



Submission No 11

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- 8 APR 2013

STATE DEVELOPMENT, INFRASTRUCTURE
AND INDUSTRY COMMITTEE

08 April 2013

Mr David Gibson MP, Member for Gympie
Chair
State Development, Infrastructure and Industry Committee
Parliament House
Brisbane Qld 4000

Dear Sir,

Re: Submission regarding the proposed Vegetation Management Framework Amendment Bill 2013, addressing in particular:

- New clearing purposes – high value agriculture clearing, irrigated high value clearing and environmental clearing, and,
- Removal of high value regrowth.

Executive Summary:

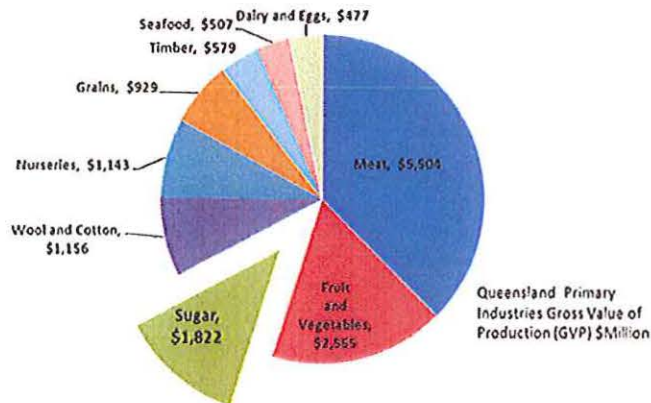
- MSF Sugar Limited fully supports the proposed Vegetation Management Framework Amendment Bill 2013.
- For the sugar cane industry in the Fraser Coast region, restrictions under the current Vegetation Management Act have contributed to:
 - Land being developed into cane production further away from the sugar mill, whilst closer land has clearing restrictions, increasing cane transport costs.
 - Underutilisation of the Lower Mary Irrigation Scheme and the Wide Bay Water Effluent Re-Use Irrigation Scheme and increases in their usage costs.
 - Prevention of the installation of efficient irrigation systems due to small parcels of protected vegetation.
 - Restrictions on the full utilisation of irrigation systems.
- We estimate that strategic clearing of 2.7% of company owned land would increase cane production on all our land by 7.5%.

Background:

The Queensland Government has identified agriculture as one of the four pillars of the Queensland economy and has announced a strategy to double food production from agriculture by 2040. Raw sugar is a major player in Queensland agriculture.

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MSF Sugar Limited (MSF):

MSF is the third largest raw sugar producer in Australia, with operations located in the Far North Queensland, Atherton Tablelands and Fraser Coast regions. Annual turnover is around \$270 million from sales of raw sugar, renewable electricity and molasses. All sugar produced is exported, mostly to Asian refiners.

MSF fully supports the Queensland Government's agriculture strategy.

Expansion Strategy:

MSF has embarked upon its own expansion strategy to increase sugar production in its three regions. As part of this strategy, the Company recently purchased over 1,200 hectares of former cane-lands in Far North Queensland. These lands were planted with exotic trees several years ago by the now failed Managed Investment Scheme companies. This land is quickly being returned to sugar cane production. The Company is also expanding capacity at its Tablelands Sugar Mill to meet an expected increase in sugar cane plantings in the region.

Fraser Coast Region:

The Fraser Coast sugar industry has formed a major and vital part of the local economy since 1860. The industry generates around \$50 million in revenue each year, \$32 million of which is paid directly to growers with multiplying flow-on benefits. We estimate the local sugar industry directly supports around 500 families in the region.

The Company owns a 900,000 tonne capacity sugar mill in Maryborough. We also own around 6,500 hectares of a total 13,500 hectares of cane land in the region. We farm some of our land ourselves with the remainder being leased to local growers. We supply around one third of the cane processed by the mill from Company plantations. The other two-thirds of the cane are supplied by about 100 independent growers.

Irrigation:

The Fraser Coast region has a variable annual rainfall pattern so irrigation is essential to underpin cane yields. The local cane industry utilises allocations of 22,000 mega-litres of water from the Lower Mary

Irrigation Scheme (LMIS) and 3,000 mega-litres from the Wide Bay Water sewerage effluent re-use schemes. Extensive irrigation infrastructure is employed to water cane farms; however both irrigation schemes are under-utilised due to insufficient cane land within the irrigation areas. Only 60 percent of the region's cane farms have some form of irrigation, with the remainder being non-irrigated, or "dryland" farms. The production and profitability of dryland farms are much more variable than the irrigated farms.

Increasing Production:

Both land and irrigation potential are impacted by the current vegetation management laws.

