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

Dear Sir

Submission to the inquiry into the current and future arrangements for the marketing of Australian sugar

This submission does not provide specific responses to each of the Terms of Reference, given that we concur with and support the submission by the Australian Sugar Milling Council (ASMC). Rather, this submission provides additional information as it relates specifically to Bundaberg Sugar Ltd (BSL).

Background

BSL is a grower, miller, refiner, and marketer of sugar and related products in Australia. Other value adding operations include Bundaberg Walkers, a heavy engineering and foundry enterprise and Bundaberg Molasses which supplies molasses and related products. We are a large land owner with around 20,000 hectares of land and are the largest cane grower in Australia producing in excess of 500,000 tonnes of cane per annum. BSL's two mills, Millaquin and Bingera, currently crush around 1.5M tonnes of cane per annum and produce around 210,000 tonnes of raw sugar. Of this sugar tonnage, around 160,000 tonnes is processed in our refinery with the remainder being exported through Queensland Sugar Limited (QSL). Most cane is transported by cane railway utilising around 330km of our own main line track.

Foreign Ownership

BSL has for the past 14 years been owned by Finasucre, a Belgium based company heavily involved with the European Beet sugar industry. One of the significant advantages of this ownership has been access to capital. Sugar mills have large sunk capital invested in cane transport and processing equipment which incurs substantial annual maintenance expenditure. Access to capital is critical for continued viability in what is a low margin business.

In addition, BSL mills currently have low throughput by industry standards and have low utilisation of milling assets. To assist the continued operation of two mills in Bundaberg, (with consequent employment benefits in one of the highest unemployment areas of Australia)

Finasucre has invested heavily in farm land to underpin mill throughput. Around one third of cane supply is from company owned farms.

Without the financial backing of Finasucre, the business landscape in Bundaberg would be substantially different today.

Sugar Marketing

BSL is one of the three milling companies which have not given notice under the Raw Sugar Supply Agreement with QSL. We have a good working relationship with local growers and have developed over recent years a mechanism to provide transparency to the determination of a domestic sugar price which is a component in deriving a final cane price for growers. Should QSL cease to exist in the future, then transparent mechanisms similar to those existing with QSL could be implemented with a new marketer of export sugar. Further, should it eventuate that there is no export sugar, then it is believed that transparency could be achieved utilising some proxy (agreed with growers) for the physical marketing returns which currently are a component of sugar price. Other components of the sugar price are auditable. Alternatively, some other method of determining a cane price for growers could be possible.

Sugar Terminals

The issues surrounding ownership and operation of the sugar terminals are complex. However, BSL believe that there are overall benefits to the industry if the sugar terminals are retained under the control of Sugar Terminals Limited and managed by QSL, given QSL have the equipment, software and resources to competently manage the terminals.

In summary, we believe that there is no requirement for re-regulation of the sugar industry and that existing legislation and normal commercial arrangements are sufficient to drive an efficient and sustainable industry.

Yours faithfully,
Bundaberg Sugar Ltd

R J Hatt
CEO
Bundaberg Sugar Ltd