Speech by

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SUGAR INDUSTRY REFORM BILL

Mr HORAN (Toowoomba South—NPA) (2.00 p.m.): The Sugar Industry Reform Bill is one of the most important bills that we will debate in this parliament this term, because the sugar industry is so important to Queensland and the sugar industry is in a very serious state at the moment. The sugar industry in Queensland has been part of the history of our state. One only has to look up and down the length and breadth of the coast to see that in most instances the major towns and cities along the coast rely heavily, if not in some cases totally, on the sugar industry. It is an industry that involves some 6,500 canegrowers in Queensland and their families and around about 35,000 to 50,000 jobs when one looks at direct employment and indirect employment. This industry is extremely important to our state. The vast majority of Australia's sugar is grown in Queensland and 85 per cent of that sugar is exported.

I spoke about the seriousness of this debate because this bill concerns an industry that is facing extreme economic hardship, and later during my contribution to the debate on this bill I will go through the marketing arrangements of the world and the price being paid for sugar and the various valuations of currency and so forth. But this debate today is about legislative change—legislative change that many experienced and successful growers believe will not add one cent to the price that they receive for their cane. The exception to that may well be the part of this legislation where there are exemptions to be made to the vesting arrangements to allow some diversification. What we are really talking about in any debate on sugar is price. The price that canegrowers receive at the moment for their cane is simply below the cost of production, particularly when one takes into account the price of our currency on the world market and the corruption of the world market and other such facts, and I will come to that in a minute.

I want to start by saying that legislation in itself will not add one cent to the income of growers. The only hope that people pin on changes to legislation is that it might lower the cost of production. As I said, the exemption from vesting is one aspect of this bill—perhaps the only aspect of this bill—that can lead to opportunities to obtain more income but will not affect the cost of production. This bill is about—and let us get right back to it—what real and tangible support will this government give to the sugar industry. I believe that this bill again demonstrates a government that wants to slither away and slither out of its responsibilities to one of Queensland's major industries.

This bill—and make no doubt about it—is deregulating the sugar industry so that the Beattie government can put its hand out and take millions of dollars in national competition payments. We saw it in a previous parliament but under the same minister when the dairy industry was deregulated so that the Beattie government could put its hand out and take the money. We all know what happened with the deregulation of the dairy industry. With the benefit of hindsight, this parliament today can vote with the National Party to oppose this legislation so that we do not make the same disastrous mistakes that were made when the dairy industry was deregulated.

When we debated deregulation of the dairy industry, there were some voices and some speakers with experience who stated the obvious—that is, that the price would come down—and we have seen that throughout the state. We have seen the price paid to the producer drop dramatically and disastrously while the price in the supermarket has stayed the same or gone up. What has happened? There has been a shift of power to those people who can make the money in the middle—that is, the supermarkets. That is where the shift has been. In the process of that shift, what has happened? The producers have to accept the price that they are given for a product—a product that has to be stored and chilled and which cannot be held onto forever—and they have lost their power to negotiate and their power to have through regulation a system of quotas that provided them with a modest profit on their income for their enterprise, for all the long hours and hard work that they put in.

That is what experienced, long-serving canefarmers know will happen with this deregulation. It is all very well to have the theoretical ideas that this will open up the industry and have flexibility and all the rest of it, but the experienced people know that, once again, they will be done over by deregulation. I want to say something about the uniqueness of the sugarcane industry, because that is why it has had regulation for a period of time. Regulation has been developed with the wisdom of the ages and the wisdom of those people who, over decades, have put together this industry. That regulation is in no way whatsoever contributing to the parlous state that the industry is in today. That is due solely to the price of the product.

Our canegrowing industry is as efficient as it is in any other part of the world and an industry that is open minded and prepared to introduce any particular efficiencies in the growing, transportation, harvesting and negotiations as any industry would want. But the key fact is that it is the price that is the problem. These regulations have been brought in over time because of the uniqueness that I spoke about with regard to this industry. This is an industry that is not, for example, like the cattle industry where a farmer can sell the product to an abattoir or put their cattle on trucks to go to different saleyards or sell privately and many other sorts of options of marketing through a private chain. The sugar industry does not have all of those options to try to negotiate in order to get the best deal and the best arrangement for the product.

Rather, the sugar industry is an industry that produces a product—cane—that is very bulky and very difficult to transport and in fact costly to transport. Therefore, the further away from the mill a grower is, the more costly and difficult it is, under normal circumstances, to transport their cane. But through regulations and arrangements that have been put in place over a period of time, that difficulty has been able to be overcome and shared around through a particular cane supplying area. Not only is it a bulky product, but in most districts that cane can only be supplied to one mill. In other parts of the state there are more mills that a farmer has the choice to supply within a reasonable distance, but in almost all of those cases those mills are owned by one organisation.

