

SUGAR MILL - ORD VALLEY, KUNUNURRA

**332. Hon KEN BASTON to the Minister for Agriculture and Food:**

I refer to the recent reports that the sugar mill in the Ord valley at Kununurra may be closed and relocated to Indonesia.

- (1) Can the minister confirm the acreage that C.J. Ord River Sugar Pty Ltd has asked to be guaranteed for the growing of sugar cane in Ord stage 2?
- (2) Can the minister supply such a guarantee; and, if not, why not?
- (3) What will be the economic impact on the growers in the event that the mill does not operate this season?
- (4) Most importantly, does the minister have any contingency plans to secure the future of the sugar industry in the Ord in the event of the closure of the mill?

**Hon KIM CHANCE replied:**

I thank the member for some notice of this question.

- (1)-(2) Chiel Jedang, the company that owns the sugar mill in Kununurra, asked for a number of undertakings from the government: a guarantee of 500 000 tonnes of cane a year - rather than acreage, for tonnage; that this guarantee exist for four to five years, tied to the Ord valley pricing index rather than the Queensland pricing index, which is what the Ord growers were seeking; and that the government provide certain undertakings to C.J. concerning Ord stage 2. I advised Mr Cheong, the managing director of C.J. in Seoul, that the first two of those requests could not be delivered by the government. Only the growers could deliver the first two. In respect of the third request, my supplying that undertaking to C.J. would have been a breach of civil law. I did not expect that C.J. would ask the government to break the law, because a process is in place.

No, I did not give C.J. any undertakings; I told Mr Cheong very clearly that we could not accommodate any of those three requests, and I told him why. In respect of the third matter, Mr Cheong understood and said no; he did not expect that C.J. would want the state to break the law. I suggested to Mr Cheong, as I had suggested to Mr Park, the Vice President of C.J., whom I met five or six weeks ago in Kununurra, that the government was prepared to completely fund a mediation process established between C.J. and the growers, operated by people whom both sides knew and trusted. The response from the Ord growers was immediate and positive. Mr Park said he would have to take that matter back to the board in Seoul. I never heard anything further from C.J., which was very unfortunate. Ian Longson, the Director General of the Department of Agriculture and Food, has been in Kununurra over the past two days. He has been engaging in meetings on behalf of the government and me between the Ord growers and C.J.. So far I do not have anything positive to report, and that is unfortunate because the government is actively looking for ways to resolve the immediate impasse, in which there is a lot of leverage going on. I do not want to go too deeply into that because there is a fair amount of commercial sensitivity involved. The honourable member has every right to ask the question and the Parliament has a right to know these things, although we have made no statement about it in the past.

- (3) The effect on the growers will be severe. If this mill does not reopen, bearing in mind sugar is due to be harvested starting in the first week of June - tomorrow, effectively - \$25 million worth of cane will be sitting there without a home. It is appalling that we have been put in a position in which we must negotiate under that leverage. It is of concern that people would actually put the growers' future at risk in that way, not to mention potentially cause extremely serious environmental problems in the valley. If that sugar cannot be harvested, it must be disposed of in some way, otherwise \$25 million worth of cane could become 375 tonnes of highly polluting, rotting vegetation. The situation is serious, and we are working very hard to try to resolve it. We have approached the growers to effectively ask what it will take to make them sign for the next four years on the Ord index. We have also effectively asked C.J. what it will take for that company to get the mill operating next week. I do not know what more we can do; we can only ask the questions.
- (4) With regard to contingency, at the moment all we can do is try to make sure we can get the mill operating. The contingency relates to what happens if we are not successful in doing that. We understand that that is something that we may have to face up to, and it could be a disposal bill in the multimillions of dollars. I am not too sure what it will cost. My guess is that it will probably be a

disposal cost in the order of \$4 million to \$6 million. That seems to me to be an appalling waste and we will do everything we can to make sure that situation does not eventuate.

It is unfortunate that this situation has eventuated. I do not want this to sound as though I am being overcritical of C.J. because, in the past, C.J. has shown a quite noticeable and marked willingness to stick with the industry. We seem to have somehow got ourselves into a situation in which nobody was prepared to give that last inch. When we get down to it, the issue that caused the division of view is only \$2 a tonne. The whole issue came about because of a difference of opinion, and the failure of the contract negotiations arose from a price differential on cane of \$2 a tonne. It is really disappointing. I thought we could have resolved the situation. I thought that C.J. Ord River Sugar Pty Ltd may have been more amenable, but it set a deadline that expired yesterday, 28 May, for its decision to either dismantle the plant and shift it to Indonesia or to start the process of ordering new materials for a new plant in Indonesia and negotiate the sale of the plant to other parties here. I spent a considerable amount of time talking to Mr Cheong, who was authorised by C.J. to negotiate on the matter, to try to get him to the point at which he could give me some kind of undertaking that this year's crop would be milled regardless of whatever else happened, and that became our basic threshold point. I was not able to achieve that and I am extremely disappointed. Growers, similarly, are somewhat despondent about the future of sugar in the industry. The international sugar price is now about half what it was at this time last year, and growers are questioning whether it has a future in any case, even if the mill were operating now. However, they did not need this particular problem on top of their longer term issues.