



Speech by

Mr P. PURCELL

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SUGAR INDUSTRY AMENDMENT BILL

Mr PURCELL (Bulimba—ALP) (5.21 p.m.): I rise to support the Sugar Industry Reform Bill 2004. As most people in this House would know, I am not a great supporter of economic rationalism. I caution the previous speaker about what she said with regard to economic reform and what is needed. Some years ago the wool industry found out very quickly that we just cannot shovel money into an industry that is doing it tough and keep shovelling it in over many, many years. That just about brought that industry to a standstill. Producers went out of business. Australia's wool clip went down to numbers that had not been seen since this country was settled. We had a massive debt that the growers in that industry had to repay. It has taken them many years to do so. I can see that the minister is nodding his head. Those growers are just getting back on their feet after paying off that massive debt, and wool prices are on the rise. World markets will not buy our commodities if they know we have miles of it piled up sitting in a shed or we are going to shovel money into our industry.

As everybody is aware, there has been a desperate need for reform in our once highly successful and valuable sugar industry. I do not think anybody in this place would say it is not a valuable industry. It has been a very valuable industry over many years. The sugar industry is export dependent. We export over 85 per cent of our production to markets in Asia, North America, the Middle East and anywhere in the world that wants to buy it.

We need to start looking at the mentality here. I have heard the Premier say that we dig it out of the ground or we grow it and send it overseas. We need to get smarter. We need to do more with our product in this country. We are starting to turn the manufacturing industry around slowly in Queensland. It has taken a lot of years to do so. The Beattie government will continue to do it. The southern states did it a bit before us, but we need to do it for the sugar industry. We are the biggest sugar producing state in the Commonwealth and we need to look at that very closely.

I will outline some of the reasons why the industry has the problems it has at the moment. Its historic advantage and efficiency has been eroded, with very low uptake of new technologies and practices. I have heard speaker after speaker from the other side of the House refer to this, but they have not really addressed it. To my knowledge only one mill has been built recently. It is very efficient and very modern. It has a great way of handling its sugar. It does it with, sadly, very little labour to keep costs down. It generates power that it puts out into the grid. It runs efficiently and sends out trucks to pick up the sugarcane from the farm and bring it to the mill. There is not a big line of trucks; it is timed pretty well. The trucks are rolling in as they are needed.

Growers in the district around that mill are not allowed to supply that mill because they are tied to other mills. The legislation in Queensland does not allow them to go out and make contracts singly with a mill. They are tied into other mills for a period of time with the collective. They cannot increase their sugar production and they cannot get out of the contracts they are in. This legislation is to allow for that to happen.

Brazil, as we know, has emerged as a major competitor. It has a more efficient and commercial export sector. Anybody in this House who believes that Brazil is not efficient does not really know what is happening in Brazil. The latest technologies in sugar production are used in Brazil and have been used for some time. Our mills are very old. It is a sad case that they are

very old. To retool and rebuild them would be an enormous cost to industry, and the money is not there to do that. The banks will not lend money to mill owners and the CSRs of this world to retool their mills when they are so inefficient and the price for sugar is so low.

Brazil will increase its cane production this year by the size of the total Australian industry. That is a frightening and alarming fact. That will not go away. That will happen. We can imagine what that will continue to do to the price of sugar. The long-term downward trend of commodity prices has combined with an oversupply on the world market. That will continue. This in turn produces a world raw sugar price that is below the cost of production for many in the industry in Queensland. That will continue if commodity prices do not turn around in the near future.

Of course, we cannot forget that the high value of the Australian dollar has also decreased returns. That is a sad fact faced by a lot of producers at the moment—not only of sugar but also of wheat and all our other commodities. Even our coal exporters have had a jump in coal prices fourfold just recently. That is because there is a shortage of coal, but the prices they were receiving until just recently when contracts were renegotiated were below cost. Coal producers were putting in something like \$4 a tonne. They kept their operations going and sustained that loss, knowing that there was a price rise hopefully coming in the future. How many growers could continue to do that? I do not think too many sugar growers could continue to put in \$4 for every tonne of sugar they produced.

