



Herbert River District Cane Growers
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16th July 2015

Ms J. Howard,
Chair,
Agricultural and Environment Committee
Parliament House,
George Street,
Brisbane QLD 4000

By email aec@parliament.qld.gov.au

Dear Ms Howard,

Sugar Industry (Real Choice in Marketing) Amendment Bill 2015

CANEGROWERS Herbert River represents some 550 cane growers supplying the two sugar mills namely Victoria and Macknade both owned by Wilmar in the Herbert River district some 110 kms north of Townsville.

As part of the Queensland Cane Growers Organisation we are aware through a consultative process that our peak industry body CANEGROWERS and the ACFA are making a joint submission to the Agriculture and Environment Committee and on behalf of members in the Herbert River District we express our wholehearted support for that submission.

Our members very strongly support the marketing arrangements currently in place and covered by contractual arrangements up to and including the 2016 season as witnessed by the unanimous support for two resolutions at the annual general meeting held soon after Wilmar advised its intention last year of terminating its arrangements with QSL. The motions were:

Motions

“That Growers condemn Wilmar’s unilateral decision to withdraw from QSL and thus deny growers of their rights. Growers want a genuine commercial relationship that provides transparency and a real say in the marketing of their (Grower Economic Interest) sugar. Growers must be able to sell their sugar through QSL.”

“That this meeting of growers resolves to indicate to our Bargaining Representative that we individually and collectively will not roll over the Collective Cane Supply Agreement beyond the 2016 Season unless QSL is the marketing agent for at least growers own economic interest sugar.”

By its unilateral action in announcing Wilmar was not extending the Raw Sugar Supply Agreement beyond the 2016 season without having consulted with CANEGROWERS Herbert River as the appointed exclusive bargaining agent for members and also the named Growers Representative in the Collective Cane Supply Agreement which contains a clause stipulating that prior consultation must take place before amending or terminating the RSSA, Wilmar has demonstrated an arrogant disregard for growers.

Current arrangements have an evolutionary history from the days of early venturers in sugar production before the turn of the 20th century through to a Royal Commission in 1912 that made recommendations that led to the Ryan government introducing the Regulation of Sugar Cane Prices Acts as part of a suite of arrangements that were complemented by a sugar marketing regime that essentially treated the mills and growers as a classical joint venture.

The Central Sugar Cane Prices Board was established to determine disputes and adjudicated on the pricing of cane as required under its charter which was the genesis of the cane price formula as we know it today but overarching this was a single desk selling arrangement to maximize the benefits from the sale of sugar and sugar products that were shared by mills and cane growers as in a classic joint venture model according to the ratio of the relative assets in the business after covering relative costs of production.

The evolutionary history is well explained by the joint CANEGROWERS/ACFA submission.

The point we wish to make is that the Royal Commission and subsequent regulations that had an enormously positive impact on Queensland's development and growth with a labour intensive industry was the answer to a set of circumstances where millowners were exploiting the growers.

In a commercial joint venture there are a lot of rules that govern its running and how disputes are to be resolved. For the sugar industry the legislation filled that role through to the time of deregulation when there was a push to rely on the trade practices laws supporting competition policy.

At the point of deregulation there was in the memorandum of understanding with the Queensland Government clear support all round for QSL as the preferred marketer of export sugar.

With the subsequent sale of sugar milling businesses to parties who have different designs on marketing it highlights:

1. That human nature has not changed from the kind of exploitation that prompted the Ryan government to implement a particular approach to organising the sugar industry as a classical joint venture; and
2. That there were some inherent shortcomings in the deregulation that flowed from that 2005 memorandum of understanding that fully surfaced in the approach so clearly demonstrated by Wilmar in disenfranchising the growers from the industry's preferred marketer with no access to dispute resolution in dealing with a resolute millowner.

CANEGROWERS Herbert River is aware of the claims made by Wilmar in regard to expropriation of property and contravening a Free Trade Agreement made by the Commonwealth.

It is submitted that the material in the CANEGROWERS/ACFA joint submission fully refutes these claims.

Moreover, what would flow from Growers Choice is a more competitive market for the sale of sugar leaving mills such as Wilmar no worse off than they have ever been and potentially they may market more sugar if they are able to out compete QSL in a market where real choice is available.

The other important aspect of the Bill is that it provides a pathway for resolution of deadlocks in negotiation of a Cane Supply Agreement which is demonstrably unfair when dealing with an imbalance in bargaining power such as exists with a monopoly millowner in a region such as the Herbert where both mills are commonly owned and operated and there is no economic access to another sugar mill.

CANEGROWERS Herbert River supports the Bill as it provides the necessary pro competition step to complete process of deregulation that was initiated in 2005.

Signed and dated in Ingham this 16th day of July 2005

For and on behalf of CANEGROWERS Herbert River



Stephen Guazzo
Chairman



Peter Edward Sheedy
MANAGER