So in many canegrowing areas there is only one mill to supply or other growing areas where, whichever mill a farmer supplies, all the mills are owned by the same company. In fact, for about only 12 per cent of cane in Queensland would it be a practical and economic option to send the cane to another mill. So that is another one of the problems with this industry. Another unique issue regarding sugar is the fact that there is only a certain window during the year in which cane can be harvested. Generally speaking, the prime period is from July through to November. Harvesting the cane before July and after November means that there are some very real difficulties.

Because our cane is grown in mostly tropical areas, there is a serious problem at the end of the season if people were to harvest cane after that mid to late November period. The cane that is cut could become waterlogged and the ground could be compacted by the heavy machinery. All of these problems lead to the fact that that cane then will not ratoon and will no longer be any good. Once cane gets under water or once it is damaged by heavy machinery, at that particular time of the year people lose the benefit of it ratooning. Cane is an extremely expensive crop to plant. It costs somewhere in the order of $2,000 per acre to plant and then people rely upon the ratooning system to get a number of years from that cane. If there is a late harvest, it is damaged. If the cane is waterlogged after being cut, then it simply will not ratoon and will not grow.

There is also the issue of the c.c.s, which is the sugar content of the cane. The formula that is applied develops the total amount of sugar that will be extracted from that cane and can determine the amount of money that the canegrower receives. Because of the differing and changing c.c.s through that limited five- to six-month harvesting period, if one, two or three people were able to send all of their cane in to the mill at the optimum time, the other growers would be disadvantaged in that they would be sending in cane in the time when the c.c.s is down and, therefore, they would get smaller returns.

It was over decades that these regulations and arrangements were put in place to provide fairness and equity to the growers. If we had one big grower that monopolised the best time in which to harvest, then all the other growers would be sending in their cane at a time when they received less money. So it was important to have transport arrangements that could be fairly and properly organised so that everybody could share in the varying c.c.s throughout that five to six months that the cane was harvested. These arrangements and regulations were necessary for the very complex process of cutting, harvesting and transporting the cane. That ensured that the mill was constantly supplied with 500 tonnes of cane per hour and that the cane was supplied by a properly rostered and programmed system of cane trams and, in some cases, road transport. That orderly system of harvesting provided an orderly and known system of delivery to the mill so that that mill could then operate to its maximum capacity and that fairness would be applied to everybody in terms of when they could cut cane. They could be cutting right throughout the harvest time so that the transport arrangements were fairly shared and the c.c.s formula applied fairly to everybody. Nobody was disadvantaged from losing valuable planted crop because they had been forced to harvest too late or, in some cases, forced to harvest too early with other consequent advantages. That way everybody could share in the maximum window of opportunity in that July to mid-November period.

So that is the uniqueness and background of the sugar industry. That is why there are regulations. That is why there are various arrangements and negotiating committees. That is why people in the sugar industry are fearful of what deregulation would do to them. They are not people who are putting their heads in the sand and saying, 'We are not concerned and worried about the very difficult and serious situation of the sugar industry.' They are experienced, knowledgeable people who know what they are facing. They are the ones who have had to put their hands in their pockets and buy the farm and borrow the money. They are the ones who have to worry about debt. They are the ones who have to deal with disease. They are the ones who have to deal with all the elections of the negotiating committees and so on. They know the industry intimately. If some theoretical, bureaucrat-imposed deregulation is applied to their industry, they know what it will do. They are the ones who are in the industry. They are the ones with the money worries and the worry about the price of cane. They would be the first ones who would agree with deregulation and some of the other changes that are being proposed if they thought for a minute that they would provide not only proper and fair arrangements but also reduce their cost of production.

Those people know that deregulation will not add one cent to what they get for the sale of their cane. As I said, I make the exception to the exemption from vesting, which does have some potential, but all the rest of it will not add to the price that they get for their cane. But they know—they have seen what happened in the dairy industry and other industries—what forced deregulation does. They know that a year or two down the track they will get less for their sugar because of the deregulation that has been forced upon them.

