




Speech By
Linus Power

MEMBER FOR LOGAN

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SUGAR INDUSTRY (REAL CHOICE IN MARKETING) AMENDMENT BILL

 **Mr POWER** (Logan—ALP) (8.14 pm): I rise to speak to the Sugar Industry (Real Choice in Marketing) Amendment Bill 2015. Sugarcane came to Australia on the First Fleet but, of course, in New South Wales it failed for so many years. In true State of Origin style, it really only began to thrive once this colony became independent and has now been a major export industry for Queensland for more than a century. There is nothing more Queensland than driving through the fields as the cane on one or both sides is set alight, crackling and flaring as the trash leaves and the tops are burnt off, preparing the cane for harvesting. For much of the industry the burning of cane is now a memory as the new, innovative methods of harvesting have made the practice unnecessary. It is this innovation and many other innovations that we should reward to keep our cane industry strong.

I note with concern the dangerous amendments that undermine industry confidence foreshadowed by the member for Nanango. They have only been distributed this afternoon and they were not part of the process of the discussions of the committee. I do know that an earlier version was given to some industry figures and was widely rejected by all parties, grower and miller alike. In fact, at times some growers and some millers find it difficult to reach agreement on any aspect of the sugar industry. However, they were as one in rejecting the draft amendments of the LNP. The LNP outside of the Agriculture and Environment Committee have been without principle in this debate, undermining confidence and investment by both grower and miller. They should be ashamed of their role.

Madam Deputy Speaker, through you, I wish to thank the member for Dalrymple. Throughout the debate he has stood as a voice for the growers who felt the relative power imbalance between themselves, as often a family business, and a large multinational company with hundreds of millions or even billions invested. However, it is because there is such a large investment required to keep the sugar industry alive that a partnership between grower and miller is needed. At this stage I would be reluctant to suggest to this House that we take steps to re-regulate this industry at a time when innovation and investment are required to enhance the value of the cane crop and to further add value to the product we create in Queensland.

When it comes to the laws that regulate this industry, we want multiple positive outcomes for Queenslanders. We want good returns for growers, building the confidence to use best practices. We want safe and good jobs for the mill workers, train drivers, harvesting contractors and port workers. We also need to create the confidence to invest in this industry. The creation and maintenance of a mill is a major investment, requiring the confidence in and support of government. Finally and most importantly, we want innovation to get more value from our sugar.

Yesterday in this place we passed legislation to give a kickstart to the exciting biofuel ethanol industry. We need innovation and investment in partnership with growers and millers to build this industry. But innovations in biofuel are just part of this potentially exciting story. Cane by-product in the form of the fibre that is left over after the juice is crushed out of the cane is used in the production of electricity. The cane fibre is burnt and creates steam that is either used directly in the mill or put through

a turbine with surplus electricity being exported to the wider Queensland electricity grid. Along with the member for Burnett, I visited the Pioneer Mill and saw firsthand the fibre being burnt and generating electricity through the large turbines inside the mill. The Pioneer Mill stockpiles fibre and continues to generate electricity through the hot summer months even after the crush is complete.

The Queensland sugar industry is the largest producer of renewable energy from biomass in the country, contributing to clean green energy for sugar-producing areas and for all of Queensland. We all know of the sugarcane mulch we use on our gardens, but members may not know that bioplastic has already been developed from cane that can replace PET bottles and other types of plastic products. I know we in this place can encourage the innovation and investment that will continue to develop the products that add value to the industry.

The Agriculture and Environment Committee was referred the member for Dalrymple's bill, and I commend the chairperson and the deputy chairperson for their leadership, goodwill and interest in the issues we canvassed throughout the process. The committee had briefings from the member for Dalrymple and Canegrowers Queensland. It also sent representatives to meet with grower groups in Maryborough and Mackay as well as sending representatives, including me, to the Pioneer Mill to meet with representatives of the mills and to see the crushing and refining process firsthand. On 31 August the committee held public hearings to hear from witnesses and seek submissions. Members can avail themselves of a full list of submissions on the parliamentary website.

Members who may not have followed this issue should understand, firstly, that the sugar industry has a long history of legislation to strongly regulate the industry and has a history of disputes. The growing and selling of cane is distinctive from many other agricultural products. If you grow cucumbers in the electorate of Logan, you have the ability to reach a number of different buyers, both wholesale and even directly. While we have a concern over the duopoly of the two big grocers, we know that a grower of vegetables can find a number of buyers and that the number that exists makes the market more closely resemble a classical free market where price is competitive based on supply and demand.

However, cane is not a finished product. It requires extensive refining from capital- and engineering-intensive mills before the cane can be transformed into a saleable product and stored as raw sugar. Further, cut cane is highly perishable. The sugar content of the juice reduces quickly after it is harvested. It is also a heavy and bulky product, and for it to be moved any great distance is costly. This means that effectively the grower of sugarcane has limited or no choice over the buyer of the cane they produce. This is quite different from other agricultural products. In short, the production of sugar has to be a partnership between the grower and their local mill. However, the industry has long recognised the problem and has come up with an elegant solution.

Even if the local selling of sugarcane does not represent a classical marketplace, the international market for raw sugar is a more competitive marketplace. So in agreement between the growers and millers, and originally as directed by legislation, there is a calculation to pass through a percentage of the final price of the raw sugar known as the 'sugar formula'. Further, up until recently the former monopoly marketer and transporter of Queensland raw sugar, QSL, was the only seller of Queensland sugar for export. Recently, however, the majority of millers have made the decision that they would be better off to market and sell their own sugar, and they feel that they would deliver better value for both the grower and the milling company.

Many, but not all, growers—and I met some growers from Babinda upstairs who share these views—are deeply concerned about the change in arrangements away from an agreed single marketer to the miller being both miller and marketer. Others were more comfortable with the new arrangement. Growers who were concerned felt that there would be no transparency over the final sale price and therefore little confidence that growers would receive the true market price. The true market price follows closely the New York Sugar No. 11 futures price but is more complex. Due to geographical and quality issues, growers receive a premium above the ICE Futures Sugar #11. To restore this confidence, growers expressed a desire for legislation that would allow the grower to impose on the miller which organisation would market and sell the percentage of sugar that would be agreed as representing their economic interest in the final product.

I understand the growers are uncertain about the changes the millers are making. However, millers are also under pressure from growers moving to other crops. The mills are reliant on maximising the size and sugar content of their crop. I also recognise that the mills have a number of competing companies who market sugar, which should give a clear indication of price. The committee heard that the QSL will continue to be a marketer, which will also be a price signal to indicate if there is fairness in the marketplace.

I recognise that the mover of this motion has brought up important issues about the changes in this industry and given the mill-owning corporations a reminder that they have a corporate social responsibility to share fairly the value of their final product and deal fairly with the farmers with whom they are so closely bound. However, given the rapid innovation in the field and the capital-intensive nature of the operations, I would suggest that this legislation is not the right way for the government to once again enter into the sugar marketing chain. As I said, I spoke with some farmers from Babinda, south of Cairns, who are upstairs. I know they are great Queenslanders, and I remain open to hearing from them in the future. I urge the milling companies to work with the farmers and the sugar communities up and down the coast.