

WORLD EYES ON QUEENSLAND

The campaign by Queensland growers for choice and fairness in sugar marketing has been closely followed by grower organisations around the world.

In the aftermath of the recent vote in State Parliament, CANEGROWERS Chairman **Paul Schembri** received numerous messages of support.

Writing from the headquarters of the World Association of Beet and Cane Growers in Paris, President **Roy Sharma** says;

The World Association of Beet and Cane Growers has recently learned that Queensland has passed legislation confirming that cane growers are the ones who decide who sells their sugar.

This news is welcomed by the World Association and we extend our congratulations to Queensland Canegrowers, and in particular to you Paul, as their Chairman, on your action towards obtaining this result. This legislative win is a true example of where action within grower organisations can achieve great things for growers.

Key MPs and what they said in Parliament



Shane Knuth, Dalrymple - KAP:

"...the policy objectives of the bill will improve competition in the Queensland sugar industry. It will also ensure that the mill owners are not the only marketing entity available to growers. It will ensure that growers are not forced to use mill owners as their marketing entity simply because the mills crush the growers' cane. As stated, the bill will give growers real choice in terms of appointing their marketing entity for raw sugar in which they have an economic interest."



Deb Frecklington, Nanango - LNP:

"Tonight's debate is not about reregulating the industry, as the minister has claimed in his endless stream of media statements with his wild, alarmist claims about scaring off investment and destroying jobs. This private member's bill with the LNP's amendments ... [is] aimed at ensuring a decent outcome for both growers and millers so there is a level of competition in sugar marketing, and there is a logical and stepped process for dispute resolution; nothing more, nothing less."



Billy Gordon, Cook - Independent:

"This bill gives the canegrower a real choice in the marketing of their share of sugar. They can go to the mills, QSL or whoever they choose as a matter of free choice. In so doing, the bill provides for more robust competition and transparency. It gives greater confidence to grow the world's best sugar and inevitably promises better prices to cane farmers and millers. The bill brings balance to the emergence of an uneven playing field in the market, where the control of the marketing of sugar has shifted disproportionately away from canegrowers with the effects we have seen at the mediation process."

Vote secures choice, fairness and a solid future

CANEGROWERS is congratulating and thanking the Members of the Queensland Parliament who have made a public stand for growers' rights.

Their support has secured crucial and pro-competition amendments to the *Sugar Industry Act (1999)*, which give growers confidence to invest in and grow the sugar industry.

The parliamentary visitor's gallery was packed with grower representatives for the late night sitting and dozens more were tuned in to the live feed via the parliamentary website when Katter's Australian Party (KAP) MP **Shane Knuth** formally started proceedings on the *Sugar Industry (Real Choice in Marketing) Amendment Bill*.

"The bill will improve competition in the Queensland sugar industry," Mr Knuth explained.

"It will also ensure that the mill owners are not the only marketing entity available to growers. It will ensure that growers are not forced to use mill owners as their marketing entity simply because the mills crush the growers' cane."

Amendments were tabled by both the Liberal National Party (LNP) and KAP to fine tune the bill's objective of:

- enabling growers to choose who markets grower economic interest (GEI) sugar,
- linking the cane price to the price of sugar,
- providing for a pre-contractual dispute resolution process, including arbitration to deal with negotiation deadlocks, and
- ensuring growers cannot be discriminated against, regardless of who they choose as the marketer of their economic interest sugar.

After two weeks of almost daily Queensland Government media releases opposing the bill as an attempt at re-regulation, Opposition leader **Lawrence Springborg** set the record straight explaining that the legislation would create an environment to make deregulation work.

"It does not take the sugar industry back to the 1950s ... It does not remove voluntary marketing arrangements. It does not dictate Queensland sugar must be marketed through the QSL or single desk," he said.

"It creates an environment that ensures there is some balance in an area where there may be a power imbalance."

As the debate progressed, the speakers alternated – support for the bill coming from the KAP and LNP

ranks and opposition from Australian Labor Party (ALP) speakers.

There was a surprise with the ALP's Mirani MP **Jim Pearce** stating that he supported growers and was deeply concerned for their future. He cited his background in coal mining as giving him an understanding of how international companies can act.

"I am really concerned about what I might do to the industry and the future of farmers by not supporting the bill before the House," he said. Nonetheless, his verbal support for the Bill did not translate into a vote for it.

Despite attempts by the ALP to make the debate about personalities and politics, seeking to find discord between the Liberal and National elements of the merged party, when it came time to vote the numbers became clear.

The bells rang, MPs hurried in from their offices and the votes were counted.

The bill passed 45 votes (LNP, KAP and Independent) to 43 (ALP). The passage of this bill is an important step in the process towards ensuring genuine competition in sugar marketing.

