SENATE RURAL & REGIONAL AFFAIRS & TRANSPORT LEGISLATION COMMITTEE

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Inquiry into the current and future arrangements for the marketing of Australian sugar

Thursday, 12 March 2015
Mackay, QLD

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Rural and Regional Affairs and Transport References Committee

Inquiry into the current and future arrangements for the marketing of Australian sugar

Submission Notes

Robert Sluggett B.App.Sc. (Rural Technology)(Hons.)

Sugarcane grower, Koumala Qld.

Issue:

There is effectively a monopoly situation existing in our region (and most others) where our miller has total control of our product and as producers we have no market power.

Wilmar have given notice to leave existing sugar marketing arrangements. Wilmar have given notice of cessation of Cane Supply Agreement at end of 2016 season (Attachment 1). The Cane Supply Agreement specifies the formula we are paid for our crop – which is linked to world sugar prices (Attachment 2).

With the current lack of market power growers have, it is unlikely we will be able to negotiate a fair arrangement for payment of our crops beyond 2016. This is a distorted market situation that needs to be remedied.

Options for my Business

1. **Supply an alternative mill**
    a. 39.2km one way to nearest Mackay Sugar siding (Figure 1)
    b. Estimated $9.51/t increased harvest & transport cost (J. Markley, pers.comm.)
    c. Sugarcane – relatively low value ($22 to $45/t), perishable (crush within 24hrs), low bulk density (expensive to freight)
    d. NOT VIABLE
2. **Alternative crops**
    a. Lower returns – (Developing Extended Fallow Options for the Plane Creek District -SRA - Final Report 2014) (Attachment 3). All of the crops gave negative gross margins in the years of the trials (Figure 2).
    b. Difficult, variable climate (Figure 3)
    c. Farms too small (90ha Central Region Average Size, J. Markley pers.comm.)
    d. Specialised equipment needed – capital investment (planter, harvester, silos, dryers)
    e. NOT CURRENTLY VIABLE

Without Grower Economic Interest Protected

1. Returns for sugarcane will decline
2. Property values will decline
3. Farm Equity vs debt issue increases – ability to expand limited, opportunity for the next generation to farm restricted, foreclosures?
4. We are too small to pursue actions through ACCC, it takes too long and is not a viable course of action,
5. The crop I plant this year (2015) will be harvested beyond 2017. I need market certainty now.

I don't want a subsidy, I don't want a handout, I just ask for my natural rights to be protected from this distorted market situation.

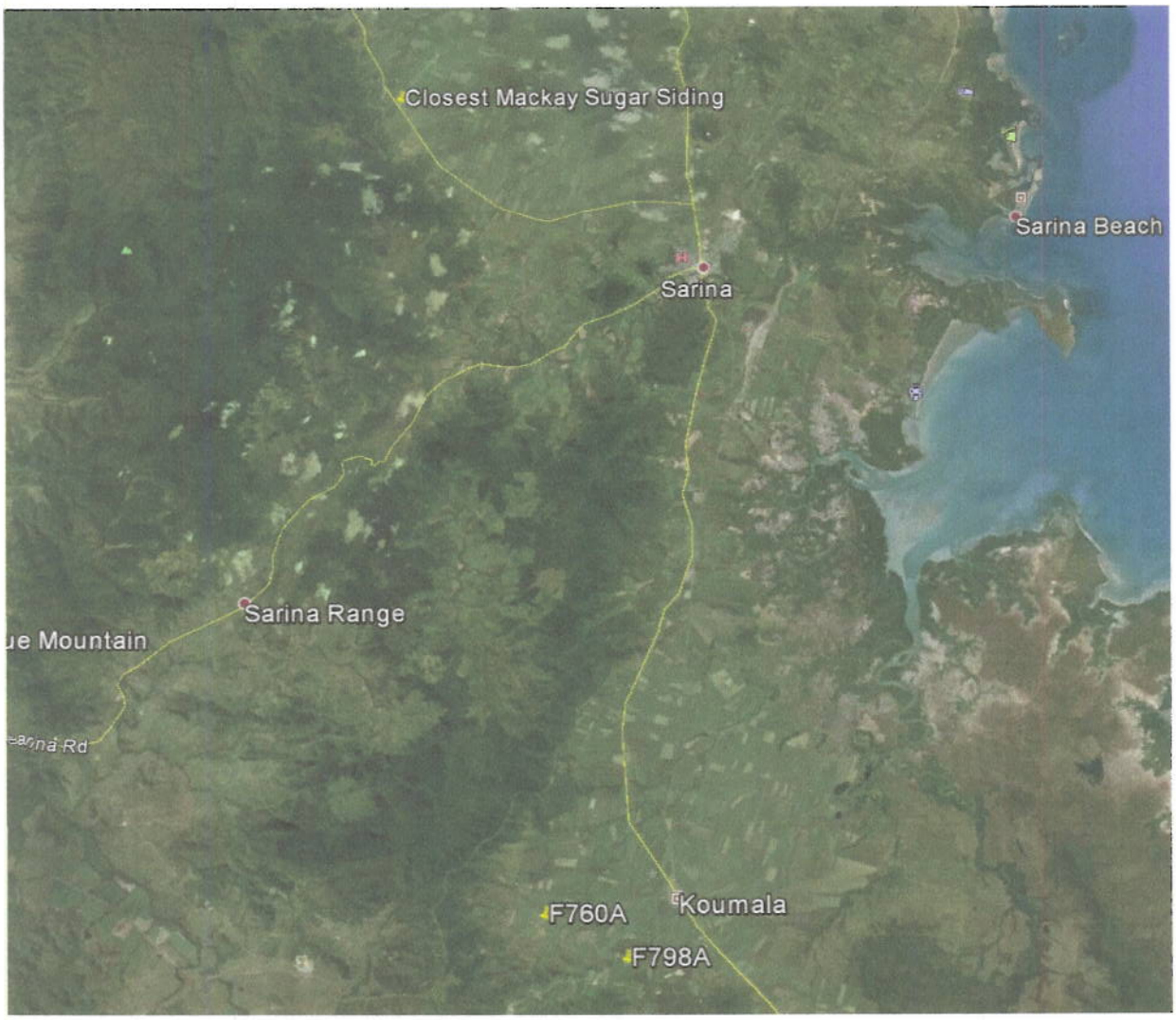

Figure 1: Our Farms – location 39.2km from nearest alternative mill delivery point

	Cropping Sequence and Gross Margin Achieved $/ha							
Crop Option	**S1 Ba-Ba-Ca**	**S2 Ba-Le-Ca**	**S3 Ch-Cr-Ca**	**S4 Ch-Em-Ca**	**S5 SB-Ba-Ca**	**S6 SB-Le-Ca**	**S8 Ba-Ca-Ca**	**S9 Ca-Le-Ca**
1st Bare Fallow	-193	-193					-193	
2nd Bare Fallow	-138				-138			
Leichhardt soybean		-373				-373		-373
Jimbour chickpea			-330	-330				
Sugarbeet					-199	-199		
Emerald mungbean				-416				
Crystal mungbean			-416					
Continous RB76-5418								
4R Q209								1141
Plant KQ 228	1094	1341	1210	1088	734	864	1037	462
1R KQ 228	3113	2649	2879	3124	3430	3022	832	2830
2R KQ 228							2928	
Cumulative Gross Margi	**3876**	**3424**	**3343**	**3466**	**3827**	**3314**	**4604**	**4060**

Figure 2: Gross Margin Comparison of Crop Treatments Source: Plane Creek Sustainable Farmers Inc. (2014) Final Report - Developing Extended Fallow Options for the Plane Creek District. Sugar Research Australia Brisbane.

