



MACKAY

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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

Re: Sugar Industry (Real Choice in Marketing) Amendment Bill 2015

CANEGROWERS Mackay represents some 1,000 cane growers supplying the 3 sugar mills owned by Mackay Sugar Limited and 1 owned by Wilmar in Plane Creek.

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. On behalf of members in the Mackay region we express our strong support for that submission.

At separate Grower meetings held in our region, a unanimous vote was recorded in support of growers' strong desire to see 'Grower Choice' in who markets the sugar to which they have price exposure under their Cane Supply Agreements with their Miller.

Wilmar, COFCO and Maryborough Sugar Factory (Mitr Phol, Thailand) have, since early 2014, continued to avoid the pro-competitive, pro free market issue of Grower choice of the entities which may market the 'Grower Economic Interest' sugar, which would still allow all Millers to market all the sugar they are able to secure in a competitive market scenario. They have continued to avoid the following,

1. The ability for growers to choose between them and other entities as the provider of marketing services for 'Grower Economic Interest' (GEI) sugar; and
2. The availability of a pre, as well as a post, contract dispute resolution process incorporating Queensland's *Commercial Arbitration Act 2013*.

Wilmar claims an 'absolute *right to independently market and sell the sugar it derives from the Cane supplied by Growers*' and is only prepared to participate in discussions that are based on such a right. In our opinion that 'right' does not currently exist and would only exist if the terms of any future cane supply/sugar supply contracts gave that right.

The pre and post contract dispute resolution would only be used when a stalemate occurs in negotiations such has happened at present with this issue. The fact that Wilmar is in effect stating that future supply agreements with growers must be based on that right, is a clear example of a monopoly miller dictating important supply contract arrangements.

Wilmar however appears to be stating that it will only contract and deal with growers on the basis that it has that said right. In the face of such an attitude, government intervention is needed to provide a statutory 'grower choice' regime to give growers a say in who markets the 'Grower Economic Interest' sugar for which they have price exposure under their cane supply agreements.

Wilmar argues that its announcement on 3 April 2014 to exit Queensland Sugar Limited (a 50/50 Grower and Miller owned voluntary marketing system), and directly undertake the sale and marketing of its own sugar from the 2017 season onwards, is entirely consistent with the principles of the 2006 deregulation of sugar marketing.

In our opinion this statement is a misrepresentation of what occurred in 2006 and is contrary to the agreed industry/Peter Beattie government position, and is certainly not a correct reflection of what the principles were surrounding the 2006 deregulation. These principles centre around the Memorandum Of Understanding between the Government and Industry groups at that time, as set out below:

"It is recognised that, in moving to a new marketing system, the key to success is for all parties to work towards delivering greater flexibility and enhanced outcomes whilst continuing the benefits and synergies of presenting a coordinated face to Queensland's bulk raw sugar customers."

To address the imbalance in market power between mill owners and growers CANEGROWERS Mackay strongly supports the *Sugar Industry (Real Choice in Marketing) Amendment Bill 2015*.

The Bill aims to secure for growers the right to have **Real Choice** over who sells and prices Grower Economic Interest (GEI) sugar and the right for millers to have similar choice for Mill Economic Interest (MEI) sugar.

CANEGROWERS Mackay implores the Queensland Government to introduce the pro-competition^[1] **amendments** to the *Sugar Industry Act 1999* contained in the Bill without delay.

Choice for Growers is pro-competitive and pro an active market. It is the Australian way and if foreign owners of sugar mills seek to avoid this, then the Queensland Government should stand by the growers and their small businesses, their families and the regional communities in which they live.



Kevin Borg
CHAIRMAN

^[1] CANEGROWERS-ACFA are not seeking to revert to a legislated single desk marketing structure.