Sugar cane production in the Fraser Coast region is well below the maximum capacity of the mill. In recent years only around 650,000 tonnes of cane has been processed each season. Raw sugar production is largely a capital-intensive, fixed-cost business so maximising throughput and fully utilising installed capacity is the key to a sustainable and profitable business.

MSF has been very active in increasing cane production in its own right and providing incentives and services to encourage others to grow more cane. Options available to increase production include:

- "Horizontal" expansion by developing more land for sugar cane production. MSF's strategies include land acquisitions and incentives for land holders to grow more cane.
- "Vertical" expansion by improving yields on existing cane lands. Our strategies centre on expanding irrigation onto MSF's dryland farms and improving existing irrigation systems, and providing incentives for other growers to do so as well.

Despite considerable effort and expenditure by MSF, suitable land within reasonable distance of the Maryborough Mill is hard to come by, both irrigation schemes are under-utilised and some of our irrigation systems remain inefficient.

Vegetation Management:

Whilst MSF supports laws that manage native vegetation and land clearing, the current land clearing laws under the Vegetation Management Act have proved to be very restrictive.

These restrictions have meant that MSF has had to look further afield from the mill to find suitable properties with sufficient cleared land to make cane growing economic. This increases cane transport costs and also reduces the likelihood that the land can be irrigated as the irrigation schemes don't extend into these regions.

In some cases there are properties closer to the mill and within the irrigation scheme areas that would be suitable. However, small areas of remnant vegetation that can't be cleared make the whole property unviable.

In some circumstances small scale clearing of "not of concern" remnant vegetation or regrowth on existing farms would allow for a significant expansion of cane production.

Impact on Water Costs:

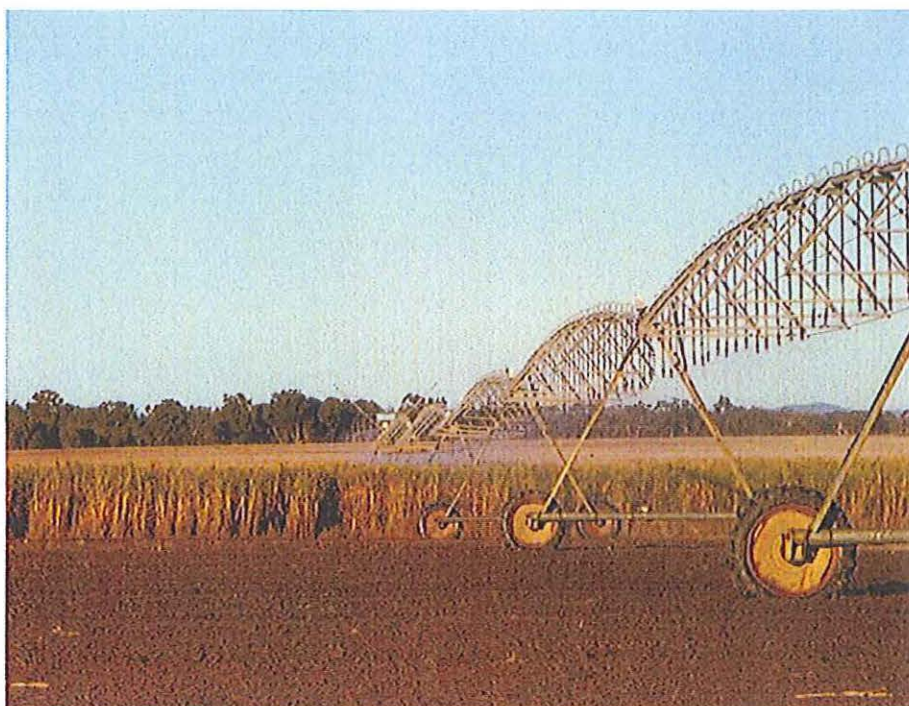
The LMIS was designed and built in the early 1980's to service a much larger land area than it currently does. Significant areas of land that could be irrigated from the LMIS have subsequently been restricted from clearing and irrigation development by vegetation management legislation. Lower utilisation of the LMIS has led to a substantial increase in the fixed cost component of the LMIS water prices.

Impact on Irrigation Development:

Low pressure overhead irrigation (eg centre pivots) is the most energy, water and cost efficient means to achieve an environmentally sustainable expansion of sugar cane production. MSF aims to replace existing inefficient irrigation systems with centre pivots and install them on current dryland farms.

The economic viability of centre pivots increases significantly with the size and therefore radius and irrigation area of the machine. The size of the machine is often limited by the presence of a small area of protected vegetation. In many cases this prevents the investment going ahead. This means that the presence of a small area of protected vegetation can often limit the yield potential of much larger areas of existing cane land.