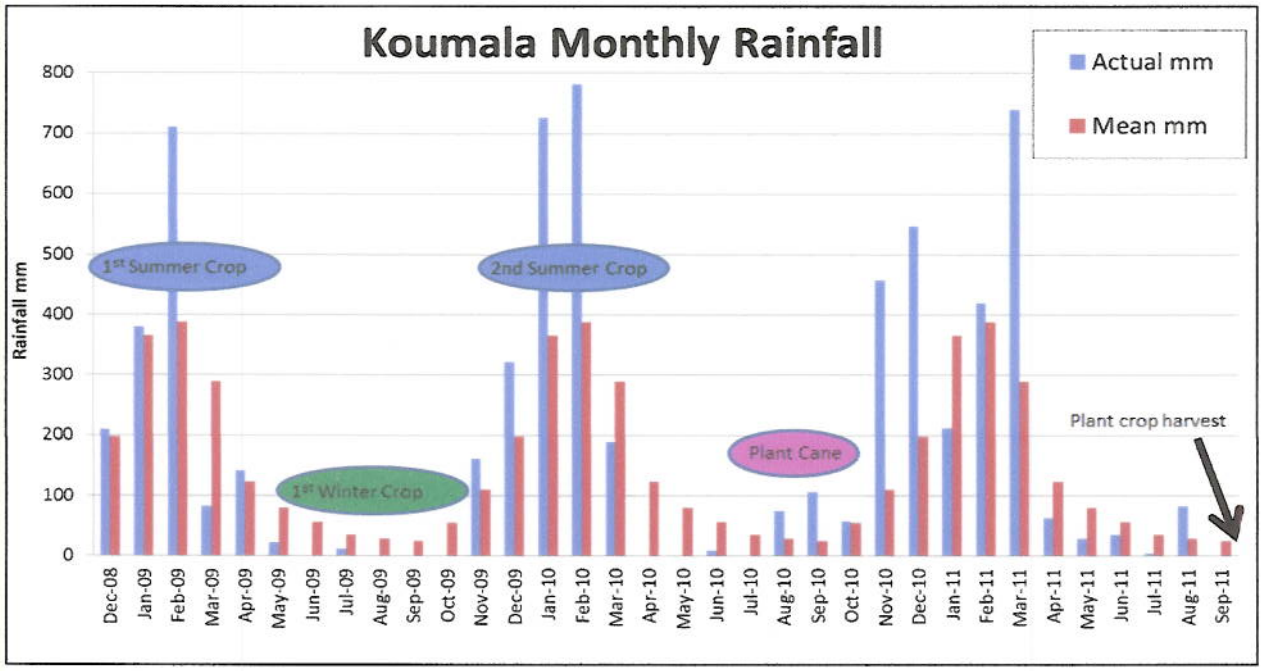

Figure 3: Koumala monthly rainfall with timing of trial activities Source: Plane Creek Sustainable Farmers Inc. (2014) Final Report - Developing Extended Fallow Options for the Plane Creek District. Sugar Research Australia Brisbane.

Reference

Plane Creek Sustainable Farmers Inc. (2014) Final Report - Developing Extended Fallow Options for the Plane Creek District. Sugar Research Australia Brisbane.

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13 February 2015

NOTICE TO GROWERS SUPPLYING PLANE CREEK MILL

Re: Notice Pursuant to Clause 2.5(c) - Cane Supply Agreement 2014-2016 Seasons

As part of your cane supply agreement (CSA), there is provision in clause 2.5 that allows for an annual process for extension of the then current term by one further season. As of 21 February 2015, where there is no notice to the contrary, the growers and Wilmar Sugar are deemed to have agreed to the "Extension Offer" recorded in their respective CSAs, and that the obligations of the CSA would then be deemed to extend to cover one further season i.e. the 2017 season.

Growers and their bargaining representatives have been made aware of Wilmar Sugar's notice of withdrawal from the Queensland Sugar Limited (QSL) marketing arrangement following finalisation of the 2016 season. The new arrangements for marketing are yet to be finalised, but will impact cane supply and forward pricing agreements beyond the 2016 season.

Clearly, it is Wilmar Sugar's intent to continue to accept cane and to produce sugar for the 2017 and subsequent seasons. Negotiations concerning future marketing, pricing and cane supply contractual arrangements for the 2017 and subsequent seasons are expected to commence within the next month or two.

However, as a consequence of the above changes to marketing arrangements, Wilmar Sugar hereby gives notice pursuant to clause 2.5(c) of the CSA to you as follows;

> "Notwithstanding the issue or receipt by Wilmar Sugar of an "Extension Offer" from you or your Growers' Representative, Wilmar Sugar gives you notice that all "Extension Offers" made, or deemed to have been made, by you or other growers in respect of an extension of the current cane supply agreement for the 2014-2016 seasons to include the 2017 season are rejected. Consequently the current cane supply agreement will terminate at the final payment for cane for the 2016 season."

For the avoidance of doubt this is a formal notice that **the cane supply agreement will terminate with the final payment for cane for the 2016 season.**

Should you have any questions, please do not hesitate to call Peter Allen on

Yours sincerely,

Paul Giordani
General Manager, Cane Supply & Grower Relations
for and on behalf of Wilmar Sugar Australia Limited

[redacted]A.

(2)

Wilmar Sugar Australia Limited

The party identified in Schedule 1 (represented by Mackay Canegrowers Limited)

Plane Ck Canegrowers – 3 year Collective Cane Supply Agreement (2014-2016)

4 Payment CCS

(a) Prior to the commencement of each Relevant Season, Wilmar Sugar will calculate an estimated Collective seasonal average CCS based on the weighted Collective seasonal average CCS over the previous 5 crushing seasons unless otherwise agreed between Wilmar Sugar and the Growers' Representative.

(b) For the purposes of this Agreement, the Collective seasonal average CCS is the weighted average CCS achieved by the Collective Growers over the Relevant Season.

(c) If, during the Crushing Season, it becomes evident to Wilmar Sugar that the Collective seasonal average CCS is likely to vary from the estimated Collective seasonal average CCS as determined in accordance with **clause 4(a)** of this **Schedule 5**, the estimated Collective seasonal average CCS for the purpose of payments to Growers may be increased or decreased by Wilmar Sugar after consultation with the Growers' Representative.

(d) Where any estimated Collective seasonal average CCS or Sugar Value (as defined in **clause 5** of this **Schedule 5**) adjustments are made, the Grower's Cane value shall be recalculated in accordance with the formula in **clause 5** of this **Schedule 5** and adjusting payments will be made to the Grower.

(e) At the conclusion of each Relevant Season, the weighted Collective seasonal average CCS, excluding Cane determined as having less than 7 CCS units, shall be determined by Wilmar Sugar for use in the end of Crushing Season adjustment payment and subsequent payments for the Relevant Season.

5 Cane Value Formula

The Grower will be entitled to receive payment for each Delivery of Cane which has been accepted by Wilmar Sugar according to the value derived by the following formula:

Cane Value (AUD per tonne) = 0.009 x Sugar Value x (CCS - 4) + 0.60

Where

CCS = CCS (Relative)

Sugar Value = the Net IPS Price(s) to be applied to the relevant Cane tonnage allocations as determined initially under **clause 6**, then under **clause 7** of this **Schedule 5**.

SRA Grower Group Innovation Project
Final Report

Sugar Research Australia
Research Funding Unit

SRA project number:	GGP045
SRA project title:	Developing Extended Fallow Options for the Plane Creek District
Group name:	Plane Creek Sustainable Farmers Inc.
Contact person(s): Name(s) Phone number Address Email address	Robert Sluggett Plane Ck Sustainable Farmers Inc
Due date for final report	23/05/14

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Executive Summary:

(Maximum 500 words) This should provide a non-technical overview of the project which could be used to communicate project outcomes in media such as the SRA website. It should cover the following:

- Issue (*what was the industry and/or community issue, what was its relevance, and how did the project address the issue*)?
- R&D Methodology (*explain the methodology, and indicate the extent of collaboration and/or partnerships, especially with end users*).
- Key results.
- The impact of the project findings on the group, the sugar industry and the community.

At the time of initiation of this project, sugarcane lands were being lost to cattle grazing, tree production and hobby farms due to the low returns being experienced for sugarcane. The low sugarcane returns were a product of both poor productivity and low sugar prices. This loss of land was affecting the viability of the local sugar mill on which all other local sugar growers relied for processing their crop.

