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Speaker McLucas, Sen Jan

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Senator McLUCAS (Queensland) (1.33 pm)—The Howard government should be condemned for its failure to include the sugar industry in the so-called free trade agreement with the United States of America and to properly and effectively work with the sugar industry over the last seven years. The sugar industry and the people of Queensland have been lied to by this government—and I do not say that lightly. The government has led sugar growers, harvesters, millers, mill workers and sugar communities down the garden path. The impact of the government's decision to cut sugar loose from the free trade agreement deal is enormous, and the struggling sugar growers are understandably sceptical—

Senator Brandis—How would they be better off if we hadn't signed the agreement, Senator McLucas?

Senator McLUCAS—I will get to that, Senator—struggling sugar growers are understandably sceptical that yesterday's announcement of a \$21 million package for the industry will quickly reach those needing support. In response to yesterday's announcement, the *Cairns Post* editorial had this to say:

Its effectiveness will be miniscule unless it reaches those in need. If history is anything to go by, many farmers will find they are not eligible to receive the household support on offer. The \$21 million assistance package won't go far.

... ..

Yesterday the nation's chief commodities forecaster warned farmers would have to endure almost below cost prices for years to come while other nations heavily subsidised their own sugar producers.

I believe the editorial in the *Cairns Post* has very neatly summed up the situation. The government's assertion that the sugar industry will be no worse off as a result of the free trade agreement deal is simply rubbish. Ross Walker, from the Australian Cane Farmers Association, said that the promise of the \$21 million package and \$5.6 million in support for business planning fell way short of securing the industry. At meetings in Gordonvale and Innisfail yesterday, he said:

We need decoupled income support which is WTO compliant. At the projected price, we could lose 10 per cent of our growers from some mill areas, which could cause them to collapse. Mr Howard's announcement is just a quick fix, short-term measure.

I think Mr Walker is correct—these are quick fix and short-term measures leading up to an election later this year. Given the ABARE prediction that low prices and the impact of the rising Australian dollar will be ongoing for four to five years, let us hope the Howard government does come up with WTO compliant support measures—and very quickly. This government has signed off on something that it calls a free trade agreement that is not based on free trade; it has signed off on an agreement that is not based on any serious understanding of what free trade is at all. Minister Truss made this admission last month:

It is not only the cane farmers that will have to be looked at. We have to understand that other people will also be impacted. There will be some jobs lost; there will be some other small businesses that used to supply various elements to the industry that will have to be looked at.

These comments indicate a comprehensive approach from the government, but that is not what we have seen delivered so far. The sugar industry has every right to be sceptical that a comprehensive WTO compliant package will be delivered by this government. That is because, as I said in my opening remarks, the sugar industry was lied to by this government before the FTA with the US was signed.

On 15 January, Minister Vaile said that he wanted:

... a good outcome in this as far as agriculture is concerned. We've maintained that all through.

... ..

We've continued to maintain that sugar must be part of this package.

He went on:

Well, we're not going to leave sugar out. I mean, what we're saying is that sugar is as important to us as a number of issues are to the United States.

He then emphasised it even more strongly with the comment:

I mean, it is crucial.

Obviously, when push came to shove and he was sitting across the table from his US counterparts, it was no longer so crucial.

On 21 January, Minister Vaile continued to maintain the government's position, no doubt by this time very mindful of the looming Queensland election. He said on that occasion:

We've sought to do a comprehensive deal across all sectors, including agriculture, including sugar, and we've said that sugar must be part of the deal and we're not conceding that.

Clearly Minister Vaile's definition of a comprehensive trade deal differs markedly from that of the Labor Party. He also said that he was going to:

... fight hard on all those fronts and to fight hard, particularly on the front of sugar. It is the most corrupted and distorted commodity traded in the global marketplace.

It is clear that there is enough commentary on the public record from the leadership of this government to completely justify the level of distrust of Liberal and National Party politicians that now exists throughout all cane communities in Queensland.

What has the sugar industry in Queensland missed out on? I am disappointed that Senator Brandis has left the chamber, because this is the answer to his question. The National Party member for Hinchinbrook, Mr Marc Rowell, summed it up pretty well in a letter to the Prime Minister expressing disappointment at the FTA outcome for sugar. In the *Cairns Post* of 12 February he warned Mr Howard that the future of the sugar industry is in:

... grave danger, with many growers unable to continue with current and forecast prices.

Mr Rowell is the state National Party's primary industries spokesman. He also said:

The lucrative price being received by US growers of three to four times the current world price would have improved returns to Queensland's industry facing declining world prices and an escalating Australian dollar.

That is the answer for Senator Brandis, from his colleague. Mr Rowell also points out that there 'had been high expectations the FTA would offset current difficulties'. To maintain that no-one in the sugar industry will be worse off in light of the 'three to four times the world price' scenario so beautifully articulated by Mr Rowell shows us that this government is simply in denial about the extent of its failure.

The government's tactical *modus operandi* on this deal also fell far short of good governance. In fact, within the context of the state election in Queensland, their behaviour can only be characterised as deliberately deceptive and misleading. The timing of the announcement, immediately following the election, is at least suspicious and at worst downright deceptive. The Howard government had the ability—and I would maintain, the responsibility—to inform cane communities of the progress of negotiations during the week leading up to the state election on 7 February. But rather than use his influence and special status as a friend of the United States President to hammer out a deal for sugar growers, it seems that the Prime Minister's major concession may well have been to delay the announcement in an attempt to advance coalition interests in Queensland's sugar seats. No doubt my Labor colleagues will vigorously pursue the timing issue during the inquiry of the Senate select committee into the FTA.

