

 THE AUSTRALIAN

Reform could help sugar farms compete

CANE farmers are doing it tough. A surge in Brazilian production has created a sugar glut. The Europeans and Americans continue to dole out enormous subsidies to their sugar farmers. The result? The world price of sugar has fallen by almost half in recent years. Add to this sour mix disease, pests and a run of bad weather, including drought, and you have a situation where many of Australia's 6000 canegrowers are struggling to survive. The industry is concentrated in North Queensland, where some towns still rely heavily on cane farming. Tourism means former sugar towns such as Cairns have some immunity. But if hundreds of canegrowers' farms fail, the prospects for sugar-dependent towns such as Ayr, Ingham and Innisfail, to name a few, are bleak.

The federal Government is debating how to respond to the industry's latest demand for \$150 million in assistance. Trade Minister Mark Vaile yesterday backed the idea of a levy on sugar — which would shift the cost for an industry restructure back to consumers and food manufacturers. Mr Vaile said this should be combined with mandated ethanol use in oil supplies (ethanol is a sugar by-product), to help improve cane farmers' viability.

The problem with a sugar levy, as suggested by canegrowers, is that it could be counter-productive. Comparisons have been made with the milk tax imposed to fund deregulation of the dairy industry. Except sugar is different. It is used in varying forms and amounts across a range of products, and could result in local manufacturers using cheaper imported sugar. John Howard is taking a balanced approach, recognis-

ing the need for assistance, but demanding it be tied to radical changes to farming practices. "The problem with the industry is obvious: there are too many small holdings," the Prime Minister said on Wednesday. "There are some who will have to leave the industry."

The industry wants a hand-out amounting to \$320 a hectare, or \$22,400 for the average farm, regardless of how profitable it is and without any requirement for reform. As Sugar Research & Development Corporation chairman Clive Hildebrand pointed out in his recent report to the Government, there is much that sugar farmers can do to improve "significant inefficiencies" in transport and harvesting. In fact the industry must undergo a transformation, including the amalgamation of farms, to survive. Environmental standards are an ongoing concern. Run-off from sugar farms is thought by some to have polluted the Great Barrier Reef.

Sugar was a nice little earner for much of 1990s; however the industry has been king-hit in recent seasons. The standard cane farmer is 50 or older. Many have had sugar farms in their families for three or four generations. So change comes slowly to this industry. It was therefore no surprise that Pauline Hanson enjoyed her strongest support from sugar areas.

Three years ago taxpayers footed the bill for an \$80 million rescue package for the sugar industry. Most of that is spent, with no discernible rise in efficiency. The Government should ensure that any further assistance is linked to a mandated overhaul of farming practices. This is in the best long-term interests of the industry, and of taxpayers.