A burning issue that will be encapsulated in this debate is the issue of the ministerial directive. The ministerial directive simply means that for the sugar that is sold on the domestic market—and that is probably approximately 15 per cent of Queensland's sugar—the growers are forced to sell that sugar at the corrupted export parity price. I say 'corrupted' because the export price that the Queensland industry receives for its sugar is a price based upon world markets where tariffs are imposed and where subsidies are paid. Almost every single sugar producing nation has a system of subsidies, particularly domestic subsidies, which enables them to sell their export sugar at a certain world price knowing that they are getting a better price for their domestic sugar. So our growers are forced to sell their sugar by a ministerial directive, by the Queensland minister, at this export parity price, which takes no account for the fact that, if the growers were able to sell their sugar at domestic prices, that price would account for the cost of importing sugar. Currently, freight costs are very high. With the emergence of China as a major economic power, freight rates in the world have gone up three to four times. Instead of paying $25,000 a day for a ship, the price is now closer to $100,000 a day for a ship. So that also adds to the price of importing sugar into Australia if Australian businesses wanted to import sugar. That shows that the sugar price that could be obtained domestically and the commercial price—a price that is subject to competition by potential imports—could be far higher than the export price that growers are forced to sell it at at the moment.

For an industry that is on its knees and struggling, that extra money that could be available through the removal of the ministerial directive would be a godsend to many people. When people are struggling and battling and producing, say, 3,000 tonnes of cane a year—and probably almost half of our growers are producing 3,000 tonnes or less—that 3,000 tonnes with the ministerial directive removed would provide those farmers with at least $600. That might not sound much to some people, but that $600 would at least mean new tyres for the car which had not been replaced. It would put food on the table for two or three weeks. It would repair some machinery. It would provide for fertiliser. It would pay for some of the costs entailed in running the property. Getting rid of the ministerial directive could happen with legislative change through the stroke of a pen. There is a reason why that ministerial directive has been kept in place and I will get to that later on in my speech.

I have spoken about the uniqueness of our sugar industry. I ask all members in this parliament who wish to speak in this debate to remember that when they make their contributions—whether they are speaking on behalf of the government or whether they are speaking on behalf of the members on this side of the House—to put themselves in the shoes of those 6,500 growers and their families and understand how this industry works, understand how the leaders, the elders, the families, the districts and the communities of this industry have put together those regulations over the years to cope with the transport arrangements, to cope with the bulkiness of this crop and the expense of carting it long distances, to cope with the vagaries of the season and the limited window of opportunity in which there is to harvest, to cope with the changing and variable c.c.s throughout that period of the harvest, to cope with those other unique issues involved in growing sugarcane in the subtropical and tropical areas of Queensland, and particularly to provide openness and accountability and fairness and equity to those who supply the cane.

It is not at the expense of efficiency. It is not at the expense of trying to reduce the costs of supplying. It is to do with being honest and accurate. Importantly, it is about giving the growers that limited power and strength of negotiation in this unique industry that otherwise they would not have. Members can imagine themselves in a situation where there is only one company or one mill that will take their sugar and they have lost their powers of negotiation, whether it comes to mill breakdowns or penalties for the mill for not being able to maintain their operation for a sufficient period of time to take the cane so that it has to be left over at the end of the season. They will not be able to take into account all of the things I mentioned so that the industry runs fairly and honestly. We have to remember that that is the fear that is in the hearts of so many canefarmers.

Well over 4,000 of the 6,500 canefarmers have signed a petition to the effect that they do not want their industry deregulated. I say again to anybody from the other side who will talk about the parlous and serious nature of the industry, which we all recognise, that it is no good saying that we should change and deregulate just because something has to happen. That change and deregulation has to work. Not only does it have to work; it cannot take away these strengths and these basic, limited powers that farmers and grower and supply committees have in terms of negotiation.

Let us not forget what happened in the dairy industry—the unmitigated disaster of deregulation of the Queensland dairy industry when the Labor Party in this state brought a bill before this House, deregulated the dairy industry and dropped the income of those farmers by a massive amount. What do we see as a result? Is anyone better off? Not one single person! The dairy industry and the families are worse off. The only people making more money are those in the middle, who have the massive power of negotiation, who have taken factories trying to get market share, who have negotiated a price that has seen the dairy farmers of Queensland getting 28c, 29c or 30c for their milk where once they got 57c for their quota milk and a price in the twenties for their over-quota milk. That has been a disaster. Let us not repeat that here. Let us stop for a minute during this debate and think about all of those growers who know and understand their sugar industry, who want to see expenses come down, if it is at all possible, but who know that the deregulation arrangements in this bill will not deliver that. They will only take from them the limited powers and strengths they have now.

In the early stages of this debate I want to say something about the National Party policy we took to the last election with regard to sugar. If anybody has a mandate to speak in this parliament about the sugar industry, it is those National Party members who represent sugar seats. Thirty-six million tonnes of sugar is produced in Australia every year.

