Marketing of Primary Products Amendment (Rice Marketing) Bill.

Second Reading

The Hon. IAN MACDONALD (Minister for Agriculture and Fisheries) [11.38 a.m.]: I move:

That this bill be now read a second time.

This bill extends by five years the authorisation under the Marketing of Primary Products Act 1983 of certain rice marketing arrangements that would otherwise contravene the Commonwealth Trade Practices Act 1974. This issue was last addressed by the Marketing of Primary Products Amendment (Rice Marketing Board) Act 1998, which approved the same exemption until 31 January 2004. The exemption was originally made to authorise the Rice Marketing Board to maintain an agreement with Ricegrowers' Co-operative Ltd, under which the board appointed the co-operative as its agent and sole buyer of rice produced in New South Wales, ownership of which has been vested in the board. The legislation authorising the Rice Marketing Board was reviewed under the national competition policy in 1995. At that time it was recommended that the ownership of all rice grown in New South Wales continue to be vested in the board while discussions were held at the national level over proposals for a national single desk for rice exports.

Under the provisions of the Marketing of Primary Products Act 1983, ownership of the New South Wales rice crop was vested in the board until 31 January 2004. Further, an authorisation under the Trade Practices Act was provided for under the Marketing of Primary Products Amendment (Rice Marketing Board) Act 1998. Since that time, there have been ongoing negotiations between the Commonwealth, the rice industry, and State Governments concerning the establishment of alternative national arrangements. Particular attention was given to examining a means by which the Commonwealth Government might empower the board's single desk export activity and allow deregulation of the domestic market. These tri-partite negotiations were abandoned in early 2003 as a result of a number of difficulties encountered at the Commonwealth level.

As a consequence, the New South Wales Government agreed that vesting should be renewed for a further five years, during which time a further review of the powers of the Rice Marketing Board would be undertaken under competition policy principles, and that recommendations would be made before vesting expires on 31 January 2009. It should be noted that if the Commonwealth Government makes any further serious threats to deduct any tranche payment that is owed to New South Wales under the national competition principles agreement, the Government will have to further consider the length of time for which this vesting arrangement can be sustained.

The bill also updates in clause 6 of schedule 7 to the Act the reference to the date of the current agreement between the Rice Marketing Board and the co-operative. The vesting arrangements do not interfere with the market price for rice, which is offered on world markets at a competitive and unsubsidised price. In fact the Australian rice industry already competes in the face of heavily subsidised producers in all of its key markets, including in Australia, where there is no import duty on rice. Rice is the most supported agricultural commodity in the world, with 80 per cent of the value of gross farm receipts subsidised by governments. The vesting arrangements under consideration allow the co-operative to market its exports in an organised way, and they have led to a highly effective, productive, and competitive rice industry. These arrangements have led to a quite remarkable export success story, and SunRice has developed into the fifth largest rice-food company in the world, with over 900 employees. Amazingly, this has been achieved through a very targeted marketing strategy that has won the company a 20 per cent share of the global medium grain rice market even though it produces only 4 per cent of the world's total rice trade.

In 2002, 85 per cent of Australian rice was exported to 72 countries, ensuring that over 40 million people across the globe consumed Australian rice each day. For the information of the House, SunRice, the marketing arm of the rice industry, is now an $800 million global business, with exports of up to $436 million, wholly owned by Australia's 1,834 rice growers and anchored in regional New South Wales. There are 571 growers in the Murrumbidgee Irrigation Area, 281 in the Coleambally Irrigation Area, and 982 in the Murray Valley. The mills are situated in Leeton, Coleambally and Deniliquin and deliveries are made to major storages across the region, including Moulamein, Burraboi, Deniliquin, Blighty, Finley, Hay, Coleambally, Emery, Leeton, Gogeldrie, Benerembah, Griffith, Yenda, Willbriggie, and Murrami. In fact, New South Wales produces 99 per cent of Australia's rice. The rice industry strongly supports the extension of vesting. Because of the drought and its resulting effect on water allocation, the rice industry has faced uncertainty and a reduction in annual production, particularly in the past financial year.

The industry will welcome the certainty of marketing arrangements for the immediate future. It is these arrangements that allowed the industry to sustain much of its income in the face of one of the worst droughts in history, reducing production to below 550,000 tonnes a year from an average of around 1,200,000 tonnes, as the company took innovative measures to supply its markets from alternative sources. The vesting arrangements have also proved to be highly successful in promoting environmental objectives. The rice industry's commitment to research and development has seen the development of sustainability programs that have resulted in marked improvements in yields and water use efficiency.

In fact, growers in the Murrumbidgee Irrigation Area have increased their water efficiency from 5 tonnes produced per megalitre in 1985 to 9 tonnes megalitre in 2000. At the same time the average yield has increased from approximately 5.5 tonnes per hectare to 10 tonnes per hectare—very impressive figures indeed that people who have negative impressions of the rice industry should consider when they look at this industry and the amazing water efficiency performance that has been achieved over the past decade or so.

The sustainability of the industry has allowed it to be innovative with its product range, thus increasing the return to Australian rice growers. These developments have resulted in products that allow returns from between $990 and $7,836 per megalitre consumed. On average, 44 per cent of the retail price of rice was returned to producers, placing it ahead of any other food crop. These gains would simply not have been possible without the existing vesting arrangements.

This five-year extension of vesting for the New South Wales rice industry will clearly have a significant beneficial impact on the economy of the Riverina region and on the milling towns in particular. For example, Leeton, where 412 of SunRice's 820 highly skilled and qualified people work, is a major beneficiary. In fact, rice provides 20 per cent of the job opportunities in the Riverina and, as an industry, has $2.5 billion invested in land, plant and equipment. The leverage of the impact of this vesting decision is therefore even more significant than the premiums gained, and much of it ends up in the townships. Vesting provides an estimated net public benefit of $50 million per annum. Without it up to 4,000 jobs would be lost, and transitional unemployment in the Riverina region would increase by 5 per cent. The continuation of the rice vesting arrangements will ensure that the rice industry continues as an innovative and dynamic export earner for both New South Wales and Australia. I commend the bill to the House.