

REFORM

# Sweet and sour as sugar fight gets bitter

Global pressures are squeezing the sugar industry but reforms are bogged down in political skirmishing, reports Derek Parker

**I**T is an iconic image: broad acres of sugar cane ripening in the tropical sun. But the picture belies the strains in the industry, and the choices ahead are either radical change or eventual collapse.

Australian sugar is an export crop, with about 80 per cent of production going overseas.

But, for several years, international prices have been sliding downwards, driven by the emergence of new low-cost producers such as Brazil. World demand is growing only slowly, and domestic demand is gradually declining. Global prices are about \$200 a tonne, well below the \$300 generally considered the break-even figure for Australian producers.

Putting together a package of reforms to increase competitiveness has been complex. With production concentrated in Queensland, the package has been negotiated between the Commonwealth and Queensland governments, with an agreement reached to guide the process, and a new body, the Sugar Industry Guidance Group, established.

One suggested solution is consolidation of farms. The industry has lots of small, family-based operations. Larger farms could attain economies of scale that would improve the industry's ability to compete. The plan calls for the Queensland Government to provide low-interest loans for the consolidation of operations in the state, and for the Commonwealth Government to provide income support.



**Cane enable:** Politicians are squabbling over essential sugar industry reforms

Growers who decide to leave the industry are offered a one-off, tax-free payment of up to \$45,000, subject to income and asset tests.

The total cost of the Commonwealth package — including interest-rate subsidies for replanting and industry adjustment — will be \$120 million, with most coming through the 3c per kilogram levy on domestic consumers.

For its part, Queensland will spend \$30 million to support new practices and products, and set up a fund

## ▶ The status quo is not an option for anyone

to foster innovation in the industry. The Australian industry has been slow to develop derivative products such as ethanol and bio-plastics. Even Cuba produces a wider range of cane-based products than us.

Even more important is deregulation to change long-standing industry rules, some dating back to the 1920s. The sugar industry operates under a complex web of state government regulation, covering cane production areas, statutory bargaining between growers and millers, and compulsory acquisition of raw sugar for the domestic market. A string of reports have concluded that regulation has outlived its usefulness and is now an impediment.

### Not so sweet

- Global prices currently stand at around the \$200 per tonne mark, well below the \$300 per tonne generally considered to be the break-even figure for Australian producers.
- Even communist Cuba produces a wider range of cane-based products than Australia.
- Growers who decide to leave the industry are offered a one-off, tax-free payment of up to \$45,000, subject to income and asset tests.

Legislation to slash red tape was introduced into the Queensland Parliament in April but has been bogged down by political infighting.

Cane growers want a clause ensuring arbitration of contract disputes with millers, and the Commonwealth agrees. The Queensland Government sees no need for it, but is willing to examine compromises.

In any case, the deregulatory package is in limbo.

Most of the funding depends on the package being passed by the Queensland Government, and at present the state and federal governments are blaming each other for the delay.

The Queensland Government says it is waiting on Canberra's views on the arbitration clause; the federal Government says Queensland should negotiate with the growers and says the Beattie Government could pass the legislation at any time.

Perhaps the last word should go to Senator Ron Boswell, National Party Senate Leader.

"The situation is desperate," he said. "The growers and the Queensland government need to sit down and reach a deal over sticking points, and I believe that the Commonwealth Government would then sign off on it. The status quo is not an option for anyone."