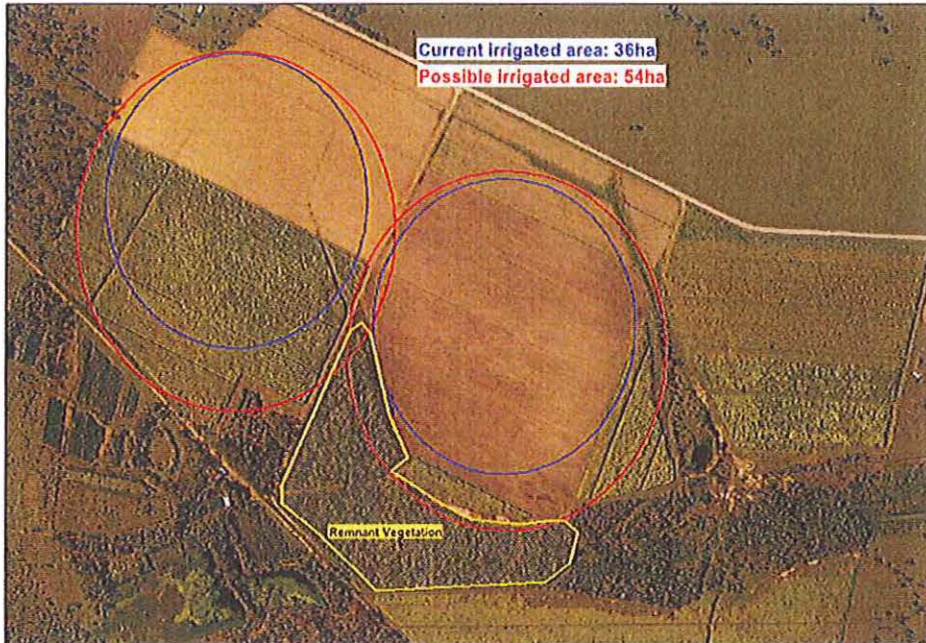
Currently 70.2% of our Company owned land is under cultivation. We estimate that, in order to extend and improve our irrigation systems, the strategic clearing of an additional 2.7% of the total area of our current landholdings, which is currently protected under vegetation management laws, would increase sugar cane production from all our land by 7.5%.



Pivot Irrigator on MSF's Dimonds cane farm in the Fraser Coast

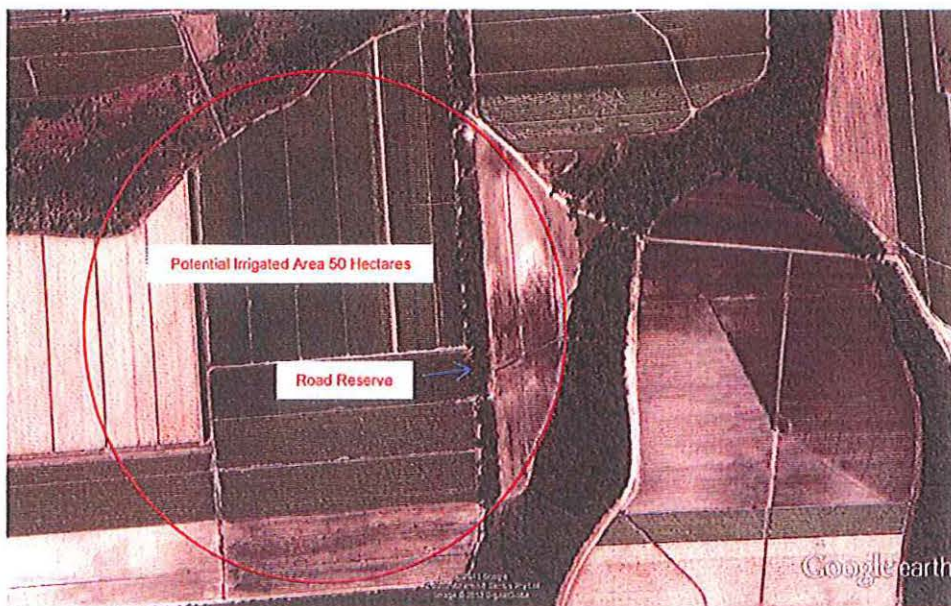
Examples where small scale clearing would increase cane include:

Adding additional spans onto a pivot irrigator to increase irrigated area.



MSF's Eden Street Farm

Farms where small areas of vegetation have prevented installation of irrigation infrastructure.



MSF's Dowlings Farm where vegetation on a road reserve has prevented the installation of a pivot Irrigator

In Conclusion:

MSF Sugar Limited fully supports the changes to the Vegetation Management Act proposed under the Vegetation Management Framework Amendment Bill 2013. The proposed changes will allow for sensible vegetation management of free hold land that will lead to a sustainable expansion on sugar cane production in the Fraser Coast region.

Yours faithfully,



Stewart Norton
General Manager, Maryborough Region
MSF Sugar Limited

