

Wilmar Sugar

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22 December 2014

Mr Tim Watling
Committee Secretary
Senate Standing Committees on Rural and Regional Affairs and Transport
PO Box 6100
Parliament House
Canberra ACT 2600

By email: rrat.sen@aph.gov.au

Dear Mr Watling

Response to further submissions to inquiry into future of sugar marketing

I refer to the email from Trish Carling, Senior Research Officer, of 10 December 2014 drawing our attention to additional submissions received by the Committee and offering the opportunity to provide further comment on matters raised in those submissions.

We believe that our original submission with supporting attachments, along with our additional submission of 17 November 2014 adequately covers all of the issues raised in the submissions made so far to the Committee, including the most recent. We anticipate there will be an opportunity to address these matters further with the Committee during its public hearings next year.

I would like to take the opportunity to reinforce Wilmar's previous advice on a couple of areas that have been highlighted in further submissions.

On the issue of consultation with growers prior to Wilmar's announcement of its intention to exit the QSL marketing arrangement from 2017, I would refer you to page 9 of our 17 November submission which detailed our previous and ongoing consultation with growers over the future of sugar marketing, including, in particular, prior to our announcement of April 2014.

In relation to claims of 'anti-competitive conduct' and 'market failure', we have comprehensively addressed these issues in our previous submissions. I note that in its supplementary submission, QSL Limited has asserted there is 'market failure' occurring *now*. This is a curious claim considering that no changes have actually been made to the current sugar marketing arrangements which QSL is seeking to preserve. Wilmar has also provided temporary arrangements until July 2015 for growers to forward price for the 2017 season.

In reference to QSL's claims of 'uncertainty about future marketing arrangements and pricing', Wilmar has also developed a set of agreements (refer below), to allow continued forward pricing post July 2015 under a sugar marketing model designed to maximise returns and reduce risk to growers. Wilmar has proposed and invited grower representatives to a structured and independently facilitated program of engagement to present and negotiate these agreements and future marketing arrangements post 2017.

Wilmar has commenced the engagement process with Burdekin District Cane Growers Ltd and Proserpine Canegrowers with initial meetings held in December 2014 and is expecting to commence the process with the remaining Canegrower district representatives in February 2015 as these groups requested. Wilmar also



met with all four district representatives of Queensland Cane Growers Organisation Ltd regarding future pricing and marketing arrangements on 30 September 2014 and 27 November 2014.

To facilitate continued forward pricing post July 2015 until final marketing arrangements are agreed for the 2017 season, Wilmar has developed a set of agreements which together form the basis of Wilmar's proposed Interim Forward Pricing Framework:

- Cane Supply Agreement (CSA) between growers and Wilmar Sugar Australia (WSA), which documents the terms and conditions for harvesting, delivery, transport, crushing and payments for sugar cane.
- Pricing and Pooling Agreement (PPA) between growers and WSA outlines the means by which Grower Nominal Sugar Exposure Tonnes are allocated to and priced under different pricing mechanisms and how growers select different payment options.
- Queensland Sugar Sales, Pricing and Reporting Agreement (SPRA) between WSA and Wilmar Sugar Trading (WST), which includes the terms and conditions for delivery, pricing, payment and reporting for raw sugar produced by WSA and supplied to WST.

A copy of the agreements and a guide document are being provided to grower collectives at the initial engagement meetings.

The Interim Forward Pricing Framework also incorporates a potential future marketing model that provides new opportunities for growers in the areas of pricing and pooling, payment options and reporting. Subject to final agreement with growers and their representatives, this model may be adopted as the basis for final 2017 marketing arrangements. However, if alternate 2017 marketing arrangements are agreed, forward pricing undertaken under the Interim Forward Pricing arrangements will be rolled into those final marketing arrangements.

In meetings with collectives, Wilmar is presenting the Interim Forward Pricing framework, comparing it to the Joint Marketing Company (JMC) model previously proposed, and discussing detail of collectives' preferred sugar marketing model. JMC is one option, the Interim Forward Pricing Agreements outline another, or there may be preferred aspects of both. Wilmar is committed to meeting with all collectives and working constructively with industry to develop a commercially agreed outcome.

QSL also asserts in its supplementary submission that 'The ACCC is still investigating complaints that have been made to it about breaches of the *Competition and Consumer Act 2010* in May 2014 without any action having being taken to date.' As we have noted in previous submissions, to our knowledge the ACCC has not initiated any formal investigation into Wilmar in relation to its conduct. Wilmar has a policy of open and constructive engagement with the ACCC and we believe that Australian competition and consumer laws provide adequate protections for growers in their commercial relationships with millers.

Thank you again for the opportunity to assist the Committee with its consideration of these issues.

Yours sincerely

Shayne Rutherford
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