O N T H E D R Y S I D E

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STATUTORY MARKETING AUTHORITIES

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John Kerin, Minister for Primary Industry, who once worked for the Bureau of Agricultural Economics, is blessed (or cursed) with the insight of an economist. His reconciliation of the demands of party politics with his sophisticated understanding of national and industry interests is a fascinating study in its own right.

In the context of the Queensland election he heaved a gratuitous bucket over the IAC draft sugar report but within 4 days he delivered a thoughtful and provocative speech in NSW questioning the very role of statutory marketing.

One action pragmatically, if cynically, recognised the power of a well established vested interest in an election; the other, the power of ideas to change even the grasp of vested interests. To compromise what can't be won without losing one's sense of direction is good politics; I fear however that it may be the sugar statement that is remembered.

In NSW John Kerin said that he was concerned ".... that the structure of Statutory Marketing Authorities is not always consistent with developing and implementing policies that contribute to the competitiveness of Australia's primary industries, nor necessarily consistent with some other objectives that the SMAs have pursued, for example, fairness and equity of returns, continuity of supply, and quality control."

In blunter language that might have read, "Sacred cows like the Wheat Board, Australian Dairy Corporation, and CSR sugar monopoly might be losing markets, favouring some growers unjustly, causing gluts and shortages, and prejudicing quality;" in short doing those things that his training would have taught him to expect of monopolies and regulated markets.

The recent draft IAC report on the sugar industry drew attention to at least a $300 million subsidy that the sugar industry has donated to consumers over the past twelve years. The dairy industry, on the other hand, has received big subsidies from customers and taxpayers.

The dairy industry's affection for statutory marketing is explicable in terms of self-interest but not so sugar. An explanation that sugar producers are an altruistic bunch who like giving money away is scarcely believable. Most farmers that I know are not only interested in wealth but they would like rather more of it.

Altruism is even less believable when it is realised that the industry spokesmen themselves, in evidence to the IAC, said that because of the International Sugar Agreement a lion's share of their forgone income is going to producers in the EEC. Further, the monstrously complex regulations prevent adjustment to changing times and burden the industry with unnecessary costs which reduce competitiveness and growers' margins.

There is no doubt that Kerin's political instincts were sound when he panned the draft report; present sugar marketing arrangements are popular in Queensland; but why should they be ?

Part of an explanation for the apparently irrational attitude of Queensland growers may be found in their innate conservatism. They know the present arrangements; they are doing quite well and who can say exactly what will be the shape of the industry if it is deregulated.

Further explanation may be found in the exclusive rights to produce sugar conferred by the regulations upon present growers. If others were allowed to enter the industry, the Australian gross national product and the average welfare of all Australians may well be increased, but it is very probable that some present growers would suffer loss. The marketing arrangements have kept competition from new growers to a minimum. Many Queensland growers imagine wrongly that the maze of rules will prevent Ord River sugar from competing with them. However, the marketing scheme is State Government legislation, and no West Australian government will legislate preventing sugar production in W.A., merely to benefit Queenslanders.

The interests of the established growers don't entirely coincide with either that of a potentially larger industry or with the national interest. However, only Queenslanders were about to vote. Those Queenslanders who would like to join the industry are less vocal, less well informed of their own interest, and less likely to vote in block than existing growers. I can but assume that John Kerin had sugar quotas in mind when he expressed concern in his NSW speech about the fairness and equity of Statutory Marketing Authorities.

Aware that the right to deliver cane to a mill is a valuable asset that growers do not wish to lose, the IAC recommended that growers should be permitted to sell their mill quotas. Although the quota is gained largely at the cost of people who would have grown sugar if there had been no quotas, the benefit was in many cases given to earlier land owners. The present owners have purchased and paid for mill quotas with the property; there is thus some justice in letting them sell what was once a gift.

The grower's interest in his quota is protected by the IAC draft, but I expect that few growers understand this. Their advice would come from mill managers, CSR staff, industry lobbyists and State M.Ps, some of whom might have become redundant if the IAC draft were adopted. Doesn't the responsible minister's responsibility extend to explaining matters to growers ? Further, there is a respected view that Mr. Kerin's economics training, provided at taxpayer cost, obliges him to explain economic truths. If not, then what does the Labor Party mean by the " spillover effects of tertiary education" that justify its free provision even to the nation's wealthiest families ?

In NSW the minister said, " The minister is in the unenviable situation of carrying ultimate responsibility for an organisation all of whose, even major decisions, he or she could not be informed about .....and while the minister can be stuck with the responsibility, industry is often stuck with the bill."

No doubt he had in mind other ministers' problems with kangaroo meat and Asia Dairy Industry scandals, but his observation also applies to sugar. His ministerial responsibility is to develop a more rational sugar industry. Watching the Liberal government should have taught him the high cost of governing to suit State elections.

An industry that depends on world markets, cannot avoid change. Mr. Kerin may hold the tide just long enough to drown many growers who neither learn to swim nor move to high ground.)