



27th October 2014

Committee Secretary
Senate Rural and Regional Affairs and Transport References Committee
PO Box 6100
Parliament House
Canberra ACT 2600
Australia

Dear Committee Secretary,

Re: Current and future arrangements for the marketing of Australian sugar

Thank you for the opportunity to provide a submission regarding marketing arrangements for the Australian sugar to the Senate Standing Committees on Rural and Regional Affairs and Transport. This submission does not provide specific responses to each of the Terms of Reference, but provides additional information as to how our area differs from the majority of other districts in Queensland with regard to pricing and marketing issues.

Introduction

Maryborough CANEGROWERS limited represents local cane growers in the Maryborough mill area. Membership of our organisation is voluntary however we currently have approximately 96% of the growers in our area as members.

There are just over 100 growers in our area farming approximately 13,000 hectares of cane land. Our annual production is around 700,000 tonnes of cane. Cane is processed at the Maryborough Sugar Factory which is owned by MSF Sugar Ltd.

Deregulation of the sugar industry 2006

Prior to the deregulation of the sugar industry in 2006 all of the sugar produced in this area was sold to on the domestic market through the refinery in Yarraville Vic. Queensland Sugar Limited (QSL) subsequently advised that they could no longer undertake the marketing of our sugar as they were unable to participate in the domestic market. As a result of this MSF Sugar introduced a new system for the marketing and pricing of sugar from the 2007 season.

New marketing and pricing system

Sugar produced was split into two pools and priced separately :-

- MSF Sugar pool – this contained all sugar produced from MSF Sugar owned farms as well as the mill economic interest sugar. All pricing decisions made by MSF Sugar.
- Growers pool – this pool contained the grower's economic interest sugar and was administered by a growers pricing committee consisting of 5 local growers. This pool was able to price sugar up to 4 years in advance with strict rules in place to safeguard production risks.

Improved pricing system

A new pricing system was introduced from the 2014 season which gave the growers more pooling options. Pools offered include :-

- Individual pricing
- Growers collective forward pricing pool
- Seasonal pool
- Guaranteed floor pool
- Late season pool
- Shared pool

Prior to the commencement of the crushing season growers were given an option to move back to QSL or join the new system being offered by MSF Sugar. 99% of growers chose the MSF Sugar option. All pool pricing decisions (except the collective pool and the individual pool) are made by MSF Sugar. Pool returns are subject to an independent audit.

Going forward

MSF Sugar has given notice to withdraw from QSL from 2017 season. The system that we currently have in place will ensure that there will be a fall-back position for those growers currently with QSL.

Conclusion

We believe that growers should be provided with real choice as to who markets and prices their sugar be it QSL, MSF Sugar or any other body that is able to undertake this function. Growers need certainty about these arrangements to enable them to plan and expand their operations.

Yours faithfully,

JJ Atkinson
Chairman