This project aimed to evaluate the role of an extended fallow for improving sugarcane productivity and improving farm viability by introducing cash crops in the extended fallow period.

An evaluation, including data gathering from experienced grain industry agronomists, seed supplier companies and grain purchasers was undertaken to evaluate a broad suite of crops as potential crop candidates. Evaluation included likely suitability for the regions' climate, potential gross margins, key agronomic traits, pest and disease limitations and proximity to markets. The project established a series of field trials aimed at evaluating the most promising crop options from the desktop study. Crop options evaluated in the field included grain sorghum, maize, sweet sorghum, mungbean, linseed, sugarbeet, soybean, chickpea, forage sorghum and lab lab. Seasonal conditions prevented most crops from producing a harvestable yield during the two years of this project, but sugarbeet, chickpea, linseed and forage sorghum hay was produced from different sites.
Following crop option evaluation, the most promising crops (chickpea, soybean, mungbean, sugarbeet, linseed) were planted into commercial scale evaluation strips and compared to a standard short fallow practice.

A range of service providers participated in the project at different stages – including CSR Plane Creek mill provided ccs determination, local Landmark staff provided crop protection products and linkages to seed suppliers and expertise, Syngenta seeds provided two tropical sugarbeet varieties for evaluation, QDAFF staff provided economic evaluation and Lindeman and Associates provided assistance with crop sequence planning.

Plant cane yields improved by 18 to 38% from an extended fallow break at the W1 trial site, when compared to a standard short fallow. However, this improvement in cane yield did not persist into first ratoon for most treatments. With poor seasonal conditions preventing a harvestable yield from most crops, gross margins from the extended breaks were poorer than for the standard short fallow. Further work is recommended to improve reliability of alternative crops in this region.

Background:

(Why did you do this project? Summarise technical information and existing knowledge concerning the problem or research need addressed by the project.)

This project aimed to explore the opportunities for producing a range of crops in rotation with sugarcane to improve productivity through improved soil health and to diversify income sources. The Sugar Yield Decline Joint Venture demonstrated improvements in sugarcane productivity when a substantial break was introduced into the sugar cane rotation, such as that provided by a pasture phase. Our group did not believe such a long break would be viable for their businesses, but wished to evaluate the productivity, economics and

sustainability of skipping planting cane for a season and introduce an extended fallow – of approximately 18 to 20 months. During that extended fallow, a range of "cash" crops were to be grown and evaluated for their benefits in the sugarcane cropping system.
At the time of this project, demand for fuel ethanol had rapidly multiplied and a Biodiesel plant was slated for construction in Mackay. This was to provide a local outlet for grain and ethanol feedstocks that could be potentially grown in an extended fallow.

Most of the crops evaluated during the project had little or no production history within this district. This project fostered substantial gains in producer capacity in terms of evaluation of crop options, practical skill development in crop agronomy, herbicides and insecticides, managing rotations ethanol production and grain production and marketing.

Objectives:

(As stated in the original proposal and a statement of the extent to which the project has achieved them.)

- Trial & develop a range of fallow crop options suitable for an extended fallow program in Plane Creek District
- Address loss of land to cattle/trees/hobby farms by providing options for growers in Plane Creek to diversify without leaving the sugar industry
- Partner with industry organisations to maintain production of sugar by CSR mill, increase production of Ethanol by CSR distillery, and increase viability of growers
- By partnering with commercial organisations including Pioneer Seeds, Lindeman & Associates, Syngenta and Landmark Mackay, our group members will develop more rigorous & diverse agronomic skills, marketing and business case analysis skills than we have ever been exposed to in the sugar industry.
- Increase cane production per hectare, resulting in the same total cane production for the farm at reduced costs. Increase total sugar mill/distillery income from additional throughput of sweet sorghum, beet, grain for ethanol.

The project was able to successfully meet several objectives of the project. A number of fallow crop options were identified and evaluated in field trials. Plant cane harvest results showed increase in productivity from an extended break, although this yield increase was inconsistent in the first ratoon crop.
Significant learning's were gained by group members in other crop agronomy, pest and disease management and produce marketing. Interaction with skilled staff from numerous support organisations was very beneficial to grower capacity building.

Unfortunately, and largely driven by adverse seasonal conditions during the period of the field trials, the project was unable to successfully meet its core objective of increasing returns from crops grown – all crops gave negative gross margins. This has limited the interest in adoption of extended fallow practices in this and other regions.

Methodology:

(How was the project conducted?)

The project commenced with a data gathering phase including data gathering from experienced grain industry agronomists, seed supplier companies and grain purchasers was undertaken to evaluate a broad suite of crops as potential crop candidates. Evaluation included likely suitability for the regions' climate, potential gross margins, key agronomic traits, seed availability, pest and disease limitations and proximity to markets. Potential crops considered included tropical sugar beet, grain sorghum, maize, chickpea, sunflower, safflower, canola, linseed, soybean, mungbean, wheat, cotton, peanuts, sweet sorghum and rice.

A matrix was developed to compare crop options. Figure 1 shows a summary example matrix developed to compare suitability of crop options.

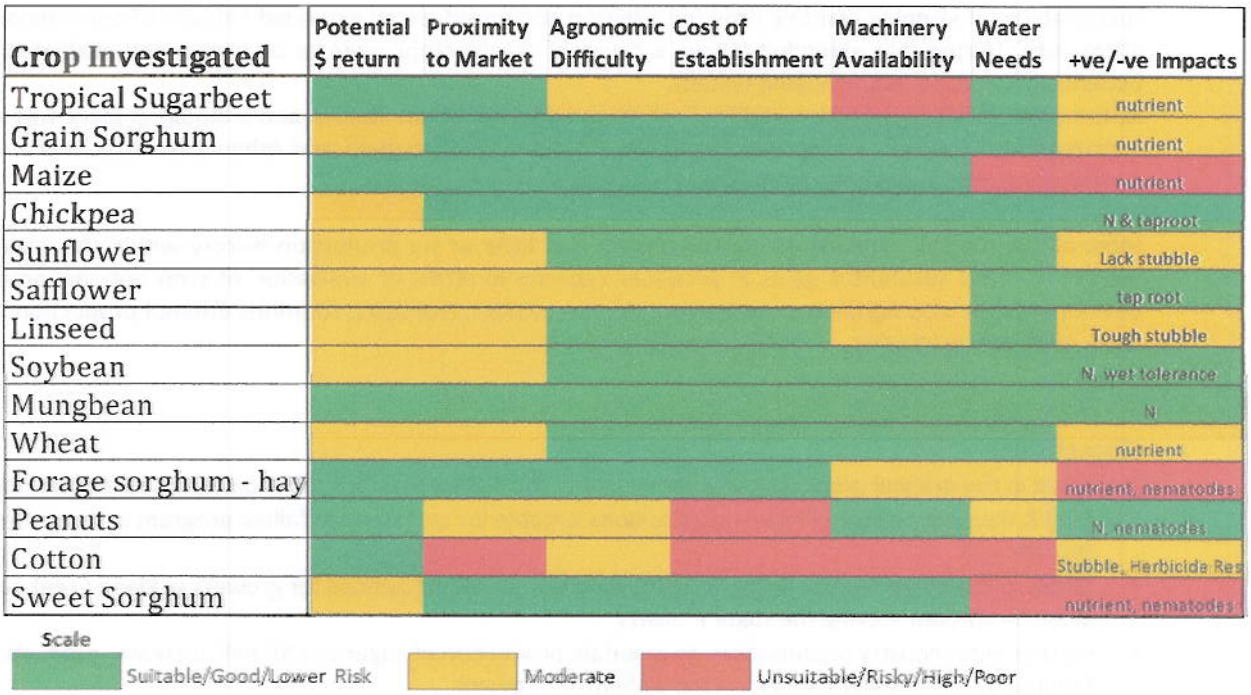

Figure 1: Crop Option Comparison Matrix

The project established a series of field trials in commercial scale evaluation strips aimed at evaluating the most promising crop options from the crop evaluation study compared to a standard short fallow practice. Crop options evaluated in the field included grain sorghum, maize, sweet sorghum, mungbean, linseed, tropical sugar beet, soybean, chickpea, forage sorghum and lab lab. Adverse seasonal conditions prevented most crops from producing a harvestable yield during the two years of this project, but sugar beet, chickpea, linseed and forage sorghum hay was produced from different sites.