Mrs Reilly: What about the Labor members who represent sugar seats?

Mr HORAN: The member should listen to what I have to say. Thirty-six million tonnes of sugar is produced in Australia—mainly in Queensland but also in New South Wales and Western Australia. There are some Labor members of sugar seats. I am not saying there are not. In the order of 28 million tonnes of that 36 million tonnes would be produced in the seats held by National Party members of parliament. Prior to the last election the National Party held three sugar seats—Maroochydore, where the mill has now closed down, Mirani and Hinchinbrook. At that election we took off the Labor Party two major sugar seats—Burnett and Burdekin. We went to an election with a nine-point plan.

Mr Reynolds: We held four as well.

Mr HORAN: The member did not hear what I said about the volume of sugar in the seats the National Party holds. We went to the election with a nine-point plan. I think it is reasonable to say that those two major sugar seats—Burdekin and Burnett—came to the National Party partly because of the promises we made.

Mrs Reilly: Deception.

Mr HORAN: The member for Mudgeeraba says 'deception'. We ought to talk about vegetation management and how the Labor Party advertised only in the city and never dared advertise in the country about vegetation management.

Government members interjected.

Madam DEPUTY SPEAKER (Mrs Croft): Order! I ask the member to return to the bill.

Mr HORAN: The nine-point plan regarding sugar that the National Party put forward at the election and which was partly responsible for our winning seats such as Burdekin and Burnett started off with the fact that we will not deregulate the sugar industry and will give canefarmers a vote to decide their own futures. We then said that we would work cooperatively with the sugar industry and the federal government to ensure that the funds allocated under the sugar industry assistance package were unlocked. The federal government is working on a new package. I will speak about that later.

We also said that we would examine the $30 million contribution that the Queensland government had proposed to see whether it needed enhancing to ensure that the assistance gets to those in need. We see that the $30 million put forward by the Labor Party is an absolute pittance when we realise that we are the major sugar producing state in Australia.

The $30 million is made up of three amounts of $10 million. The only real money in that $30 million is the package of $10 million for innovation projects—and probably not many will be able to access that or they will receive limited amounts of funds. There is also $10 million for loans. We have seen the government offering $10 million loans twice before. Very little of it has ever been taken up. The government knows that. It knows that, based on the track record of the loans provided to growers previously, somewhere in the order of only $500,000, if that, would be taken up. The other component of that $30 million is $10 million of counselling and other forms of assistance which mainly will centre around a reallocation of the deck chairs of the department as people are shifted from one particular task to another to provide that particular counselling or advice. So it will not really cost the government anything.

The fourth part of our package was to scrap the ministerial directive, which requires all sugar sold to domestic manufacturers to be priced at the corrupted world market rate. Abolishing the ministerial directive would simply mean that sugar produced in Queensland and sold in Australia could be priced closer to its real value. How could we not want to do that? This government has not even included that in this bill. It is not prepared to do it. It has sold out the sugar industry, when there should have been some tangible form of help or assistance.

Under part five of our nine-point sugar plan we were prepared to mandate for the use of up to 10 per cent ethanol in all petrol sold in the state to kick-start the fledgling ethanol industry. It is very important that the sugar industry is able to move to diversification. In Brazil, roughly 50 per cent of its sugar production goes to ethanol and 50 per cent goes to sugar. They are able to vary that percentage to 60-40 or 40-60, depending on the price and the economic circumstances. We now have a situation in Australia where the federal government has provided a lengthy period of time in which the excise would not be charged, which would enable the ethanol industry to be established—not only to be established but also to know with certainty that it would be free of the excise for this lengthy period of time in order to get on its feet.

I have had the opportunity in Nebraska and Minnesota to see the effect of the 10 per cent mandate which was introduced in Minnesota and which led to the rapid expansion of the ethanol industry in the US based on corn, because that industry then had the certainty for the multimillion-dollar investment that was necessary, and that is what is needed. Once that 10 per cent mandate was put in place, the opposition from the fuel companies dissipated. People saw the environmental benefits of ethanol, they saw the fact that it was import replacement, they saw the fact that it was renewable energy that burned cleaner and they also saw the benefits it had for the primary producers. I saw first-hand how it put a base in the corn market in America. It provided a small increase in that corn market, but it provided country towns with opportunities and extra income and some 40 to 60 jobs at each particular plant.

