to economic colonisation; its importance in preserving a competitive market for cattle; the importance of maintaining the service it provides to smaller regional producers; the fact that suppliers are showing support; and the fact that its marketing wing is accessing good overseas markets with a broad range of quality value-added products, and not just meat. There is anger within the industry that this situation is able to occur. That anger will spread and intensify if the meatworks closes.

At the last creditors meeting, the administrator gave the creditors two choices: either accept the non-signed overseas offer, which is subject to raising \$15m, from an individual with a very interesting history in Saudi Arabia, or liquidate the cooperative. The meeting was then adjourned for three weeks. In his assessment of the situation, the administrator did not include the successful direct marketing of value-added products to the three largest international supermarkets in Asia. The administrator has now recognised that he needs the assistance of a consultant experienced in the international meat trade.

South Burnett is now preparing a detailed business plan for the future operation of the works. The Premier told the House that the Government would provide an amount of \$200,000, but he did not tell the House that that was conditional on the directors, most of whom are also creditors, providing \$34,000. I am happy to report that a cooperative has now acquired the use of a predictive computer model specifically constructed to consider every step within an abattoir and every product from an abattoir, thus making detailed sensitivity studies possible.

Members would know that a very high percentage of the Wide Bay Shire population is living below or close to the Henderson poverty line. Wide Bay will be critical to this Government's realisation of its admirable 5% unemployment objective. The closure of Murgon will further lower the unattractive socioeconomic statistics for Wide Bay.

I am not suggesting that this Government should just shell out gift capital, as the Federal Government has done in Newcastle. What I am suggesting is that the South Burnett deserves very careful analysis, taking into consideration the activities of transnational operators. If that analysis, now being assisted by private enterprise, is favourable, it needs capital accommodation for some years. I encourage the Deputy Premier to facilitate that, provided the works and the innovative QSun are basically sound.

On 18 August this year, whilst discussing employment and job generation within Queensland, the Deputy Premier criticised the Federal Government for providing grants worth \$2.5m to ensure that Impulse Airlines set up a call centre at Newcastle. He correctly commented that Newcastle is no different from a whole range of other regional areas, such as Wide Bay. There is a chance to redress that imbalance by helping Wide Bay industry to continue its essential service to Queensland cattle producers.

I have raised the problems of South Burnett and the environment of international trade because I think it is essential that this House know something of the environment in which our primary producers are trying to compete. I am sure the members for Callide and Barambah will join me in offering their assistance to the Minister and Deputy Premier in assessing the situation and the remedies.
