

Sugarcane Bioenergy Inquiry 2025

Submission No:	39
Submitted by:	Queensland Sugar Limited
Publication:	Making the submission and your name public
Attachments:	See attachment
Submitter Comments:	



27 October 2025

Inquiry into Sugarcane Bioenergy Opportunities in Queensland

Thank you for the opportunity to provide feedback to this inquiry.

Queensland Sugar Limited (QSL) is a not-for-profit, industry-owned organisation that provides raw sugar marketing and logistics services to the Queensland sugar industry. Originally established as the state's Sugar Board in 1923, we have served the Queensland sugar industry for more than a century, and today operate the state's bulk sugar terminals (BSTs) on a cost-pass-through basis, while our marketing division represents more Queensland cane growers than any sugar marketer, returning all net value generated by our sugar sales activities to the cane growers and millers who choose to use our services. Unlike our marketing competitors, including sugar millers/cogeneration operators Wilmar and MSF Sugar, we are not driven by company profits but instead pursue our corporate purpose of serving the interests of growers and millers for the long-term prosperity of the Queensland sugar industry.

While QSL's Operations division provides terminal operation services to BST owner Sugar Terminals Limited (STL) for no profit in a bid to maximise the benefits to industry, our Marketing division is highly competitive, and returned a \$1 billion in raw sugar sales revenue to growers and millers in FY25 via more than 53,000 individual payments, making QSL the largest provider of sugar payments to Queensland producers.

Since the implementation of Marketing Choice in 2017, we have actively sought to promote competition in the sugar marketing space through the provision of industry-leading pricing and payment products, and in the past decade alone have introduced multiple industry-first pricing and payment products and services. These efforts have not only resulted in strong competition for growers' marketing business, but enabled even the smallest Queensland cane grower to leverage forward pricing and other sugar pricing tools, and the benefits of the global raw sugar market.

As we look to the opportunities presented by bioenergy for our industry, QSL's focus and primary concerns include the following:

THE STRENGTHS OF SUGAR FOR QUEENSLAND PRODUCERS

While Queensland cane growers in the past may have received a uniform or set price for their cane, today's growers using QSL can elect to set the price for their share of the sugar produced from their cane – known as the Growers Economic Interest in Sugar (GEI Sugar) – for up to 97% of their crop using a range of tools which leverage the ICE 11 raw sugar futures market. As a result, the value proposition and potential returns of raw sugar to date have been difficult for alternative sugarcane products to surpass. These advantages include:

Price Discovery – The ICE 11 futures exchange provides an independent platform for price discovery. The highly dynamic nature of the ICE 11, which is driven not only by producers and sugar buyers but also speculators, has

created a competitive international marketplace that allows producers to tap into global pricing opportunities beyond a simple ‘farmgate’ value. Coupled with the Australian sugar industry’s ability to store a high proportion of its crop via the state’s BSTs, this market access delivers considerable optionality for both pricing opportunities and sales delivery windows which together maximise the potential value of the Queensland sugar crop within global production cycles.

Risk Management – Via sugar marketers such as QSL, Queensland sugar producers can leverage the ICE 11 to lock in prices up to three years in advance, hedging against price fluctuations. As a result, while there can be significant price variation from year to year, growers can actively insulate themselves from pricing lows. For example, while today’s AUD/tonne raw sugar price is approximately \$500/tonne for the 2025 Season – close to the cost of production for many cane farmers – growers had the ability to previously lock in prices for 2025-Season deliveries more than \$200/t higher than this under the current crop’s available pricing window. This level of control over the price achieved for their product is unmatched for many Australian farmers and potentially makes the redirection of cane to non-sugar purposes less attractive.

Access to competition – The majority of Queensland cane growers have the ability to access their choice of sugar marketer under Queensland’s Sugar Industry (Real Choice in Sugar Marketing) legislation and Federal Sugar Marketing Code of Conduct introduced in 2015. These safeguards help support competition regardless of most growers having no choice in which sugar mill they must supply due to the challenges of geography and limited transportation windows and networks. This competitive marketplace has spurred unprecedented product and service innovation in the past decade, giving modern Queensland cane growers valuable new ways to manage their sugar revenues and tailor pricing and payment arrangements to suit the needs of their business.

The combination of the factors above and its impact on sugar returns for producers means that even in countries with mature bioenergy sectors, such as Brazil, the primary sugar alternative – ethanol – acts as a floor for the sugar price but rarely surpasses it. In Australia, ethanol and other bioenergy products have not yet achieved a level of return where it provides a commercially viable alternative to the revenue produced by raw sugar.