The sixth point in our sugar policy that we took to the election was to provide $1.75 million towards establishing an ethanol research program to improve the extraction of ethanol from sugarcane. In point seven, we would also drive diversification and act immediately to promote the use of sugarcane as a biomass. We are prepared to establish a working group to investigate and steer commercially viable alternatives in crystal sugar production. We are also prepared to examine innovative ideas such as using the equity in the Sugar Terminals Ltd, STL, to develop projects that demonstrate sound levels of profitability.

Under point nine, to further drive diversification we would legislate to allow for exemption from compulsory acquisition of raw sugar for alternative purposes such as ethanol and bioplastics. That was, as I said, the one part of this bill that we agree with, but the baggage and the lead in the saddle bag that this bill carries is the deregulation of the sugar industry.

I would like to talk about some of the statistics and what is happening in the sugar trade in the world. If we look at the price of sugar over recent years, for the 2003 crop it is estimated to be around $220 to $230 a tonne. In 2002 it was $275 and going right back to 1992—I am working back from 2001—it was at $332. The year before it was $253 and $255. In 1998 it was $351. In 1997, it was $335, $371, $382. In 1993 it was $345. In 1992 it was $301. If I go right back to 1998, it was in the low to mid $300s.

The estimated price this year is somewhere in the order of $210. Some people say $200 to $210. Back in 1992 when the sugar price was $301, there was extreme concern because even then $300 a tonne for sugar was regarded as the cut-off for the cost of production. That was the cost of production and it provided you with a wage for all your work and your endeavours. So back then we were worried. The price of sugar has come down by at least $100. Costs of production have gone up.

The inputs—fertiliser, machinery, parts, equipment; you name it—have gone up massively in those 12 years since 1992.

The amount of production in the world is mainly due to the massive expansion in Brazil and Thailand. Brazil will produce this year 360 million tonnes. It is increasing its crop by almost half the size of the Australian crop each year. Australia produces some 35 to 36 million tonnes and Brazil is going to produce 10 times that—360 million tonnes. The approximate figures for Brazil's production in recent years was 360 million tonnes last year, 350 million tonnes the year before, 335 million tonnes the year before that, 320 million tonnes the year before that and 298 million tonnes the year before that.

What is happening in Brazil is that, where people own parts of the great Amazon area, it is being clear-felled. They are allowed to clear approximately half of the land that they own in the Amazon area. They grow rice for a couple of years and then it is ready to grow sugarcane. About 16 per cent of the land in Brazil is under sugar. Brazil also has the advantage in that some of its big properties, even if they are 600 kilometres from the coast, still have a 70-inch rainfall. It is beautiful soil. There are long three-kilometre runs in some instances so the harvesting machines can operate at the correct speed with the very minimum—sometimes only two per cent—of turning time in the course of their operation.

Brazil also has the real advantage of their currency. There is about 2.8 to 3 real to the US dollar, and that means at the price they are growing sugar they can make money. That is the big issue that we face. There is confidence in the industry that the price may move up in two or three years time to around $250 a tonne. Experienced growers believe there is a future for the industry, but we cannot walk away from the serious position that IT is facing. At $200 to $210 a tonne, growers will simply go broke or walk away from the industry. There are various estimates of how many people may exit the industry over the next 12 months. That is why it is so important that the federal government work on a package to provide assistance to many of those people.

There are a couple of excerpts from the annual review of the Sugar Milling Council that I want to read into the record today because I think it shows what is happening in the global sugar market.

At the start of 2003, the outlook for the market for raw sugar indicated relative stability with indications of consumption rising at a level commensurate with historical trends and production forecast to be just marginally in excess of demand.

By mid year, an increase in forecast production and a carryover of stocks into the 2002/03 cycle was confirmed with larger than expected crops in Brazil, China, Thailand and India. Global production was forecast to expand by over 10 million metric tonnes raw value.

This is important —

After consolidation around 6.50 cents/lb during August, prices fell steadily to 13 month lows of around 5.90 cents/lb. By the end of October it was clear that sugar prices around these levels combined with the continually rising Australian dollar were to deliver historically low pool prices for the 2003 season.

We are facing this very difficult crisis in global marketing of sugar whereby there is massive production in some parts of the world. All the other sugar producing countries of the world are paid subsidies on the domestic production of their sugar, and that enables them to get by on the price that they sell their export sugar for, boosted of course by the low value of their currency relative to the American dollar. We have faced the problem of our dollar, which was low, increasing from around the 50c mark up to about 77c. The harvesters association believes that the relative value of the dollar, around 75c, and the current price for tonnage, at $200 to $210, is just not possible to make ends meet. I think we all know that.