Site	2008 Dec	2009 Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	2010 Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
C1	Summer Crops						Winter Crops						Summer Crops						Sugarcane Plant		
H1	Bare Fallow						Winter Crops						Summer Crops						Sugarcane Plant		
B1	Bare Fallow						Winter Crops						Bare Fallow						Winter Crops		
M1	Summer Crops						Winter Crops						Summer Crops						Sugarcane Plant		
W1	Bare Fallow						Winter Crops						Summer Crops						Sugarcane Plant		
A1	Sugarcane												Soybean green manure						Winter Crops		

Figure 2: Planned cropping sequences for field trial sites

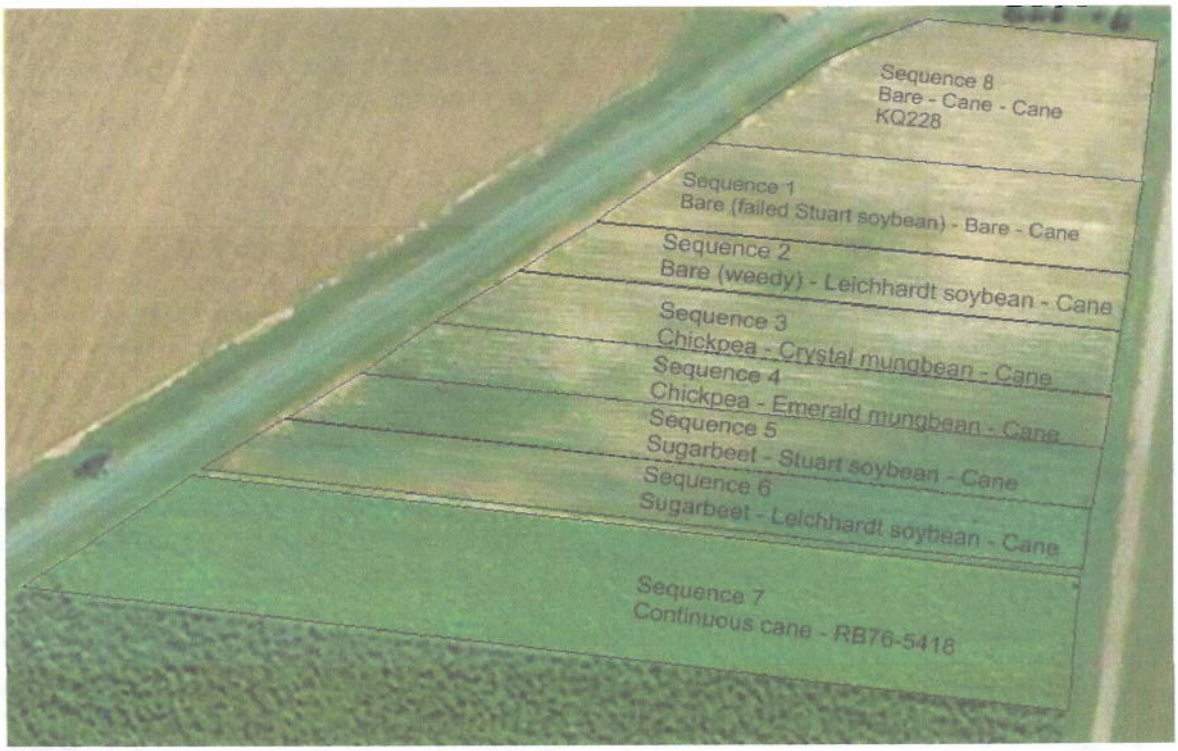

Figure 3: An example trial layout – W1 site

Fallow crops were evaluated for performance as appropriate. For example, hay crops were baled and evaluated, green manure crops had biomass assessments and nitrogen contents assessed, sugar beet, chickpea and linseed had small scale hand harvests conducted.


Figure 4: This crop of linseed is believed to be the first ever grown in coastal central Queensland.

Results and Outputs:

(What results were produced by the Project? The results should include data collected, articles or reports written, events held and anything else you see as relevant to the industry.)

Weather Impact on Field Trials

Difficult weather conditions impacted on the performance of the break crops in the field trials. Figure 5 below, shows the rainfall figures measured for Koumala, compared to the long term mean. The first summer crop period (2008/09) was characterised by a persistent and excessively wet period. This caused germination failures for some crops (maize, sweet sorghum, grain sorghum), while those crops that were able to establish well in these conditions were unable to have planted agronomy inputs applied (mungbean, soybean).

The winter crop program was able to be established into moisture, however virtually no rain fell in the 6 months from May 2009, limiting the yield performance of the crops (sugar beet, linseed, chickpea).
The final summer crop planting was able to be completed, despite wet weather, however the wet prevented insecticide applications from being applied as required in mungbean and soybean. Insect pressure (*Helicoverpa sp.* and Green Vege bug) caused severe crop damage during the pod fill.

The plant cane following the extended break periods were established successfully despite some winter rain.

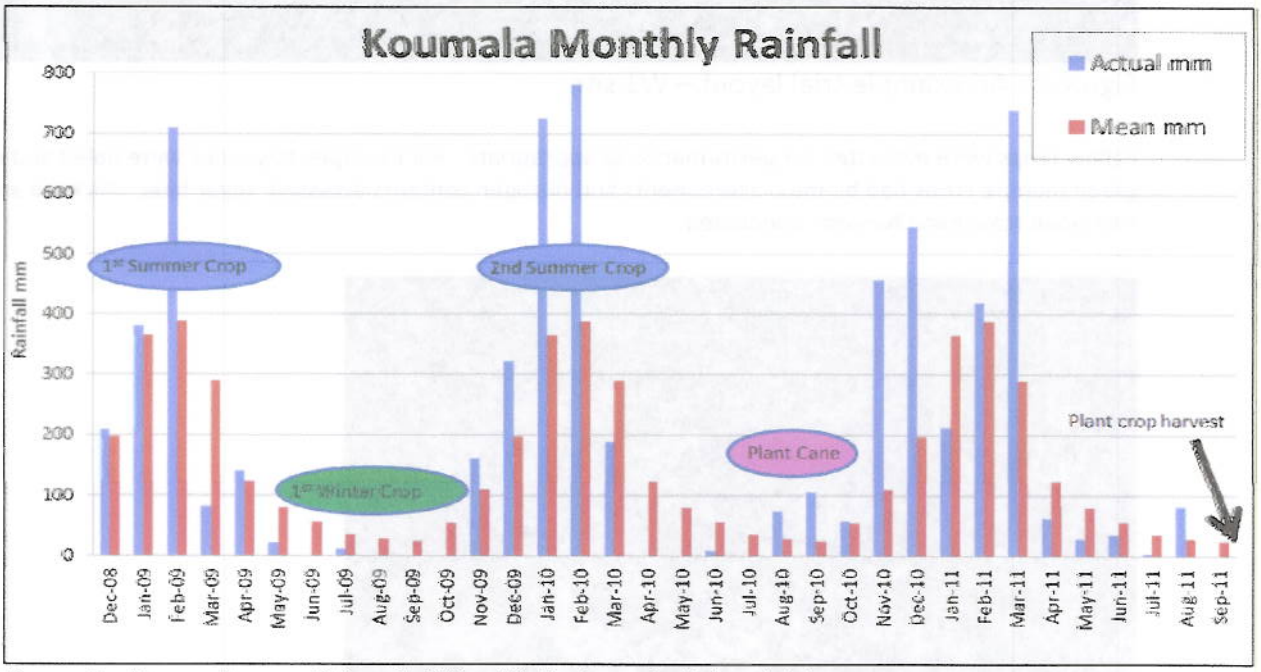

Figure 5: Koumala monthly rainfall with timing of trial activities

Figure 6: Exceptionally dry conditions impacted winter crop performance.

