



Speech by

**JAN JARRATT**

**MEMBER FOR WHITSUNDAY**

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Hansard 15 May 2003

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

**Ms JARRATT** (Whitsunday—ALP) (4.23 p.m.): The sugar industry is very important in my electorate of Whitsunday. There are two mill areas in my electorate: Proserpine and Fairleigh. In 2001 the Proserpine mill had 214 growers utilising 28,680 hectares of cane production area. The mill produced 222,420 tonnes of sugar from 1,445,189 tonnes of cane.

The Proserpine mill has been crushing sugar since 1897 and became a cooperative mill in 1931. In a recent editorial in the *Proserpine Guardian*, comment was made on the troubles besetting the sugar industry, and it contained the following observation—

Fortunately Proserpine cane growers are better off than many elsewhere. Those of today should be thankful for the wisdom of the old timers who voted for the takeover of the mill in 1939. Had they not, the mill today probably would have been owned by a company with a home base in Singapore, which would have had no hesitation in closing it down after the losses of the past couple of years.

Fortunately, we can only speculate on what might have happened had the mill not become a cooperative, but what is clear is that without the Proserpine Cooperative Sugar Mill the town of Proserpine would probably not exist and that would be a tragedy.

The Fairleigh mill is equally historic, being founded in 1883. It is part of the Mackay Sugar Cooperative Milling Association. In 2001 the Fairleigh mill had 247 growers utilising 23,282 hectares of cane production area. The mill produced 166,400 tonnes of sugar from 1,103,430 tonnes of cane. These mills and their growers have a proud tradition and a long history. I want to make sure that they continue to produce sugar and are able to write new chapters into that history, but the reality is that if the industry does not improve its productivity and competitiveness the future looks very uncertain and indeed bleak.

The Centre for International Economics did some modelling on this issue, and the Boston consulting report painted a picture that was very grim. If prices were at the lower end of the possible range, at say \$245 a tonne, and regulatory change does not occur, the central region sugar industry would collapse by 2006. Industry profits would slump to only \$56 million, down \$139 million. Mills would lose \$15 million a year, forcing their closure, and 330 jobs would be lost with another 2,500 in danger. This would be disastrous for my electorate, both for the sugar industry and the wider community. But the CIE also predicts that the industry can, with change, actually begin to prosper again even at low prices.

If the act is changed, even at the lowest predicted price, which is \$245 a tonne, the resulting productivity gains would keep the central region's sugar industry viable. When compared with no change, the gains to the industry are likely to include industry profits surging by \$87 million, which is a 300 per cent increase, grower profits increasing by nearly one-third to \$107 million, mills back in the black and viable, and 850 more people employed in the industry. These are stark figures which, as I say, have been confirmed by a report prepared by the Canegrowers association.

I have taken the opportunity to talk many times with growers and millers in my electorate on this issue, and I want to take this opportunity to thank Dick Dray and Alf Musemici from the Proserpine mill, Michael Cantamessa and Ian McBean from the Canegrowers organisation for meeting with me and giving me the benefit of their views. Indeed, I owe these good people a great deal as they have very patiently and good humouredly tutored me on the intricacies of the sugar industry since the time of my election. While I proudly grew up in rural Queensland, my background was not in sugar. So I cannot overstate my gratitude for the way in which my local industry has assisted me.

I am proud to say that the Proserpine mill is a shining example of what is best in the sugar industry. The board of the Proserpine mill has never been content to just ride along. It has been prepared to take risks, such as choosing to expand when the temptation was to batten down the hatches. It has also been very proactive in the creation of grower assistance schemes that ultimately benefit everyone through increased productivity and subsidised on-farm costs. But the most exciting venture to be undertaken by the mill is happening as I speak. It is investigating the manufacture of furfural from bagasse. As I have already outlined in a speech in this House, furfural is a chemical that has a wide range of uses in plastics synthesis, lubrication, solvents and as a non-toxic nematicide.