In Queensland we have a number of cooperative mills. We have one private mill at Beenleigh and we have two large groups of company owned mills. Bundaberg Sugar, which is owned by the Belgian family owned Finasucre group, operates mills in the tableland, Babinda, Mourilyan, South Johnstone, Millaquin, Bingera, Fairymead and Moreton. Moreton, of course, has now ceased its operations.

CSR runs mills at Macknade, Victoria, Invicta, Pioneer, Kalamia, Inkerman and Plane Creek. There is the Rocky Point Mill, which is privately owned by W. M. Heck and Sons Pty Ltd. Then we have grower operated mills such as the Isis Central Sugar Mill Co. Ltd, the Mackay Sugar Cooperative Association Ltd, the Maryborough Sugar Factory Ltd, which is privately owned, and the Mossman Central Mill Co. Ltd, the Mulgrave Central Mill Co. Ltd, the Proserpine Cooperative Milling Association Ltd and Tully Sugar Ltd.

I spoke earlier about the ownership of mills and the difficulty and uniqueness of the sugar industry that means that regulations have been put in place over a period. It is simply not possible with this particular product to be able to switch from one mill to another or to be able to switch from one mill to another that is not owned by the same company. That is the issue that we have to ponder in here and that is why we have to remember not to take away growers' rights and powers to be able to negotiate fairly, openly and accountably.

People talk about the need to be more efficient and many farmers in this state, whilst having brought in so many dramatic changes and efficiency improvements over the years, shake their head sometimes and wonder how much meat they can cut off the bone when they are down to the bone already. The Australian sugar industry has been one of the most efficient industries in the world. One of the reasons that Brazil is so efficient is that it took most of the technology from Australia. Much of the technology that Brazil now has is technology that has been exported, copied or duplicated in Brazil. We do have some of the most innovative, efficient and reliable producers of raw sugar. However, in addition, in the past five years we have had unprecedented drought, flooding, disease and pests, and all of this has greatly reduced cane and sugar production and made it more difficult for growers to withstand the current financial drought that has occurred.

I spoke about the massive subsidies paid to growers in other parts of the world. In the European Union and the United States growers receive three to four times the price that Australian farmers produce. We have just seen in the free trade negotiations the Australian government endeavouring to gain access to the American market. It was unable to do so because that was one of the major issues that the Americans were not prepared to move on as well as Australia having particular issues that we were not prepared to move on. It could have walked away from the free trade agreement so everybody got nothing or continued to endeavour to negotiate and come to a conclusion that would have helped many secondary and primary industries in Australia, which it will. However, tragically, I think the sugar industry has missed out.

In return, the federal government is putting together a package to assist the industry, and we are hopeful that that package will be a substantial package and one that provides some significant direct payments to those involved in the industry. When we see farmers trying to get that particular price and we realise that is the price that is paid over there, we can see how important it would be to get rid of the ministerial directive here in Queensland so that at the very least our farmers could get something more for the 15 per cent of the sugar that they produce that is sold on the Australian market. Our consumers would still be paying a competitive and commercial price because they would be paying a price at or below what that sugar could be imported for from somewhere overseas.

National competition policy was brought in federally during the early nineties by a Labor government. I am not going to sheet home the blame totally to them because we have had a coalition government in power since then. But in 1995 a sugar industry working party was put together by the Keating and Goss governments to review the industry's regulations and tariffs. The sugar industry was the first cab off the rank, if you like. The sugar industry working party adopted the removal of the tariff on imports of raw and refined sugar in mid-1997. So effectively, the Queensland sugar industry is paid the corrupt world sugar price for sugar sold for export and for sugar that is sold in Australia.

In the mid to late nineties the sugar price, as I said in some of those figures I gave, averaged $340 to $360 per tonne. During this period the sugar industry considered a price of $300 a tonne for sugar to be below the cost of production. Subsequently, the industry has been working to put in place those measures that can reduce the cost of production to somewhere between $250 and $270 through new systems and initiatives aimed at increasing productivity. Productivity is one of the most important things in the sugar debate because it is about the tonnage that can be produced, the quality of the sugar that can be produced and the volume of the sugar that can be processed through the mills to allow for not only the efficient transport and harvesting but also the efficient production of sugar within the mills.

In the past few years, as I have said, we have seen the rising of the Australian dollar which has meant that sugar prices for this season—2004—could be as low as $200 a tonne, which followed a price of $230 in 2003 and $276 a tonne in 2002. This is probably the third or fourth year in a row in which the returns are way below the cost of production. The sugar farmers cannot keep going around when that is happening. While the value of sugar production has fallen from as high as $2 billion a year in Australia to as low as $790 million a year, those sorts of figures show that the industry is clearly a very important industry to Queensland, particularly in those major regional areas of the Herbert, the Burdekin, the far north, Mackay and Wide Bay.