CANEGROWERS is ready to negotiate new Cane Supply Agreements which reflect the provisions of the legislation in the districts which require them. ■

SUGAR MARKETING – CLEARING UP MISCONCEPTIONS

The *Sugar Industry (Real Choice in Marketing) Amendment Bill 2015* passed Queensland Parliament on 3 December.

This is a major step forward in securing certainty for the sugar industry.

It opens the door to deliver genuine competition in sugar marketing and thereby overcomes the imbalance in market power that favoured the mills.

This will ensure ongoing security for growers and millers into the future. CANEGROWERS is committed to working with all mills and QSL to ensure smooth implementation of the new legislation for the 2017 season and the longer term.

The Bill is not re-regulation of the industry 1

Providing growers' choice in marketing, the Bill protects farmers' rights against mill monopoly behaviour by providing a framework that restores balance in negotiating power between mills and growers. It does not reinstate the 250 sections that were removed from the *Sugar Industry Act* in 1999.

The Bill will not negatively impact on the Queensland economy and jobs 2

The Bill creates contestability in the marketing of raw sugar. That competition will ensure raw sugar marketers continually strive to improve their performance. Competition will stimulate economic growth and employment opportunities across the industry, especially in the cane growing sector, the sector that drives the size and vibrancy of the whole industry.

The Bill is about protecting small businesses against monopolies & enforcing competition 3

The Bill provides growers with an ability to choose how the sugar that determines 100% of the value of cane is marketed. 4

Explicitly sharing in the revenues from the sale of raw sugar, growers currently have and have had a say through an industry owned marketing entity in the marketing of raw sugar for over 100 years.

Given the price of cane is linked to the price of sugar, there is no dispute over the fact that growers have a clear economic interest in the raw sugar produced from their cane. The Bill simply continues growers' rights.

The Bill establishes a regulatory structure that prevents mills' potential misuse of market power, addresses market failure and establishes a contestable market in the provision of raw sugar marketing and pricing services.

The Bill operates if growers and mills cannot reach agreement in the negotiation of cane supply agreements. 5

The Bill is explicit in providing for and allowing mills and growers to reach agreement for the supply of cane and pricing and marketing of sugar on whatever terms they agree.

If there is no agreement the Bill provides a framework for agreement and a process to resolve any deadlocks in the negotiation of cane supply agreements using the *Commercial Arbitration Act 2013*.

The Bill should not impact on international investment 6

Foreign corporations invested heavily in the industry under a voluntary marketing structure in which growers are partners in the marketing of raw sugar, a structure that underpinned strong growth and investment across the industry. This investment was and is welcome.

The Bill should not be seen as a reason for a reduction in investment. In fact, as mill profitability is largely determined by throughput of cane, the increased confidence among growers brought about by this Bill will have a positive impact on farm investment and expansion decisions.

Ownership of cane and sugar is not altered 7

The Bill does not interfere with the chain of ownership of sugar. As is presently the case, the ownership of cane transfers to mills in accordance with the provisions of cane supply agreements and the ownership of sugar transfers from mills in accordance with the provisions of their sugar supply agreements. The industry's price risk management and marketing activities will continue in accordance with the relevant agreements.



What does the parliamentary vote on sugar marketing mean for me?

The Queensland Parliament has recently passed amendments to the *Sugar Industry Act 1999*.

The amendments write into law the right of growers to choose the pathway to market for the sugar in which they have an economic interest – QSL or the milling company.

The changes were made in response to a decision by three millers to withdraw from QSL.

They sought to market all of the sugar produced at their mills, both

the mill's economic interest sugar and that related to growers.

The table below sets out what impact of the changed legislation for each mill area.

CSA = Cane Supply Agreement. Each grower has an individual or collectively negotiated CSA with the mill they supply.

MFA = Marketing Facilitation Agreement. Mills presently have Raw Sugar Supply Agreements (RSSA) with QSL.

New agreements will be needed between the mills which have sought to withdraw from QSL and QSL to facilitate a choice for growers' GEI sugar to be marketed by either QSL or the mill.

Mill I supply	Mill owner	Required changes	
		Season 2016	Season 2017
Mossman	Mackay Sugar	No Change	Business as usual *
Tableland Mulgrave South Johnstone	MSF Sugar (Mitr Phol)	No Change	New CSA to provide choice New Marketing Facilitation Agreement (MFA) with QSL
Tully	Tully Sugar (COFCO)	No Change	New CSA to provide choice New MFA with QSL
Invicta Pioneer Kalamia Inkerman Macknade Victoria Proserpine	Wilmar Sugar Australia (Wilmar International)	No Change	New CSA to provide choice New MFA with QSL
Farleigh Racecourse Marian	Mackay Sugar	No Change	Business as usual *
Plane Creek	Wilmar Sugar Australia (Wilmar International)	No Change	New CSA to provide choice New MFA with QSL
Bingera Millaquin	Bundaberg Sugar (Finasucre Group)	No Change	Business as usual *
Isis	Isis Central Sugar Mill	No Change	Business as usual *
Maryborough	MSF Sugar (Mitr Phol)	No Change	New CSA to provide choice New MFA with QSL
Rocky Point	Heck Group	No Change	New CSA to provide choice New MFA with QSL

* Business as usual assumes the companies continue with QSL

Parliament agrees our call for fairness is valid

By Paul Schembri
CANEGROWERS Chairman

One of the most defining moments in the raw sugar marketing dispute, and perhaps in CANEGROWERS representation, has occurred with the passage of the Katter's Australian Party (KAP) Real Choice in Marketing bill.