As I said earlier, our sugar industry has remained focused almost entirely on raw sugar exports. We have done little to promote alternative products from either sugar or cane. Let us look at what the federal government has done with regard to that. About 18 months ago or two years ago Howard put a ban on the import of ethanol, just when companies were looking at building ethanol plants. Companies that want to build an ethanol plant have to borrow money to do so. Not too many companies would have—

Mrs Lavarch: \$100 million.

Mr PURCELL: A couple of years ago they were talking about \$65 million to \$80 million. I would believe the member if she told me it is now \$100 million, because it has probably gone up that much in a couple of years. Banks will not lend people money if they cannot go out and pick up contracts and point to them and say where they are going to use their ethanol and what returns they are going to have. If the federal government has put a ban on the import of ethanol, how are they going to top up their contracts until they get their mills up and running? We will need more than one mill. We will need probably three or four up the east coast of Queensland for sugar. How are people going to get money from banks if they cannot tell the banks how they are going to make their business profitable?

Howard banned the import of ethanol. He did it while there was \$5.5 million worth of ethanol on the water coming here and he just blew a company out of the water. Some people in the Riverina were producing ethanol and the fact is that ethanol can be produced much cheaper and more efficiently with wheat. I can assure the House that the downs growers of grain, those in the west at North Star—probably the largest wheat growing area in Australia—and Goondiwindi will not be sitting on their hands if they think they can make money out of turning their wheat into ethanol. We need to look at value adding and how we go about doing it.

The Queensland government has combined with all involved in the industry in this state and is totally committed to supporting and promoting comprehensive legislative reform. This legislative reform needs to ensure the long-term future of the sugar industry. Interestingly, it has turned to the government for assistance and advice. It needs to survive. We need to make sure it survives. The number of jobs that hang off this sugar industry is enormous. We only have to go into a sugar town and have a look at how much work the sugar industry generates to see that.

As the Sugar Industry Act 1999 has been hindering the industry from making the appropriate changes to remain competitive in today's global sugar market, it is obvious to all that changes need to be made. To this end, four separate reports have been commissioned since early 2002. So it has not come upon the industry very quickly. I can remember holidaying at Coolum over a period of years. A sugarcane producer owned the motel where I used to stay. He got out of the sugar industry some years ago, saying that there was not much profitability left. He had to work too hard. He had to work the ground too hard. He had a lot of sons, so he said he had to work his sons too hard. One really has to work hard to make a dollar in sugar these days. The writing has been on the wall for some period of time.

The four reports that I mentioned earlier focused on the causes of and remedies for the industry's decline. I will not name all the reports. Most members would know what they are if they have done a bit of homework on the sugar industry. The last one, the updated CIE report *Cleaning up the act; More important than ever*, was produced and hit the deck in February this year.

The sugar industry, in partnership with the Queensland government, is fully committed to comprehensive reform for the long-term future of the industry. This will be achieved in this bill by the removal of the cane production area system. As I said earlier, we need to let people sell their cane to the mill that will give them the best price possible. We need to reward those growers who grow cane in the most efficient way that they can, to give them an ability to get a higher price for their cane. I am referring to those growers taking up the new types of cane with the higher sugar content. Sugarcane can be harvested green. Less water is needed. There is less fungus in the plant. Allow those growers who will put money and effort into their properties and their cane production to benefit from that.

This bill will remove the statutory bargaining system. I have belonged to the union movement for a fair period of time and we need to allow people to bargain freely. This will allow them to do that. The bill will also achieve the creation of a supply of contracts, a phased change from compulsory arbitration and provisions for exemption from vesting of sugar. There are no real alternatives to this current bill. Queensland and Queenslanders need this industry to remain viable. It has and should remain a major part of Queensland's farming landscape.

One thing that sugarcane growers should do—and I am sure the minister would agree—is look at other areas where they can expand and look at other alternatives to sugar. Not too many farmers these days, as the minister would know, put all their eggs in the one basket. We need to have alternatives and we need to be able to grow other things on farms where there is good soil, great weather and plenty of water. They need to look at cash crops that they can cash in on and spread their risk over a bigger area. I support the bill before the House.