Speech by

CHRIS CUMMINS

MEMBER FOR KAWANA

Hansard 15 May 2003

SUGAR INDUSTRY AND OTHER LEGISLATION AMENDMENT BILL [No. 2]

Mr CUMMINS (Kawana—ALP) (3.59 p.m.): In rising to comment on the Sugar Industry and Other Legislation Amendment Bill (No. 2) 2003, I commend the Sunshine Coast sugar task force and its chair, the honourable Peter Wellington, the member for Nicklin. I know that the task force and Peter had a very difficult job—one that they faced head-on. They did not pussyfoot around, and they realised that we as a government had to tackle the issue.

This bill implements real regulatory reform that is needed if the Queensland sugar industry is to survive and prosper. The sugar industry is a significant contributor to the Queensland economy and, indeed, the national economy. Sugar is the second-largest agricultural industry in Queensland after beef and normally contributes more than $1 billion to the state's economy annually. It is a significant export industry. Indeed, Queensland exports 85 per cent of its raw sugar production and is the fourth largest exporter of raw sugar in the world with major customers in Asia, the Middle East and North America.

The export focus and the relatively small domestic market means that the industry has no choice but to be globally competitive. If it is, it will survive. If it is not, it will not. We cannot eliminate Brazil, we cannot reform the international market on our own and we cannot change the weather. But we can and will change the regulatory environment. Together with a sensible program of change management, this will facilitate the necessary change in the culture of the industry.

Of particular concern is that, by allowing the present regulatory system to have continued for so long, successive governments may have unwittingly contributed to the industry's ability to make essential productivity gains. Productivity gains will benefit all parts of the industry. A failure to make these gains will hurt millers far more than growers, but all will suffer. The message is clear: retaining the existing regulatory structure will impede essential productivity gains and put the whole future of the industry at risk.

The Queensland government is certainly not about to just sit back and let that happen. Through the memorandum of understanding, we have maintained close cooperation with the federal government to ensure a joint approach to the sugar industry. The package of reforms that are contained in this bill have been discussed extensively with the federal government. These negotiations focused on the need to deliver reforms that benefited the industry as a whole. This package flows out of our joint approach to regulatory change.

Over the past few years there has been a lot of doom and gloom in the sugar industry. Even people in the industry have been predicting its demise. Let me say that the Queensland government does not accept this doom and gloom message. We believe that the industry, with change, has a bright future and may be here for future generations.

I will mention the rise of the Brazilian industry, as it is one reason why the world raw sugar market is in oversupply and why prices have been particularly low in recent years. Towards the end of the 1990s, Australia's superior position in the world sugar market changed. As a result of deregulation of the Brazilian industry, Brazilian producers suddenly faced incentives to expand and adopt Australian cane and sugar-producing technologies. Brazil's industry responded rapidly to these incentives. Production was expanded and producers exploited economies of scale and the scope of the Australian technology beyond what was achieved in our country. The Brazilian currency was then devalued massively, leaving its sugar industry with a substantial competitive advantage. Moreover, the volumes exported to the overseas market lowered the world price.

Brazil's superior competitiveness and its impact on the world market price have greatly altered the outlook for the Australian industry and its profitability has been severely eroded. Brazil has increased its share of the world market from 8 per cent in 1981 to 21 per cent in 2001—aided in part by its ability to export higher quality sugar. Lower qualities are diverted to ethanol at a low price. Brazil has, on average, a lower cost of production than Australia and more efficient systems of production. This is not attributable only to cheap labour, as is sometimes imagined.

Brazil has had the advantage of establishing large sugar industries on greenfield sites, allowing it to implement best practice in establishing supply chains. Vertical integration of all stages of the production process has aided the achievement of efficiency. The structure of Brazil's industry varies considerably from that of Queensland's industry, which is characterised by little vertical integration, large numbers of small farms, and very few greenfield sites. In 2002 Brazil increased its sugar production by the same amount as Queensland's total annual production. It is expected that the Brazilian cane industry will continue to grow, with early estimates indicating a 4 per cent increase in the 2003-04 crop.

Our sugar industry faces a fundamental challenge to its sustainability. In economic terms, the challenge is how to adapt to an environment in which the price it receives for raw sugar—the bulk of the industry's production—is on a long-term downward trend in a market where Brazil is more competitive and is seeking, and aggressively seeking, new markets. If the industry does not meet this challenge, the consequences for growers, millers, harvesters and those who depend on the industry will be severe. This will threaten the social and economic sustainability of many regional communities.

The Queensland sugar industry is the most regulated agricultural industry in our state, and perhaps in our nation. An elaborate regulatory structure was introduced nearly 90 years ago at a time when commercial realities were very different from those today. While extensive regulation has been removed from other industries in Queensland, most business decisions in the sugar industry occur within a legislative structure. The regulatory structure has been extensively reviewed and progressive changes have occurred with positive results for the industry.

Land on the Sunshine Coast presently used for sugar cane has gone under contract for sale. I believe that one of the conditions of sale is reliant upon rezoning. When I was a member of the Caloundra City Council, I raised with planners the need to properly plan for some of these areas, that is, give certainty sooner rather than later as to the preferred land use. Much of these areas is currently in my electorate. Back then I was advised that, in updating the planning documents or making them IPA compliant, nothing was to change. However, in recent discussions with the honourable member for Nicklin, he has advised me differently, although these planning documents are in the preparation process and have not gone to the council as yet.

Bad planning decisions are often made when they are made under time pressures or time limitations—decisions made on the hop. Local, state and federal elected representatives will come under increasing pressure, especially on the Sunshine Coast, as cane farmers may be forced from the land. Hectares and hectares of lush green sugar cane fields are a vision that both residents and visitors enjoy. Sadly, if these growers or, yes, the larger corporations that also exist in the industry cannot see light at the end of the tunnel, other land uses will possibly be considered and imposed.

We cannot bury our heads in the sand and say that it is all too hard, that it is too difficult a problem to tackle. That is letting down our community—the same people who put us into decision-making positions. Queensland will soon become the second most populated state in Australia. Much of that growth will be in the south-east corner. The population of the Sunshine Coast is expected to double. Sadly, the mill at Nambour seems to be doomed. Business and corporations make decisions based more on profit and loss outcomes than on effects on our communities. The simple reason is that shareholders of these same companies demand a return on their investment. No-one I know willingly buys shares or makes an investment hoping to lose. People buy shares or make an investment hoping to make a good return on that investment.

The Beattie government is committed to working with local and federal governments to make the best of a potentially sad situation. Planning for growth is a vital component of government as we need to ensure that relevant infrastructure and community facilities are accessible if these cane lands are to be turned into communities.

Councils are like us at a state level within 10 to 11 months of an election. Grandstanding and hollow promises, sadly, will be the norm from candidates who can offer little but shallow, simplistic ideas that cannot be delivered. I must warn the community that consultation must be thought about long and hard. We are facing a grave issue on the Sunshine Coast. It is all very well to say that we do not want to lose the sugar cane fields that we have all grown to love and enjoy. But, if it is a reality, planning must ensure the best outcome for not only this generation but also future generations.

In commending both the Minister for Primary Industries, Mr Palaszczuk, and the Minister for State Development, Mr Tom Barton, I again give my commitment to assist in any delegations by relevant parties that will be needed to address the situations I have mentioned on the Sunshine Coast. I also commend Peter Wellington for his dedication and hard work. Peter is a realist. It is no good giving people on the Sunshine Coast or anywhere else in Queensland a false hope. We must address this problem head on and assist all those affected. I commend the bill to the House.