Soil Health

Measurements of two important sugarcane soil health parameters were made – *Pachymetra chaunorhiza* spore counts and parasitic and beneficial nematode levels. All soil health measurements were undertaken courtesy of the BSES/SRA laboratory at Tully.

Pachymetra

Pachymetra spore counts were low at each trial site measured and were not influenced by fallow cropping sequence.

Block No	Variety	Crop	Spores Per/Kg	Result
6-1	KQ228	Plant	8591	Low
6-1		Bare	10181	Low
6-1		chickpea	8215	Low
6-1		linseed	1637	Low
6-1		sugarbeet	8333	Low
6-1	RB76-5418	4R	10273	Low

Table 1: Pachymetra spore counts for Site W1, pre-plant sugarcane

Nematodes

Parasitic nematode levels were low at each site and were not influenced by cropping sequence.

Variety	Crop	*Pratylenchus*	*Helicotylenchus*	*Tylenchorhynchus*	*Paratrichodorus*	*Meloidogyne*
KQ228	Plant	0	0	0	0	0
	Bare	46	0	23	0	0
	Chickpea	22	43	0	22	0
	Linseed	0	0	0	0	0
	Sugarbeet	0	22	0	0	0
RB76-5418	4R	68	114	46	0	0

Table 2: Plant parasitic nematode counts for Site W1, pre-plant sugarcane

Free living nematode populations were not largely different between cropping sequence.

Variety	Crop	Bacterivore	Aphelenchida	Tylenchida	Fungivore	Dorylamids	Mononchids
KQ228	Plant	1670	778	252	1029	114	0
	Bare	688	275	779	1054	23	0
	Chickpea	282	261	108	369	65	0
	Linseed	173	714	22	735	0	0
	Sugarbeet	155	155	221	376	0	0
RB76-5418	4R	137	46	251	297	68	0

Table 3: Free living nematode counts for Site W1, pre-plant sugarcane

Further investigation into soil health matters as a result of this project has highlighted the diverse range of technologies being developed to better monitor soil microorganisms as a benchmark of soil health. These newer methods are much more sophisticated than just undertaking counts of particular microbiological species. Group members are now having field soils tested for microbiological activity at the Australian microbiological laboratories in Adelaide.

Break Crop Performance

As detailed earlier, break crop performance was greatly influenced by weather conditions. Yields of some selected break crop trials are presented below.

Site C1 1st Summer Crop Dec 08 to May 09

Crop	Establishment	Harvest	DM t/ha	kg N/ha	GM $/ha
Leichhardt soybean	OK	Biomass	6.7	200	-$232
Emerald Mungbean	OK	Biomass	5.2	110	-$324
Sugargraze Sweet Sorghum	Failed x 2				
Pioneer 31H50 Corn	Failed x 2				

The legume crops at the C1 site were insect damaged and only suitable for green manuring. Although the legumes contributed nitrogen worth $80 to $140/ha, there was a negative gross margin of $-232 to $-324/ha for soybean and mungbean respectively.

Site M1 Summer Crop December 2009 - May 2010

Crop	Establishment	Harvest	DM t/ha	kg N/ha	Round bales per ha	GM $/ha
Leichhardt soybean	Good	Biomass	7.9	238	35	$1,352
Sugargraze Sweet Sorghum	Good	Biomass	27.1		120	$2,178
Ebony Cowpea	Good	Biomass	6.4	144	29	$1,095
Sugargraze & Ebony	Good	Biomass	26.2		116	$2,018

Summer crops cut for hay at the M1 site found a ready market and provided the highest gross margins of any break crops included in the project. Returns were directed linked to biomass yield. The hay market is very seasonal in Central Queensland and is considered a niche market that is unable to absorb large quantities of hay.

Sugarbeet

Strong interest existed in the sugar beet trial treatments. The crops established strongly on the stored moisture at the trial sites. However, the exceptional dry winter limited final yields recorded.

Figure 7: Early establishment of tropical sugar beet.

Sample Site	CCS	Yield t/ha	t sugar/ha
1a	11.9	20.3	2.4
2a	13.9	28.8	4.0
3a	13.1	34.0	4.5
4a	16.2	44.6	7.2
5a	16.8	42.3	7.1
6a	16.9	38.7	6.5
Mean	**14.8**	**34.8**	**5.3**

Table 6: Sugar beet sub-sample yields and sugar content

Sugar beet yields varied from 20.3 t/ha to 44.6 t/ha. Sugar content was low in the lower yielding, severely drought stressed parts of the field where the crop was unable to mature.

Assessment of the potential of sugar beet produced from these trials for ethanol production was unable to be completed due to CSR staff changes.

Sugarcane Productivity Following Extended Fallow Treatments

Following the extended fallow breaks, plant cane establishment, crop yield and sugar content were collected as well as first ratoon cane productivity data.

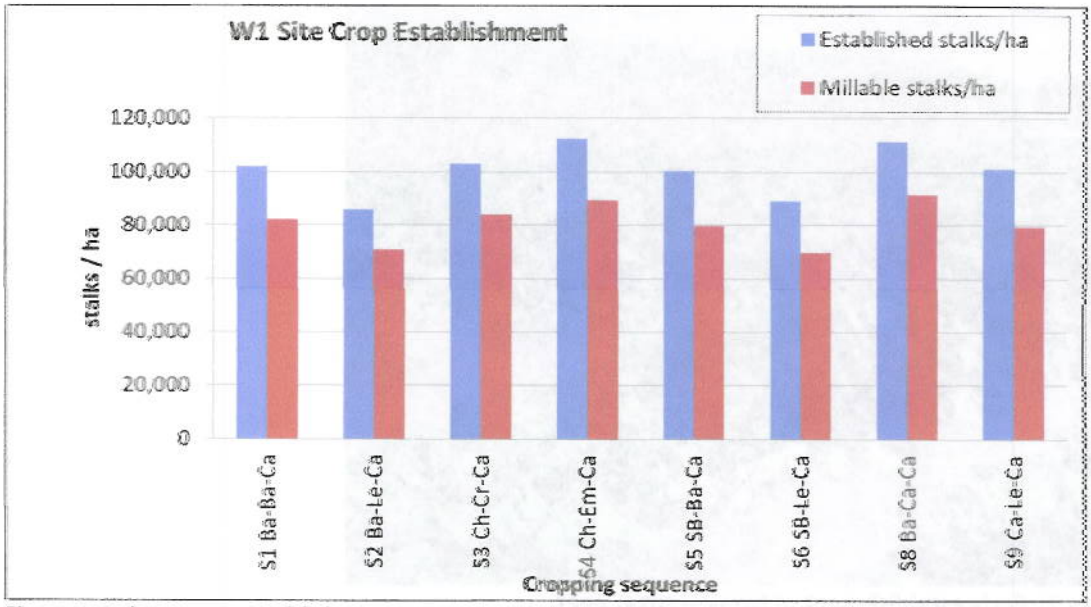

Figure 8: Plant cane establishment and mature stalk count comparisons

There were small differences between treatments in plant crop establishment and millable stalk counts. However, these differences were not consistent with plant cane yield (Figure 9).

