

[REDACTED]
St Ives, NSW, 2075

Ms Jennifer Howard,
Chair, Agriculture and Environment Committee,
Parliament House,
George Street,
BRISBANE, QLD, 4000.

Dear Ms Howard,

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

Thank you for the opportunity to make a submission to the Committee's deliberations on the above Bill.

I spent 25 years working for CSR Limited, mostly in the raw sugar industry, and subsequently many years as an independent director of Mackay Sugar, Australia's largest sugar milling cooperative, and several years as chairman of Sugar Australia, the largest refined sugar business in Australia and New Zealand. Arising out of that extensive involvement in the Australian sugar industry, I continue to be a small equity holder in a substantial sugar cane farm in the Burdekin. For those reasons, I have maintained an interest in the process leading to the above Bill.

I decided to make this submission when I read the submissions opposing the Bill from two of Australia's peak industry groups, Australian Chamber of Commerce and Industry and Australian Industry Group. I found those submissions to be little more than ideological in nature, with scant relevance or regard for the commercial realities that the Bill is attempting to deal with.

I support the Bill.

My reasoning is set out below.

1. Wilmar purchased the CSR sugar business for a price which at the time was widely seen as grossly in excess of its value. Since then, sugar prices have weakened, so it is not at all surprising that Wilmar is hurting financially, and is actively seeking ways to improve their returns. Unfortunately, they are seeking to achieve this by reducing the returns to their suppliers. This tactic is not new. It was employed by many private millers in the early part of the twentieth century. It led directly to Government intervention and the establishment of the cane pricing and raw sugar marketing infrastructure that exists today. It is this system that Wilmar and others are now trying to dismantle.
2. Sugar cane contains a lot of water and is subject to rapid post-harvest deterioration in processing quality and recoverable sugar content. For this reason, it is very rare for a farm to supply its cane to more than one mill; there is no alternative market for a grower's cane. In

any event, in the Burdekin and Ingham areas, Wilmar own all of the mills, so the option of supply to a second mill has no relevance. Furthermore, there are no significant opportunities for cane growers to grow alternative crops. For the vast majority of growers, they grow sugar cane or they grow nothing, and they supply their cane to the nearest mill.

3. The cane pricing arrangements in Queensland have evolved over time. They are quite structured in recognition that there are no alternative marketing options for a grower's cane. The arrangements are based on a pooling of raw sugar sale proceeds that operates Queensland-wide from season to season. The raw sugar is sold and the nett proceeds are pooled. The pool is then divided among growers and millers in a way that intends for each to recover their reasonable costs, with the remaining surplus or deficit divided in accordance with the relative investment in the industry by growers and millers. Over the long haul, the proceeds have been divided roughly 2/3 to growers and 1/3 to millers. Importantly, the price of cane is directly related to the recoverable sugar content of the cane and the price received for the raw sugar, by a formula enshrined in the cane supply arrangements. The present pooling arrangements are quite transparent, which is a very important factor leading to grower confidence in the system. Australian sugar usually commands a premium FOB price over most other raw sugar, in recognition of superior quality and geographic proximity of Australian ports to the large Asian markets.
4. Wilmar is now proposing a process whereby they will sell the raw sugar to another Wilmar company, based in Singapore. That Singapore-based company will then sell that Australian-sourced sugar, along with all of the other sugar that Wilmar sells and trades. There will be no transparency between the price paid to the Wilmar Australian company by the Singapore company, and the price received by the Wilmar Singapore company for the Australian-sourced sugar that it sells to third parties.
5. In the context of recent debates in Australia about exports being routed through foreign subsidiaries en route to their final end market, Wilmar's proposals have a familiar ring.
6. The Bill is simply attempting to provide growers with an alternative market for the sugar in their cane, and deserves your Committee's full support.

Yours faithfully,



Dr John Keniry AM

10 August, 2015