



CANEGROWERS
Proserpine

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Ms Jennifer Howard MP
Chair
Agriculture & 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 Proserpine is a membership-based organisation representing the interests of some 200 sugarcane growers in the Proserpine Whitsunday region. As an affiliate of Queensland Cane Growers Organisation, we have read their submission to the Agriculture and Environment Committee and fully endorse their support for the Amendment Bill in order to address the current imbalance in marketing power between the mill owners and growers.

In April 2014 Wilmar Sugar Australia announced its intention to withdraw from the industry's voluntary marketing arrangements and independently market all sugar produced at its mills commencing in 2017. Wilmar Sugar's unilateral decision completely ignored growers' economic interests in the sugar produced at its mills and, as a consequence, are denying growers a real choice in the marketing of their sugar. The price of sugarcane has historically been linked to the price of sugar – this link has given weight to the concept (and eventual industry acknowledgement) that growers have an economic interest in the sugar produced. However Wilmar's sheer size and economic strength threatens to undermine this basic concept. Without an independent competitive marketer, the price of sugarcane will be determined by the mill owner based solely on what provides a reasonable return for their milling business.

In effect, Wilmar Sugar is engaging in an exclusive dealing arrangement which couples the processing of growers' sugarcane with the services provided by Wilmar's marketing affiliate. In doing so, they are expressly denying growers' access to the sales and marketing services of their competitors.

CANEGROWERS Proserpine has formed the view that the only way to address the current imbalance in market power between mill owners and growers is to provide some level of grower choice in sugar marketing. Given Wilmar Sugar's persistent refusal to consider such

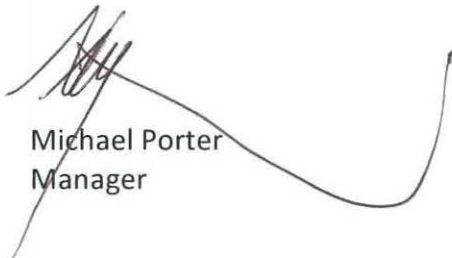
an arrangement, we strongly urge the Agriculture and Environment Committee to introduce the Sugar Industry (Real Choice in Marketing) Amendment Bill 2015 to ensure future cane supply agreements contain provisions which enable growers to choose how their economic interest sugar is priced and sold.

To clarify, CANEGROWERS Proserpine is not seeking a return to a mandatory single desk, but recommending some light regulatory amendments to address potential market failure resulting from regional milling monopolies. These amendments must:

- Require Cane Supply Agreements (CSA) to include a definition of Grower Economic Interest (GEI) sugar and Mill Economic Interest (MEI) sugar.
- Ensure CSAs link the price for cane to the selling price of sugar;
- provide for the calculation of GEI sugar;
- assign rights to growers and millers respectively for the marketing of GEI and MEI sugar; and
- provide for a commercial dispute resolution system to resolve any deadlocks (The *Commercial Arbitration Act 2013* provides a mechanism that could be used for this purpose)

Making the recommended changes will safeguard the long-standing industry arrangements and will secure a commercially workable foundation upon which the industry can grow.

Yours faithfully,



Michael Porter
Manager