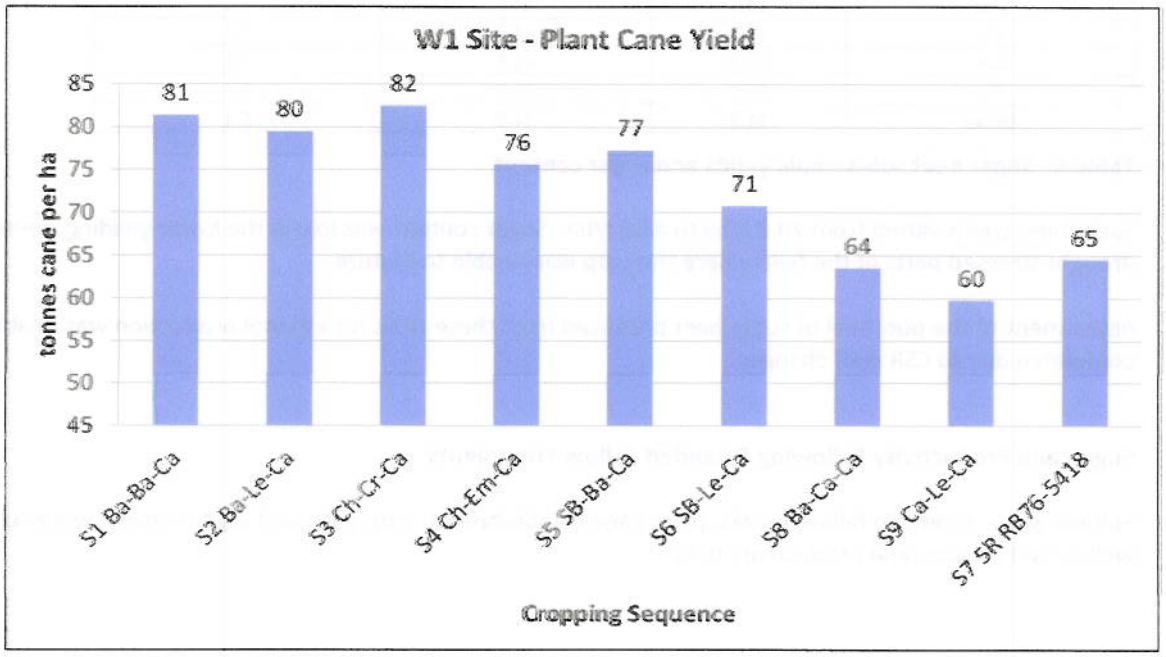

Figure 9: Plant cane yield for each cropping sequence.

All of the extended fallow treatments gave a higher plant cane yield than Sequence 9, standard short fallow treatment. Cane yield increases varied from 19% to 38% higher in the plant cane crop and all sugar yields were also higher (Figures 10 and 11).

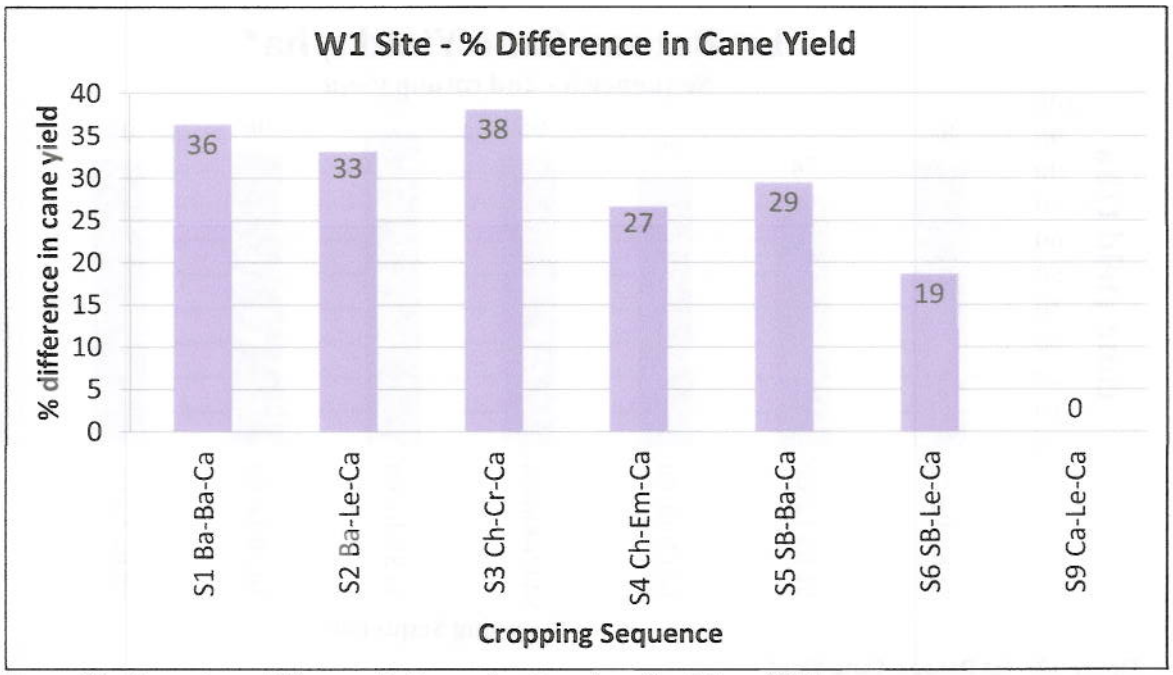

Figure 10: Percentage difference between treatments – Plant Cane Yield

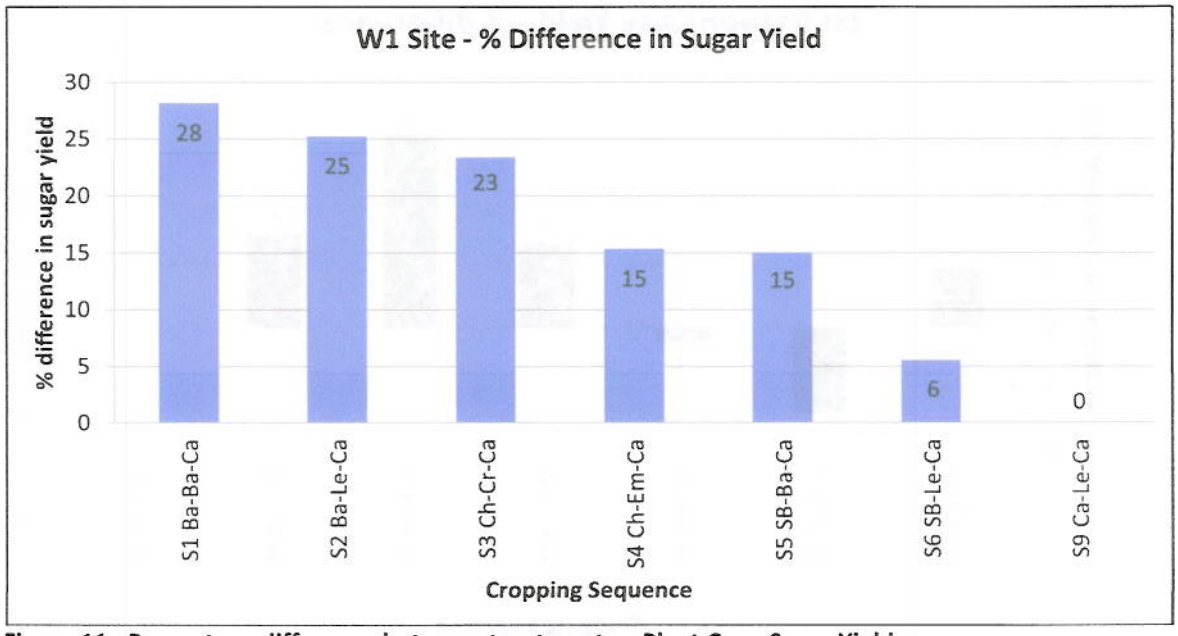

Figure 11: Percentage difference between treatments – Plant Cane Sugar Yield

1st Ratoon Cane Productivity

First ratoon treatment cane yields were not consistently better than the standard treatment. This was a disappointing result (See Figures 12 & 13).

