Speech by

LINDA LAVARCH

STATE MEMBER FOR KURWONGBAH

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SUGAR INDUSTRY BILL

Mrs LAVARCH (Kurwongbah—ALP) (5.29 p.m.): This afternoon I rise to support the Sugar Industry Bill, to which I am delighted to speak. Recently, I attended a conference concerning an industry other than the sugar industry. However, that industry is also going through reviews and changes. At that conference the keynote speaker was the CEO of a major Australian company. He offered some very good advice to that industry—advice that is probably applicable to the sugar industry. Today I wish to share that advice with the House.

The advice was that, as the industry was arguing within and opposing groups were directing all of their energies to opposing National Competition Policy, there were elephants in the bushes waiting to trample over them. Of course, the elephants in the bushes represent our competitor countries, which at the blink of an eye would take our markets from under us. They would be delighted that we have been tied up with a debate on National Competition Policy. In reality, to most industries the National Competition Policy debate in Australia is like a flea on the back of an elephant when it is compared with globalisation and international markets.

The viability of our sugar industry is dependent on our export markets, and we must never lose sight of that. In fact, 85% of sugar is exported. That means we use domestically only 15% of all of the sugar produced in Queensland and northern New South Wales. The importance of our sugar industry can never be overstated. It contributes about $4.7 billion to our economy.

Countries such as Brazil and Thailand are increasing their sugar production. I believe Brazil produces sugar for about 5c per pound. These countries are real threats to our industry. It is vital for our industry to be well placed so that it cannot be trampled on by the elephants waiting in the bushes. I believe the Bill gives the industry the necessary tools to be able to respond to globalisation and international conditions. As the Minister put it in his second-reading speech—

> "This Bill sets a framework for the future of the sugar industry in Queensland. This industry faces many challenges, and it is only by becoming more flexible and competitive that these challenges can be overcome. This means being more commercially focused and breaking down the entrenched distrust between growers and millers that has historically occurred in the industry."

I believe this Bill puts us in a very strong commercial position to be able to enhance our sugar industry on the world stage. I, too, have visited some sugar areas since the Bill was tabled in the House. I had the pleasure of meeting with mill supply committees in the Herbert/Burdekin area. This is a very special area in our State. Not only does it have the largest production mill; there is also only one mill owner in the area. There might be a number of mills in the area, but CSR is the only mill owner. This can create a huge power imbalance for the grower. That is why in my contribution to the debate I wish to pay particular attention to the framework for cane supply as provided for in the Bill.

As I said, the Bill regulates a wide variety of activities in the sugar industry. One of the main areas of extensive regulation is in relation to cane supply arrangements. As members would be aware, the nature of cane as a crop imposes some special conditions on the business of the supply of cane in the sugar industry. Firstly, the amount of sugar in cane, reflected by the measure of commercial cane sugar, or c.c.s., declines rapidly after the crop is harvested. Realistically, the cane must be crushed by a mill within 16 to 24 hours of its being harvested in order to extract an economic amount of sugar. This means that extensive transportation of harvested cane is not possible and it must be crushed locally. In

most areas, sugarcane growers are limited to supplying one mill. Hence a situation arises which the economists call "monopsony", that is, one buyer with many sellers. Unlike the position in many other agricultural industries, canegrowers have little choice in terms of who processes their product.

The other important factor with respect to cane is the level of c.c.s., or sugar content, which rises as the season progresses, reaches a peak around the middle of the season and then declines steadily. The level of c.c.s. basically conforms to a bell-shaped curve. In the industry, payment for cane is determined by complex formulas, one important element of which is the c.c.s. level. At the moment, this issue is of great concern in particular in the Herbert region. Mills have a fixed capacity in respect of the amount of cane they can crush per hour. Because the c.c.s. level is highest in the middle of the season, say, in October, in a perfect world every grower would try to supply the mill at that time. Of course, they cannot do so because of the finite crushing capacity of the mills. Therefore, it is necessary for arrangements to be made as to at what time the different growers will supply the mill.

Regulation has been developed to work through these matters. An averaging of returns for growers has been developed such that all growers in the mill area receive an average of the c.c.s. level for the whole season. In theory it does not matter when they supply, be it at the beginning, middle or end of the season; all other things being equal, they will receive the same amount per tonne. The issue of season length is related to this. The longer the season for crushing, the greater is the amount of cane that can be crushed; however, the average return to all growers is lower. This is because cane crushed at the beginning or the end of the season has lower c.c.s. levels. All of these matters must be dealt with by growers and millers. Of course, the growers say that the millers want to keep extending the season so that they can crush more. On the other hand, the millers say that the growers want to keep the season short so that they have the highest c.c.s. content in their cane.