It is QSL’s considered opinion that hard-fought competition in sugar marketing services together with the ability to control price risk, and the relatively strong returns offered by sugar make bioenergy products uncompetitive as a first-generation product alternative to sugar at this time. Further reduction of Queensland’s raw sugar output also has the potential to erode QSL’s AAA credit rating and the finance savings this underpins for growers and millers using our services, as well as the economies of scale which benefit all Queensland sugar producers in terms of asset use, terminal throughput and associated fees, and other production costs.

However, second-generation biofuel products which can be created from sugar industry bi-products could be a welcome addition to existing sugar revenue, helping producers diversify revenue streams and supplement sugar returns in order to help support their long-term viability.

SHARING BENEFITS WITH GROWERS

Unlike many other agricultural production models, Queensland sugarcane growers do not sell their harvest to a processor for an immediate return. Instead, they enter into Cane Supply Agreements with their local sugar miller, where they receive an interest in a portion of the sugar made from their cane rather than a payment for the cane itself.

The calculation for this sugar allocation is known as the Cane Price Formula, and has been the basis for all cane payment arrangements in Queensland since the early 1900s. The formula is:

$$\text{Cane Price} = 0.009 \times \text{SUGAR PRICE} \times (\text{CCS} - 4) + \text{CONSTANT}$$

Where:

- Sugar Price is the price achieved for the sugar via the grower's sugar marketer
- CCS is the sugar content of the supplied cane (Commercial Cane Sugar)
- Constant = A locally agreed and applied adjustment

In effect, the miller keeps the first four units of sugar produced from any grower's cane, with the grower in return holding price exposure for the rest of the sugar made from their supplied cane, using their nominated sugar marketer to choose the pricing mechanism used to set this.

It is important to note that under this formula, the grower only receives payment for the raw sugar crystal generated from their cane. Any additional revenue associated with non-sugar products produced by this cane sits outside this pricing mechanism and must be negotiated separately.

Payment for additional products is not universal, with many growers receiving no additional revenue for the non-sugar products derived from their cane, including molasses and cogeneration.

QSL believes it is imperative and appropriate that growers be fairly compensated for bioenergy and other products which may be derived from their cane outside the Cane Price Formula noted above. Failure to do so will not only act as a barrier to grower support, but could incentivise sugar millers to prioritise non-sugar products and associated revenue at the expense of sugar production and grower returns.

BUILDING A COMPETITIVE MARKETPLACE

As was noted in the growers' efforts to secure Marketing Choice, there is little competition for the provision of sugar milling services in Queensland, with the limited numbers of mills, their locations and existing transport infrastructure resulting in most cane growers around the state having no choice as to the sugar mill they supply if they wish to produce sugar cane. Disappointingly, Queensland's milling sector (with some notable exceptions) has been a vocal and sustained opponent of Marketing Choice in the sugar industry and continues to seek its removal.

The same monopsony environment at play in sugar production also applies to bioenergy and other potential products produced using existing mill infrastructure as a base. It is imperative that the interests of Queensland cane growers are protected in these emerging industries lest millers leverage benefits for themselves alone while eroding the sugar returns which underpin grower revenues. There are many lessons to be learned from the advent of Marketing Choice and the systems and safeguards our industry has developed to ensure growers receive a fair share of revenue. To this end, we urge the inquiry to consider the appropriate structures which may address grower concerns regarding attaining fair remuneration where they have little choice but to supply the local miller.

Initiatives such as marketing and price pooling models for bagasse and bioenergy value-sharing, or linking new product remuneration for growers to the sugar price to provide an external price mechanism could potentially provide transparency and facilitate grower participation.

IN CONCLUSION

While the unique advantages of sugar production in Queensland largely renders current alternative cane uses commercially unfavourable in comparison, second-generation biofuel opportunities could provide attractive additional revenue streams to Queensland sugar producers should they be adopted in a manner which supplements rather than erodes sugar revenues. Such diversification would represent valuable new avenues to strengthen the long-term viability of the Queensland sugar industry and the benefits it generates for thousands of regional Queenslanders and their local communities.

To this end, it is imperative that cane growers are active participants in bioenergy and other cane product initiatives and receive fair compensation for their contribution to new product streams, in much the same way that they have been able to share in the sugar revenues produced from their crop.