The mill has signed an agreement with a South African firm which has developed a new way of making it. Furfural is made from hemicellulose of the sugar cane plant, which leaves other parts of the bagasse for burning for use in things such as power cogeneration. This project has been assisted with a State Development Regional Business Development Scheme grant of \$27,500. So the mill is innovating, and I congratulate them for that. The mill supports reform of local arrangements with growers. Because it is a cooperative it has a special relationship, which is very positive.

I know that local growers have some concerns about the changes, and this is only natural. The current system is 85 years old after all, and all of the cane farmers have known no other system. Those concerns and the trepidation is understandable. Concerns have been expressed about mill power and cane production areas. I do not think that mill power is going to be a problem in my electorate. I suspect the present good relationship will continue unaffected.

In relation to cane production areas, I have thought about this issue a lot. Some growers want to retain the CPAs because of the certainty it gives them in supplying the mill. However, I believe that contractual relations can provide that same level of certainty. I do not believe that the government needs to tell growers and millers with whom they must deal or to tie them by legislation to one another.

New contractual relations will ensure grower access to mill supply. They will also help the mill to manage its cane supply. Any value that was in the CPA will be replaced by the contract. I think these changes will be only positive for growers and millers in my area.

In relation to the single desk, the state government has committed to its retention, and I support this move. The proposed exemption scheme is, I believe, about providing flexibility in the single desk, which is something that is broadly supported across the industry. In my areas, growers and millers have wanted the act to provide that an exemption must be related to an agreement between them. I can understand why they make this request—they want to continue to share the risk and reward.

It looks to me that the definitions of both 'supplier' and 'applicant' in the bill actually open up the way for grower and miller contractual agreements on the use of exempted sugar. It would be out of tune with the spirit of the bill to impose the need for an agreement before an exemption can be sought, but what the bill does is allow growers and millers to do just this.

This is certainly a considerable change from the current act, which places all the power with the miller. I think the state government is actually providing growers with much more opportunity than they have now. This point has been widely recognised, and I think that is as it should be. The exemption process is a step in the right direction for the industry. I know that in my area some have said that raw sugar for domestic use should not have been included in available exempt uses, but I tend to think that this had to occur to allow the lifting of the ministerial direction on pricing, which everyone in the industry regards as very important.

This bill is about the future. Fortunately, we in the central region have a proactive industry which believes that a 'virtual one business' involving Plane Creek, Mackay and Proserpine mill areas is the key to cost effectiveness. It is in the process of delivering on this, as it knows that both growers and the mill need the average cane productivity to increase for survival. All the region's industry bodies have united in a range of productivity initiatives.

One success has been Proserpine Sugar's success in rationalising the harvesting sector by increasing the average throughput of machines by 70 per cent over the past 10 years. The region is looking to whole-of-industry, paddock to mill solutions and more closely focused adoption of research. It recognises that governments can facilitate and support, but they do not have a magic wand that produces silver bullets for industries! But, of course, regulatory change alone is not enough. A successful change management program is essential if the industry is to make the most of the opportunities created by a regulatory change and if its cultural overhaul is to be completed. Cultural change will require a collaborative approach by the Commonwealth and Queensland governments, industry peak bodies, industry research bodies and individual industry participants.

To assist the industry in adjusting to the regulatory changes, an extensive change management program will be implemented by the Queensland and Commonwealth governments. The Queensland and Commonwealth governments have together committed \$150 million to the industry over the next four years. This is in addition to the \$35 million over four years already committed by the Queensland government. It is fair to say that this level of resources is quite large compared to what other industries, which are adjusting, receive from taxpayers.

This change management program will also address environmental sustainability. In my area we have Frank Mason as our sugar research officer, and Frank has been doing an excellent job with the industry. He is ensuring that all government agencies in the area are aware of the industry's needs and ensuring that services are delivered appropriately. This on-the-ground assistance is very important.

I have thought a lot about this bill. I have spoken to many people in my area and considered their views very seriously. I believe that at the end of the day these proposals are for the benefit of the industry and are important to the survival of this great industry. I want to see the industry in my electorate continue to contribute to the history of our great state. This is not the end; it is a new beginning. I commend the bill to the House.