



Speech by

Mr TIM MULHERIN

MEMBER FOR MACKAY

Hansard 23 March 1999

SUGAR INDUSTRY

Mr MULHERIN (Mackay—ALP) (12.18 p.m.): There is no doubt that sugar is one of the most important industries in Queensland. It is a fact that this Government fully recognises. This Government has made it a priority to support the sugar industry through an appropriate policy and legislative environment which will encourage industry development in all its facets. This Government recognises the tremendous contribution the sugar industry makes to Queensland's economy. Its contribution is both economically and socially significant. It is the mainstay of many Queensland communities.

In my electorate of Mackay there has been an impressive rate of industry expansion over the last five years. This expansion has been achieved through improved management as well as additional assignment areas. Despite the opportunities for sugar industry expansion, the industry is facing a number of challenges. Last season—the 1998 season—was disastrous, with only 4.5 million tonnes of sugar being produced due to wet weather. On top of that, the world price dived. The outlook for 1999 is far from ideal and, in fact, may be worse than that of last year.

In terms of prices, the world surplus from four years of oversupply indicates an average 1999 world price of US5.7c per pound. Only two days ago, it was down to US5.5c per pound. The downturn in world price is linked to the Brazilian sugar industry. Brazil's farmers grow 340 million tonnes of cane and produce a very high pol sugar compared with the lesser quality—although still a relatively high quality—sugar that is produced from the 40 million tonnes of cane grown by the Queensland growers.

Due to the fall in world oil prices and the devaluation of the Brazilian real, which is linked to the US dollar, the Brazilians have reduced their ethanol production and increased their raw sugar exports by 45%. This impact has spooked the world sugar market, causing a decline in world price and contributing to the further oversupply of sugar. That has been compounded by the Russians withdrawing from the world market because of their economic crisis.

Unless we clear the world surplus, either by responding on the production side or by increasing global consumption, lower world prices will continue into the year 2000 and possibly beyond. The dramatic fall in the world sugar price will have a devastating impact on Queensland towns whose economies are based on sugarcane growing and production of raw sugar. At a recent ABARE conference, one speaker forecast that farmers in the north Queensland region—those in Tully and Innisfail, who have been experiencing poor yields and lower c.c.s., and those in the Burdekin region, who have a high debt loading—will all experience negative farm incomes. In the central region, farmers in Mackay and Proserpine on average will suffer lower farm incomes. Some farmers in that region will have negative incomes because of their high debt loading. However, it is hoped that the farmers in the Mackay and Proserpine region will not drop below the zero line. The situation in Bundaberg is very similar. The downturn in the world sugar market will affect the profits of retailers and suppliers in those towns, forcing employers to adjust their business plans, with the possibility of employees being retrenched because of the economic downturn in the sugar industry.

Despite the difficult times, the sugar industry has a number of key challenges to address. The Sugar Industry Review Working Party completed an extensive review with 74 recommendations in November 1996. The Government is working in partnership with industry to implement these recommendations in accordance with the industry's direction. A major point of disagreement within the industry was the transferability of cane production area between mills. That has now been resolved following the signing of a heads of agreement on these matters by the Milling Council and canegrowers

on 15 January this year. The new sugar legislation is just around the corner. It is scheduled to be introduced into Parliament in the first half of this year and take effect from 1 January next year.

It is important to note the motion moved by the Minister for Primary Industries and supported by the Parliament late last year regarding the importance of retaining the single desk selling arrangements for sugar. The single desk arrangement is at risk. In the next round of World Trade Organisation talks, the Americans have signalled that statutory marketing authorities or privatised marketing authorities with monopoly marketing powers will be placed on the agenda and put under the microscope. The Americans want to abolish those arrangements as a trade-off for further liberalised world trade. The single desk is vital for the sugar industry and it is vital for Queensland. The Federal Government has conceded that there is substantial pressure on us and that we must be on the front foot when advocating it and, where necessary, defending it.

Therefore, I find suggestions by some growers that the Queensland Sugar Corporation should be directed to charge domestic customers at prices above export parity worrying. It is important to remember that export parity pricing was a recommendation of an industry working party that included representatives from all industry bodies. It was part of the arrangements for maintaining the single desk. Retaining the single desk is vital in maintaining Queensland's position as a preferred supplier in the world market.

Improving the quality of raw sugar is another challenge to the industry. For many years, the Queensland industry was renowned for its quality and reliability; however, in recent years Brazil has increased its quality to make it the world leader. Although we are still renowned for our reliability, we must address the issue of quality. I believe the future prosperity of the Queensland raw sugar market is linked to increasing a higher pol in raw sugar to a grey standard which will enable us to regain our status as a reliable supplier of high quality raw sugar. That will come at some cost, but to retain our market share we must actively pursue this issue through research and development.

I congratulate the Minister for Primary Industries, the honourable member for Inala, who has sought to unite the industry in a partnership with Government to address these challenges. To this end, the Minister has formed the Sugar Industry Development Advisory Council, which will meet in Brisbane on Saturday. The Minister should be congratulated on this initiative. The Minister has sought to bring together the heads of industry representative bodies and delegates from the four sugar regions. The council, chaired by the Director-General of the Department of Primary Industries, Dr Warren Hoey, will provide for a whole-of-Government approach to sugar industry issues. In difficult times, it is necessary for industry sectors to foster an even greater understanding of each other, with greater cooperation and cohesiveness. That partnership in progress is critical and this Government is fostering it.

The partnership between the different industry sectors and the partnership with Government have been rewarded with the recent success in securing the 24th International Society of Sugar Cane Technologists Conference in Brisbane in 2001. That congress will be a major boost for the Queensland sugar industry, with exposure to new technologies as well as the promotion of the domestic industry. It will further enhance the industry's international profile. More than 1,000 national and international delegates are expected to attend the 2001 conference in Brisbane. That congress will be an excellent showcase to the world of our competitive, sustainable and expanding Queensland sugar industry.