That bill was carried narrowly by 45 votes to 43 in the Queensland Parliament and I had the privilege along with other grower representatives of being present in the Visitor's Gallery to witness the debate and vote.

Regardless of which party supported it, the Parliament which is the chief decision making body in the state, has now deemed that the concerns expressed by growers from the cane fields of Queensland about fair market power and having a formal say in sugar marketing are valid.

We would have preferred that an industry solution to this dispute could have been found. Progress had certainly been made in the commercial mediation process with millers.

I do want to acknowledge that the mills made concessions around empowerment of growers in the pricing of sugar but unfortunately the key issue for growers was that the mills would not concede around the issues of empowerment of growers in the physical marketing of sugar which has been at the heart of this dispute.

I need to acknowledge that the bill would not have passed without a coalition of support from the KAP, Liberal National Party (LNP) and the Independent MP **Billy Gordon**.

Many thanks go to **Lawrence Springborg**, the parliamentary leader of the LNP, **Deb Frecklington**, Shadow Agriculture Minister, **Rob Katter**, the leader of KAP, **Shane Knuth** MP and Mr Gordon, the Independent Member for Cook.

What it shows to farmers and people who support agriculture and regional and rural economies is that the political process can work. Like-minded people from different political parties can unite to bring about fairness for farmers.

I also want to acknowledge the support we have felt from 4,500 growers. This has been all about people power and growers being



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Paul Schembri CANEGROWERS Chairman

motivated to fight for what they believe has been right. Growers in strong numbers turned out at the Senate inquiry hearings into this issue in Murwillumbah, Mackay and Townsville.

Many growers took time to write letters to their MPs and regional newspapers. District offices were magnificent, innovative and resourceful in the way they kept this issue prominent and captured the imaginations of growers and their communities and ensured that growers stayed united in pursuing this issue through to this outcome.

I also want to acknowledge this result could not have been achieved without the support of other grower organisations - the Australian Cane Farmers Association and the Burdekin collectives. They have stood shoulder to shoulder with CANEGROWERS ensuring we had strong representation of the passion growers were feeling. This highlights the fact that if we are courageous enough to stay united, growers collectively can achieve great things.

The question now is, is this over? The answer, truthfully, is that this is unknown. We understand that the mills may exercise their rights to legally challenge the validity of the bill. Whether that challenge does or does not take place, remains to be seen.

We also need to recognise that the Queensland Government is not at this time supportive of the bill that the parliament has passed.

We are however offering an opportunity to the mills to sit down with growers and consider the practical implementation of the legislation. We do believe that it contains an opportunity, not just for growers and for the industry to succeed.

As this is the last edition of the magazine for the year, it is timely to reflect on the year.

Sugar prices have turned the corner and are now in the realm of 15c/lb

after labouring at very low levels a few months ago. Recently CANEGROWERS Policy Council heard from **Lindsay Jolly**, the senior economist with the International Sugar Organisation. His view of the sugar market is a positive one and the ISO forecast is for a sugar deficit of around 3.5 million tonnes for 2015/16 and perhaps reaching 6 million tonnes in 2016/17.

Whilst these upward movements are encouraging, prices remain volatile; but we do believe the market fundamentals are stronger than they have been in recent times. We are pleased too that speculators are viewing sugar as a strong investment compared with other agricultural commodities.

We are currently on track to harvest 34 million tonnes of cane in Australia. Of that, 32 million tonnes will be crushed in Queensland and around 2.15 million tonnes in New South Wales.

By the Christmas week we hope that most mill areas will have completed crushing although we keep in mind the growers in Rocky Point, Mulgrave, South Johnstone and Tully areas, along with those in New South Wales, who are in a desperate race to get their crops in. Let's hope that the weather gods look favourably on them as there is nothing more debilitating to growers than to leave cane unharvested.

The early indications for the 2016 crop are that it is looking quite promising but as we know a lot can happen between now and harvest. I do thank you for your support for CANEGROWERS and the industry in 2015. We have been through a perfect storm of adversity and the year has tested the resilience of growers. It has almost lived up to the movie title, *The Year of Living Dangerously!*

I am sure that 2016 has better offerings in store. I wish you, your family, friends and loved ones a Merry Christmas and Happy New Year. ■