



CANEGROWERS

MACKAY

Mackay Canegrowers Limited
ABN 24 111 817 559
120 Wood Street (PO Box 117)
MACKAY QLD 4740
T: 07 4944 2600 F: 07 4944 2611

30 October 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

SUBMISSION TO THE SENATE STANDING COMMITTEES ON RURAL AND REGIONAL AFFAIRS AND TRANSPORT

Current and Future Marketing Arrangements for the Marketing of Australian Sugar

This letter/submission is written in support of the CANEGROWERS/ACFA joint submission submitted to the inquiry. CANEGROWERS Mackay fully supports and endorses the detail of that submission.

CANEGROWERS Mackay represents 1,000 Growers and their families across four mill zones and two milling companies, Mackay Sugar Limited and Wilmar Sugar. These Growers and their families are an integral part of the economic and social fabric of many communities, Mackay, Sarina, Calen, Bloomsbury, Finch Hatton, Walkerston, Marian, Mirani, Koumala, Carmila, Ilbilbie, Mt Ossa, Eton, Farleigh, Homebush, Gargett, Habana, Glenella, Pleystowe, The Leap etc.

As the sugar marketing issue has grown, following Wilmar Sugar's initiating a withdrawal from the long established Industry owned sugar marketer, QSL, Grower meetings have been held and unanimous votes cast to condemn the lack of transparency in the Wilmar proposal, along with its lack of recognition of Grower Economic Interest and genuine Grower choice in the marketing of the Growers' Economic interest.

Growers at these meetings also fully endorsed the need for recognition of both Grower and Miller economic interest in the ownership of the sugar produced, along with the need for a genuine Growers Choice model to be available for sugar marketing, where the Grower may decide who will market their two third economic interest in the sugar produced each season.

CANEGROWERS Mackay recommends that Government facilitate *Real Choice* in sugar marketing

We seek that the role for government is to ensure a regulatory structure that prevents the misuse of market power, addresses market failure and establishes a competitive market.

To address the imbalance in market power between mill owners and growers, it is recommended that Government secure for growers the right to have **Real Choice** over who sells and prices Grower Economic Interest (GEI) sugar.

To that end CANEGROWERS Mackay seeks that Government introduce pro-competition **amendments** to the *Competition and Consumer Act 2010*, which address market failure.

Already, mill decisions to withdraw from QSL and market sugar on their own account are having a significant impact on the Australian sugar industry and its regional sugar communities. Mills are exercising their region mill monopoly powers and growers are being denied the ability to determine how Grower Economic Interest (GEI) sugar, the sugar that determines the value of cane, is sold.

CANEGROWERS Mackay also strongly recommends that the ACCC be given greater power to regulate anti-competitive behaviour and impose penalties where anti-competitive behaviour has been found would shift the decisions framework from the judicial system to a regulatory system, making it more accessible to small producers facing large multinational adversaries.

Current Situation: The Queensland legislation ensured there were adequate protections for grower-producers against market imbalances in the sugar industry was removed in 2005. In the absence of these protections, new mill owners entering the industry are exercising their regional mill monopoly power.

An important reason for government action is to prevent or ameliorate the effects anti-competitive conduct is likely to have in the marketplace, rather than waiting to remedy the situation when the market behaviour has caused far-reaching social and economic dislocation. It was concerns about the imbalance of market power and its misuse by regional mill monopolies that underpinned the original establishment of sugar industry regulations by the Queensland Government in 1915.

Making the changes recommended here safeguards those longstanding arrangements and secures a commercially workable foundation upon which the industry can continue to grow.

Growers across our region are concerned about the future for them and the generations that will follow, especially when the recognition of their two thirds investment/risk in securing the two billion dollar annual export of Australian sugar is to have what we believe is anti-choice, anti-competitive market failure as a platform going forward.

Kevin Borg
CHAIRMAN