In 2002 the federal and state governments signed a memorandum of understanding and announced a $150 million assistance package provided that the sugar industry undertook significant reform. The Commonwealth was to provide $120 million. It was funded through a 3c per kilogram sugar levy. Already it has provided somewhere in the order of $25 million as it now moves on to providing an even bigger and more significant package.

I said earlier that the Queensland government offered to provide $30 million. Of that $30 million only $10 million was money that could be considered new money. But $10 million for loans will hardly be seen by anyone. On the previous record we will be lucky if $500,000 of that is taken up. In relation to the other component, whilst the counselling will be of assistance to people, there is a shifting and changing around of how the department operates.

The Beattie government commissioned the Centre for International Economics to produce a report to be released in January 2003 to identify areas of legislation that were impeding industry progress and profitability. The Sugar Industry and Other Legislation Amendment Bill (No. 2) 2003 followed as a result. The government did not undertake extensive public consultation on regulatory change. It used the CIE report to promote discussion. It did not consult the industry on the final make-up of the original bill that was introduced in parliament last year.

The federal government, which is a co-signatory of the memorandum of understanding, was also not consulted under the legislative change provided in that 2003 bill, yet it was expected to provide $120 million for industry restructuring should the changes be accepted. It resulted in a stand-off last year which carried into early this year, with the state government not willing to talk to the sugar industry representatives about compromises while the federal government refused to provide financial assistance unless the industry was consulted properly.

After the state election the Beattie government finally decided it was time to have some supposedly meaningful discussion with the sugar industry. A peak group made up of representatives from the Canegrowers group and the milling organisation—the Australian Sugar Milling Council—met with state government ministers and the Premier in an attempt to reach agreement on sugar reforms. Subsequently, a heads of agreement was signed between those two organisations and the state government. The thing we must never forget is that the Canegrowers organisation was virtually blackmailed—it almost had a pistol held to its head—into signing that agreement. The government was full of bravado after the win in the election and said, 'You will accept these changes that we want to produce, or we will absolutely and totally do every single thing that we wanted to do with that previous legislation.' The canegrowers themselves have said that they were forced to accept these arrangements because either they accepted these arrangements and had two or three fingers cut off their hand or they did not accept them and they would lose their whole hand.

The cane growers were forced into arrangements which the bulk of the rank and file did not want. They do not want their industry deregulated. We are going to see the removal of the cane production areas which have, in parts of the state, provided real security for growers. They know that the mill will take what they produce from their CPA. It has also provided those mills with the security and knowledge of the volume of cane they are going to receive.

There are parts of the state where the CPA is not all used or is not as important as in others. But, if we look at the industry right across the state, those CPAs are important. There are parts of the state where people have virtually bought their properties based on the value of the CPA. When the Burdekin areas were first opened up, the land was sold without CPAs and the government did not receive as much money as it thought it would. Mr Casey, a previous Labor primary industries minister, introduced CPA allocation to blocks in the Burdekin. The value of those blocks rose dramatically. The government benefited from the increased value of those blocks. Now, with the stroke of a legislative pen, they are going to wipe out the CPAs and take away another cornerstone of security and strength that the growers had.

The statutory bargaining system, which provides a negotiating team, which is elected on a one grower, one vote basis, and which negotiates a collective cane supply, will be removed. This system provided for grower supply committees. It enabled the industry to deal with the unique aspects of the industry that I spoke about at the start of my speech. Growers are fearful that they are going to lose that power. They are also going to lose compulsory arbitration.

They could be supplying to a mill where the mills in that district are owned by one company. When they lose their compulsory arbitration facility, where do they stand? Instead, they are going to move to a system whereby there could be a whole range of negotiations and contracts with the mill. Those arrangements could advantage some people and seriously disadvantage others. I will give some theoretical examples. It could well be that those in a large collective or group are able to send their cane in at the optimum time when others are not able to negotiate that. Under the current system, fairness and equity applies.

Currently, all sugar produced in Queensland is vested in the marketing company Queensland Sugar for export and domestic marketing. Under the new laws, there will be provision for exemption from vesting for the domestic use of raw sugar if it is to be used for the manufacture of alternative products such as ethanol or bioplastics or if sold in bags for export. Bulk raw sugar sold domestically or for export will continue to be marketed under the single desk. We agree with this particular move. But there is so much lead in the saddlebag, so much baggage with this legislation, with the deregulation and usurping of the negotiating strengths that growers had, that we will not be able to support the bill.