The current arrangements are highly centralised and regulated. In its report the working party recommended a framework for cane supply arrangements which it believed would enhance the competitiveness of this industry. This framework has been implemented in the Bill. I will now address what the new cane supply arrangements in the Bill are intended to achieve.

The arrangements will result in a long-term commitment by canegrowers to supply a particular mill and a long-term commitment by each mill to supply crushing capacity to its canegrowers. The arrangement should balance the negotiating power of canegrowers and the mill they supply, even in areas where there is only one mill owner to a number of mills. The arrangement could provide for the collective representation of canegrowers. Cane supply negotiations will be conducted and resolved at a local level between canegrower and mill owner representatives. The phrase "local level" covers negotiations at both an individual mill area level and negotiations for several adjoining mill areas where there are issues of common concern. Dispute resolution procedures are commercially oriented and promote solutions which are negotiated by canegrower and mill owner representatives rather than arbitrated.

The assignment system, which delivers a number of beneficial outcomes, and its key elements are retained. It will be administered at a local level. The processes for expanding the area planted with cane and the supply negotiations for cane from existing cane land are linked. The arrangements will enhance mill area net income, with the distribution of income between growing and milling sectors being determined through the cane supply negotiation process. The regulatory arrangements allow for mill area negotiators to vary by mutual agreement only any restrictions on cane supply arrangements which previously have been required under the current Act.

Mr Rowell: You are doing very, very well.

Mrs LAVARCH: I would appreciate it if the member were not patronising.

Individual canegrowers or groups of canegrowers are free to opt out of the collective bargaining system and make their own contractual arrangements with their mill, provided such action does not significantly adversely affect the canegrowers covered by the collective agreement.

Mr Rowell interjected.

Mrs LAVARCH: The fact that I am not a member of the National Party does not mean that I do not understand the sugar industry.

There is a form of auditing and a method of remedying deficient individual agreements to ensure the achievement of this outcome. The arrangements facilitate innovation by canegrowers and mill owners and the achievement of productivity gains both individually and collectively. The process of expanding cane supplies takes into account land use factors to help ensure the industry's long-term sustainable development.

In implementing this framework, the names of some of the regulatory devices in the 1991 Act have been changed. Thus, an assignment is now called a cane production area. An assignment in the 1991 Act was, in effect, a licence to produce and a right to supply a mill. Assignment was measured in terms of hectares that can be put under cane. Assignments could be sold or leased. The Bill now

provides that growers have a cane production area, or a CPA, which is the same in form as an assignment. It relates to a particular number of hectares on a particular land description. A CPA is different, however, in that it is no longer a right to supply, but is now a right to enter into a cane supply agreement with the mill owner.

The cane supply agreements replace awards under the 1991 Act. The grant of a CPA is now in the hands of cane production boards, or CPBs. CPBs were called local boards under the 1991 Act. This is part of the process of shifting more decision making power to a local level. Previously, these decisions were officially made by the Queensland Sugar Corporation in Brisbane. However, for some time the reality has been that local boards were making decisions and the QSC was rubber-stamping these decisions. This Bill recognises what has been happening in a de facto sense on the ground in local areas.

I will leave it to others to go into the detail of the cane supply agreements. What I can say to the House is that the framework provided in this Bill for cane supply is carefully constructed to promote local flexibility and profitability and industry wide competitiveness. To some extent, the sugar industry is unique in that it is very highly regulated, even with these amendments. In the discussions in Ingham and in Home Hill, I think the most common comment was that there was nothing earth shattering in this Bill, but it points the industry in the right direction.

However, this Bill does provide a regulatory basis for sound commercial bargaining and for strong commercial outcomes. The Bill regulates sufficiently to overcome the problems associated with the nature of the production of the cane crop but not so greatly as to stifle initiative and flexibility at the local level. The Bill is an example of Government intervention that supports, not supplants, the market. It demonstrates the Government's commitment to the sugar industry.

I commend the Bill, but I also commend the Minister for his continued negotiations with the industry since the Bill was introduced into the House. I understand that some of the concerns of the canegrowers have been addressed or will be addressed in the Committee stage when amendments are moved to ensure that, especially in relation to the framework of the cane supply, there are mutual obligations and that the power between the mill owners and the canegrowers is as balanced as possible. I commend the Bill to the House.