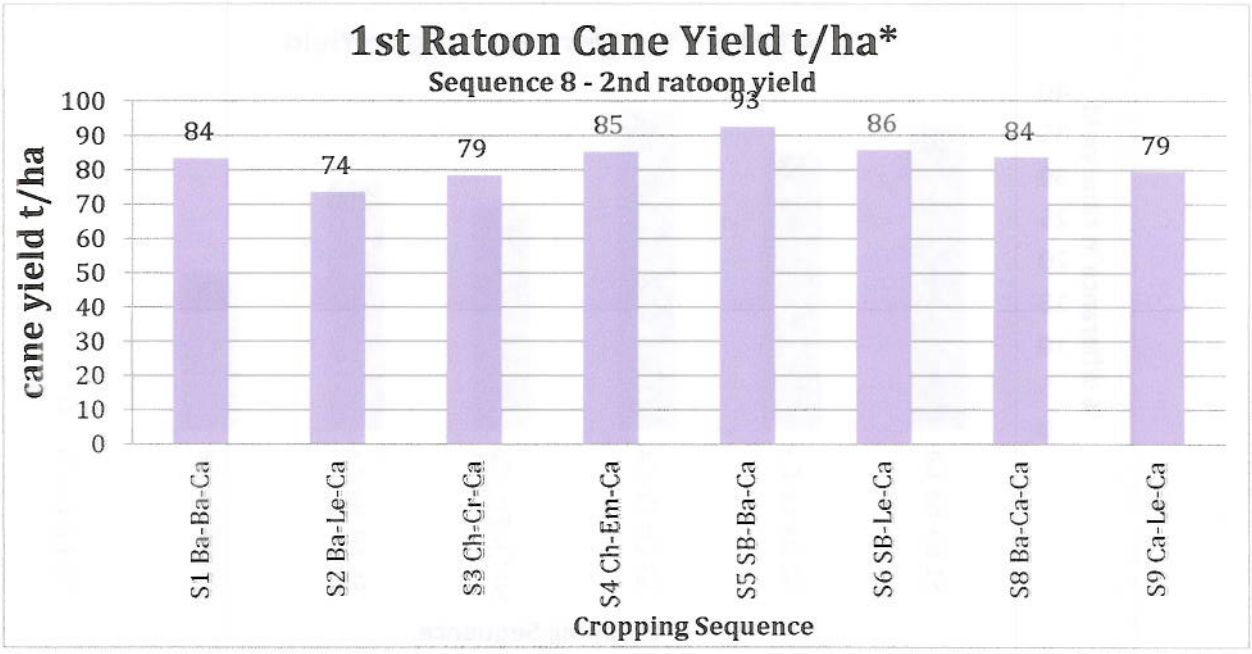

Figure 12: 1st Ratoon Cane Yield

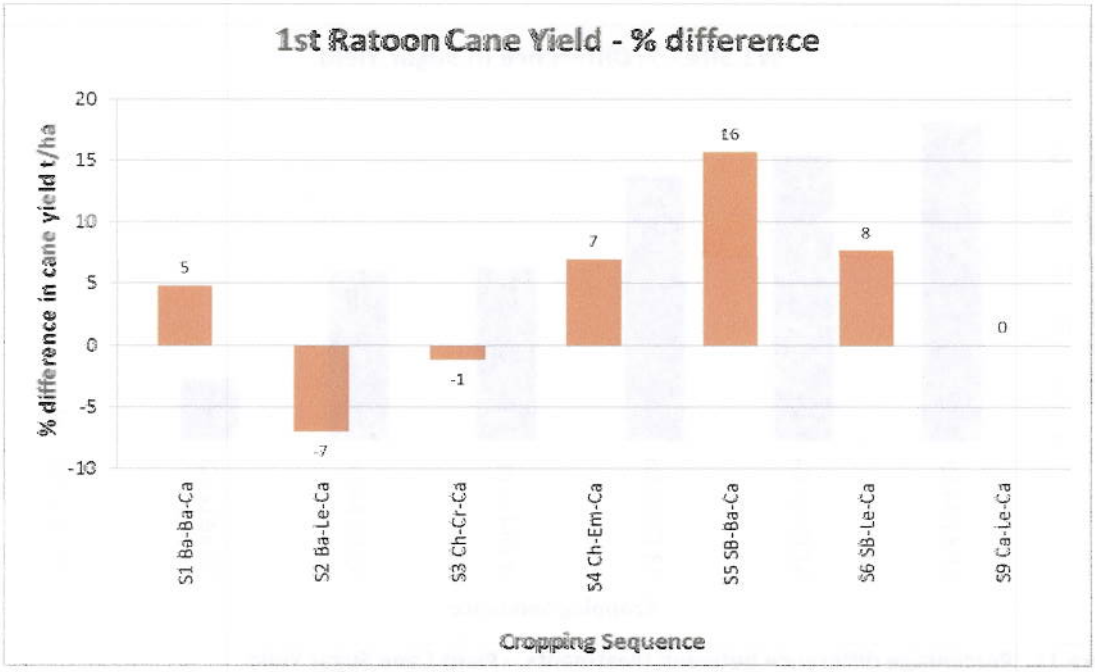

Figure 13: 1st Ratoon Cane Yield - % difference

Economic Evaluation of Extended Fallow Options

Grower economic returns are presented for each of the treatments in the W1 trial (Table XX). Each of the fallow options (including standard short, Sequence 9) gave a negative gross margin for the fallow period due to no viable harvest being undertaken. When the cane crop gross margins are included for each of the cropping sequences evaluated, Sequence 8 gave the highest return at $4604/ha. The highest return extended fallow treatment was two bare fallows in succession (Sequence 1) at $3876/ha.

	Cropping Sequence and Gross Margin Achieved $/ha							
Crop Option	S1 Ba-Ba-Ca	S2 Ba-Le-Ca	S3 Ch-Cr-Ca	S4 Ch-Em-Ca	S5 SB-Ba-Ca	S6 SB-Le-Ca	S8 Ba-Ca-Ca	S9 Ca-Le-Ca
1st Bare Fallow	-193	-193					-193	
2nd Bare Fallow	-138				-138			
Leichhardt soybean		-373				-373		-373
Jimbour chickpea			-330	-330				
Sugarbeet					-199	-199		
Emerald mungbean				-416				
Crystal mungbean			-416					
Continous RB76-5418								
4R Q209								1141
Plant KQ 228	1094	1341	1210	1088	734	864	1037	462
1R KQ 228	3113	2649	2879	3124	3430	3022	832	2830
2R KQ 228							2928	
Cumulative Gross Margi	**3876**	**3424**	**3343**	**3466**	**3827**	**3314**	**4604**	**4060**

Table 7: Gross Margin Comparison of treatments

QDAFF staff also undertook an economic assessment of the adoption of an extended fallow program on a commercial scale farm (Appendix 1). Their analysis concluded that extended fallows have the potential to improve overall property gross margin and diversify income risk. However, for extended fallows to be viable, suitable fallow crops with positive gross margins need to be identified and the opportunity to diversify income must be balanced with the increased risk of negative returns, as experienced in these trials.

Total Cane Production – Industry Viability

Whole of industry viability is driven by throughput of cane supply. Cane yield improvements from plant and 1st ratoon following the extended fallow were insufficient to make up the supply shortfall from the traditional short fallow treatments that included an extra cane harvest in the trial period. Milling viability is likely to be reduced by any reduction in cane supply.
Extended fallows will only be viable if cane yield improvements are measured into later ratoon crops.

Treatment	2009 4th Ratoon t/ha	2010 Plant cane t/ha	2011 Plant cane t/ha	2011 1st Ratoon t/ha	2012 1st Ratoon t/ha	2012 2nd Ratoon t/ha	cumulative t cane/ha
S1 Ba-Ba-Ca			81.4		83.5		164.9
S2 Ba-Le-Ca			79.5		73.6		153.1
S3 Ch-Cr-Ca			82.5		78.5		161.0
S4 Ch-Em-Ca			75.6		85.3		160.9
S5 SB-Ba-Ca			77.3		92.6		169.9
S6 SB-Le-Ca			70.8		85.9		156.7
S8 Ba-Ca-Ca		92.0		63.5		83.8	239.3
S9 Ca-Le-Ca	73.0		59.7		79.48		212.2

Table 8: Cumulative Cane Yields from Each Treatment

Intellectual Property and Confidentiality:

(Detail any commercial considerations or discoveries made, and means of protection (e.g. patents) undertaken or planned. Is there anything in this report that should be treated as confidential, and if so under what circumstances?)

There are no aspects of intellectual property protection that have arisen from the conduct of this project.

Capacity Building:

(How has the Group's capacity to conduct R&D and implement better farming systems been enhanced?)