I have spoken at some length about ministerial direction and what happened with regard to the ministerial direction. One thing that is very important to cane growers is the single desk. I think we on both sides of the House agree that that should never go. The government said, 'We will let you keep single desk until 2006 when there will be a further review of NCP, but you have to keep the ministerial direction.' That is why we still have the ministerial direction in this legislation. We want to see the removal of ministerial direction so that growers can get some dollars in their pockets and not just empty promises as a result of deregulation.

Canegrowers' general manager said that it was a matter of cutting off a few fingers or losing a hand when the Beattie government put the pistol to the head of the Canegrowers Association immediately after the election. He went on to say in his article that this bill—

... was going to proceed—we were given the option to make changes. We were not given the opportunity to say no.

That is important. This view supported by the Canegrowers Burdekin chairman, George Nielson, in the Canegrowers Burdekin district March 2004 newsletter in which he stated—

... failure to come to any agreement would have resulted in wholesale deregulation—effective immediately.

The reason the Beattie government is taking up these legislative changes is to try to cover up the fact that it is avoiding its financial responsibility to assist the sugar industry. It is, instead, leaving it to the federal government to shoulder the majority of the financial load.

This is the way for the government to get out of having to provide real, meaningful assistance and support. The strategy of this government is to provide legislation and those things that do not cost much money or any money, but not put its shoulder to the wheel and give real support where it would really count. This is one of our great industries. This is an industry that the state government should be supporting in a very real way, but, instead, it is going to say, 'We provided these legislative changes. There is an opportunity, chance, maybe. Let us hope you can cut your costs a little bit so instead of living in abject poverty you can live in medium poverty.' That is what this is about. It is not about giving $30 million where we could actually do something. The government does the things that will not cost it any money.

We see this government give $64 million to $84 million a year in free grants for manufacturing businesses to grow and expand. One would think that the sugar industry, because of its sheer size, would be worth a little bit more per year for two or three years to go with the large amount of money to be given by the federal government.

I wonder what people in north Queensland think when they see $12 million go to Indy every year and they do not receive any assistance. Some $12 million probably helps the Gold Coast greatly to deal with the tourism that comes as a result of Indy, but would it not be great to help those 6,500 families, cities, towns and communities, the mill workers and harvesters with worthwhile assistance each year? No! All this government wants to do through legislative changes is take away whatever power and regulations the growers have at the moment and give them the minimum of real support.

The Commonwealth government is moving rapidly towards making an announcement about assistance that they will give to the sugar industry. I know how hard a number of federal members and the Prime Minister have worked—and how seriously the Prime Minister has taken this issue—to provide meaningful support, real support to this industry, to enable them over the next two years to be able to reorganise their industry on a district and regional basis.

I pay particular thanks to the Deputy Prime Minister, John Anderson, who has led this work in getting meaningful assistance. He has been ably helped by Senator Ron Boswell, De-Anne Kelly and Paul Neville. The work that has been undertaken by the minister, Warren Truss, and his assistant minister, Senator Ian Macdonald, is outstanding. They have been putting these ideas to the Prime Minister. The Prime Minister has been given outstanding support. I think the package that they come up will reflect the hard work, knowledge and interest that has come through to the Prime Minister via the lobbying of those particular members and ministers.

There is a lot more to say about this, but my time has virtually run out. In summary, there are ways that the state government can help. There is going to be generational change within the industry as the federal package comes in and arrangements are made for the exit packages, arrangements are made for district plans and region plans and for people to work cooperatively and in ways to improve their efficiency, to produce more and to produce diverse products such as bioplastics and ethanol.

The state government could do something. I have said it should. What could it do? It could reduce the excessively high water charges which SunWater applies. It could make changes to stamp duty. It could reduce the massive harbour dues that are paid in areas where the sugar industry has actually developed the port in the original instance.

There are many ways in which the state government could help the sugar industry but, no, what it wants to do is take the cheap, short-change route and bring in legislation that does not cost it anything—legislation that downgrades the amount of influence and strength that the growers have in their industry, legislation that does not cost the government too much at all and legislation that enables the government to put its hand out and take a fistful of dollars of national competition payments. That is what this legislation is about—a government that is so inefficiently run and mismanaged that it wants the money. It will put its hand out, take the money and it is the growers who will suffer. I urge all members of this parliament to vote against this bill to provide the strength the growers need to survive this crisis.

Time expired.