Despite yesterday's funding announcement, cane communities have grave doubts as to this government's ability to provide the sort of positive leadership needed to deliver a return to long-term prosperity—and little wonder! The government's track record is abysmal. For Senator Boswell to suggest in the *Courier Mail*, as he did recently, that the government's approach to sugar can be likened to the industry planning that was put in place—by the Labor Party, I must point out, as he failed to do—for the car industry is simply laughable. The rescue

package is the Howard government's fourth attempt at industry restructuring since 1998. Very little of the \$60 million promised in 2002 has been distributed to a single grower or industry participant.

The warning signs for the region are dire. A recent study commissioned by the respected regional development organisation Advance Cairns outlines some 'first glance' figures that show severe economic downturn if the sugar industry were to collapse. These show that, in the case of a sudden and complete demise of the industry, 15,000 jobs would be at risk in the Cairns region alone and the loss of economic activity in the region would be around 12 per cent.

On 11 February, the Burdekin Shire Mayor, Councillor John Woods, said:

... many sugar farmers were already baulking at planting another crop and looking at ways to exit the industry.

He also said:

The situation at the moment is line ball for them because they can't make any money out of producing a crop.

However every sugar town must have a certain number of people in the district in order to maintain their own economy. Each time a person leaves the industry that impacts on small businesses in the town and region. This can then have a snowball effect.

He went on to say:

From statements made by the Prime Minister and his deputy recently, I don't think they know how much this has impacted on the sugar towns of Queensland ... the highly subsidised US sugar industry would never want competition from far-more-efficient Australian sugar farmers.

He is right. Our farmers have become extremely efficient sugar producers. Remaining locked out of the US market locks them out of the benefits that should have flowed to them from the FTA. It locks their communities out of a prosperous future because of the intrinsic linkage between sugar farmers and their local economies.

Senator Ian Macdonald—You simply do not understand.

Senator McLUCAS—Are you saying that Mr Rowell doesn't understand?

Senator Ian Macdonald—If Mr Rowell is saying that, he does not understand.

Senator McLUCAS—Mr Rowell doesn't understand—that is a nice quote we will use next time. That is the fact of the matter and that is why the Prime Minister and Ministers Vaile, Truss and Macdonald should hang their heads in shame. They have fiddled for too long while the cane communities of North Queensland have burned.

There are other matters associated with the FTA that should concern primary producers of other commodities in other regions. For example, when it comes to avocados, countries such as Chile, the Dominican Republic and Mexico have negotiated far better market access than Australia. In 2002, Chile exported almost 80,000 tonnes to the US, Mexico exported about 25,000 tonnes and the Dominican Republic accounted for 10 per cent of US imports with over 10,000 tonnes. Australia has a cap of 4,000 tonnes and we are yet to even begin the long and expensive process of meeting the US government's quarantine requirements. Senator Ian Macdonald's fine words in this chamber about the access of avocados to the US market ring very hollow in the avocado farms of Queensland.

Having allowed sugar to be excluded, common sense would suggest that Minister Vaile is now placed in a difficult—almost impossible—negotiating position when it comes to access for sugar or, indeed, other primary produce in other markets. It certainly undermines our position with respect to the World Trade Organisation, and he clearly will have some tricky explaining to do when he chairs the Cairns Group's next meeting in Costa Rica. And then there is the impact of allowing Australia's outstanding quarantine system to be subject to the operations of a technical working group which we have been advised will 'engage at the earliest appropriate point in each country's regulatory process to cooperate in the development of science-based measures that affect trade between the two countries'. This means we have given the US a front row seat in determining our quarantine regime.

Similarly, we have seen a dramatic turnaround in Biosecurity Australia's treatment of bananas, whereby 20 months ago imports from the Philippines posed too great a threat but suddenly the door for importation has been flung wide open. In response to banana growers' concerns, Minister Truss yesterday slammed the move

to establish a Senate inquiry into this matter. Australia's quarantine regime is designed to ensure our primary production is clean and free from pests and disease. This is not protectionism; it is good economic sense to ensure that our quarantine status is based on science not trade.

So it is not just the sugar industry that needs to be concerned at the way this government is hammering farmers, particularly in North Queensland. I also note concerns today spelt out by the tobacco industry in Mareeba, a town that stands to lose up to \$50 million from its local economy. The Howard government has failed farmers in North Queensland on a number of fronts. Today's headlines in the *Cairns Post* state `Tobacco a \$50 million dollar loss for Mareeba!' and `Warnings as (sugar) farmers win compo!' Banana growers are being slammed by Minister Truss for putting money into publicity campaigns. These are the key primary industries on which the regional economy and the communities of North Queensland depend. Labor's leader, Mark Latham, knows this and, when speaking about sugar on 27 February, he said:

This is an industry that deserves a good future. It is an industry where you have got hard working people, you have got productivity gains, you have got leadership, you have got the magnificent natural resource, the brilliant land and sunshine. You have got a product which is being consumed in every Australian household every day of the year, so it is an industry that should have a bright future if they can get some fair pricing and some trade access ... and we—

that is, the Labor Party—

will be keeping the pressure on the Federal Government to ensure that happens.

(Time expired)