Group members have improved their understanding and skill with agronomy of a range of new crops. Agronomy skills include planting and crop establishment, crop protection with herbicides and insecticides, harvest decision making. Issues of herbicide plant back periods and harvest with holding periods and MRL's were important factors learned and considered in crop sequence planning. Skills were gained from communication with a range of outside experts and service providers, various group members visiting the Agrotrend field days at Emerald, GRDC update at Goondoowindi. Each of the field days and GRDC update allowed group members to discuss grain marketing, demand, logistics and returns.

Figure 14: Trial field walks were common during the fallow crop evaluation phase.

Environmental and Social Impacts:

(Include any expected or actual adverse or beneficial environmental or social impacts of conducting the project and/or implementing its findings.)

There have been no adverse environmental or social impacts from any activity of the project.

Social impacts have been positive with improved knowledge and skill development among group members, enhanced interaction with other growers from other regions through communication of project results.

Outcomes:

(What benefits have been achieved or are expected from the project, and what more has to happen to get the full benefit from the project? How do the expected benefits compare with those predicted at the start of the project, as outlined in the Application?)

Unfortunately, the extreme seasonal conditions experienced during the field trial phase limited the performance of the crops evaluated which resulted in negative gross margins. This limits the appeal of the extended fallow concept to many and has led to little adoption of the concept to date.

Astute growers are considering the opportunity offered by extended fallow lengths and are considering options to re-evaluate and enhance the profitability of other crops. A new extended fallow trial has been established by an interested grower at North Eton in 2013 with support from Plane Creek Sustainable Farmers members.

Several group members are now growing a legume crop in the summer post ploughout, followed by a cereal (oats) cut for hay then cane late planted. This is not skipping a cane planting season, but is an extension of the traditional fallow period. Oats provide some beneficial suppression of nematodes and take up much of the potentially excessive nitrogen supplied by large soybean crops.

Several growers throughout the industry are now evaluating the production of other crops in combination with skip row cane planting.

The economic analysis undertaken by QDAFF staff suggests sugar price will have an important bearing on the economic performance of an extended fallow regime. Lower sugar prices enhance the attractiveness of extended fallows.

The project has led to further investigations and learning about soil health by group members. This learning resulted in Plane Creek Sustainable Farmers facilitating soil health workshops in Mackay and the Burdekin, with over 70 growers paying to attend. The workshops were conducted by Dr Ash Martin from Microbiology Laboratories Australia.

Communication and Adoption of Outputs:

(Outline any communication activities that have been conducted and any that are planned. How has SRA been acknowledged or involved? Have any lessons from the project been applied by members of the Group, or others?)

Numerous field walks were conducted during the field trial phase of the project. Project activities have been written up by SRDC staff, articles in the Bush Telegraph, presentation at Project Catalyst forums and most recently a presentation at GIVE 2014. Mark Hetherington (formerly BSES), Jackie Richters (formerly PCPSL) and John Hughes (QDAFF) assisted in numerous communication activities. The financial contributions of SRDC and SRA have always been acknowledged in project communications.

Figure 15 : A key form of communication used in the project was field walks and discussions

Recommendations:

(What recommendations would you make as a result of the project, including suggestions for further research and development?)

There is significant opportunity for further development of complimentary break crops to improve their viability and suitability for inclusion in the sugarcane farming system. Further work to evaluate various crops, different varieties of trialed crops, experimentation with planting dates, improved agronomics such as weed and pest control. Sugarcane yield improvements must extend into later ratoons to ensure the total cane crop produced for a mill area is not reduced.

Refinement and successful extended fallow cropping promises a more resilient sugar farming business through improved cane yields, reduced nitrogen fertiliser input costs, reduced nitrous oxide emissions, improved income in lower sugar price environments and increased and more diverse farm income streams with price cycles unrelated to the sugar price cycle.

Publications:

(List and attach copies (electronically if possible) of all articles, newsletters and other publications from the project.)

Edwards B, Sluggett R, Star M (2013) Informing policy design for water quality improvements in the sugar cane industries adjacent to the Great Barrier Reef: a case study approach. 57th Australian Agricultural and Resource Economics Society, Annual Conference, Sydney.

SRDC Update – October 2010. Fallow crops boosting productivity.

Acknowledgements:

(List people and organisations that assisted and/or supported you, to enable you to complete this project.)

Numerous people and organisations provided assistance to this project including, Mark Hetherington (formerly BSES), Jackie Richters (formerly PCPSL) and John Hughes (QDAFF) assisted in numerous communication activities. BSES/SRA provided ccs, nematode and Pachymetra analysis, Brooke Edwards and Megan Star of Queensland Department of Agriculture, Fisheries and Forestry for economic analysis of fallow cropping strategies. Don McNichol of Landmark for assistance with crop seeds and crop protection products. Roger Lindeman, Ag Consultant for assistance with crop rotation planning and crop options.

SENATE HEARING

Good afternoon. Thank you for this opportunity to appear before your committee.

The decision by Wilmar and other milling companies to withdraw, not only their own sugar from QSL, but also that of their growers is a decision that cannot be allowed to happen.

This conflict is already having a serious impact on grower's confidence in their long term future in this industry.

As a Plane Creek grower, I will mostly comment on Wilma's decision and the impacts it will have on us.

Joint Marketing Company

The proposed Joint Marketing Company has no power to market our sugar and is really only a clearing house to divide the money supplied to it by Wilmar's Sugar Marketing Division between the mills and growers. I am sure that every cent will have Wilmar's fingerprints all over it.

By forcing growers to allow them to market their sugar, Wilmar Sugar Trading will increase the size of that business by 50% from four to six million tonnes annually.

Wilmar representatives have made comments that they can increase the sugar price by $10 per tonne from their trading activities, $7 of which will go to them. This is an obvious incentive for them to take this path when they are trading an extra two million tonnes annually

Willmar will get a major capital increase in that business, two thirds of which is from the grower's economic interest sugar.

Wilmar has made some assertions about their expertise and how they have outperformed QSL. However they refuse to guarantee they can do this on an ongoing basis.

Some growers have also been able to achieve similar results. However, even the most astute of them do not claim to be experts.

While Wilmar have tried to sell this proposal to growers by asserting that they can do a better and more profitable job the fact that they are clearly the big winners has escaped even a modest amount of discussion.

The Future of QSL

The likely long term outcome for QSL, if 70% of the sugar is withdrawn, **must** be bleak and it is surely a case of **when**, not **if**, they fold. The storage, handling, quality control, and shipping of sugar will then be available for whoever can take it on.

As "luck" would have it, Wilmar has their own shipping company. As cynical as it may sound, I am sure this has occurred to them as well. How can the growers make sure that shipping costs will be competitive when we have no say in any of these decisions? This highlights how important transparency is, as without someone to monitor the costs, gouging is likely to occur.

The fact that Mackay Sugar growers are so concerned that they feel the need to make a submission is further evidence of the likely impact on the growing sector of the sugar industry.

With three or four companies trying to market into our nearest clients Asia, how can anyone believe that premiums can be increased? As they compete for that market share, these premiums can only be traded down as any premium is better than none.

Growers having control of **our** economic interest in the sugar that is produced is essential to the long term future of the cane farming sector. While neither sector can survive without the other, growers can never take over the mills while the mills can take over the farms. Wilmar is already the largest cane land owner and a substantial grower in Plane Creek mill area.

If their aim is to dominate the growing sector, what better way than to drive grower's incomes down and consequently farm prices?

Foreign Investment

I personally, and I believe many of our growers, are supporters of a foreign investment policy for Australia.

We must, however, be ever vigilant to ensure that we have foreign investment without domination of our local industries.

Senators, while I personally do not envy you your job, I ask that you give us the support we need to ensure that we **can** have a choice on the marketing of our economic interest in the Australian sugar crop.

Brian Stevens

NOTES FOR THE SENATE INQUIRY

BACKGROUND

1. THE SUGAR INDUSTRY WAS REGULATED FROM 1915 DUE TO ITS EXTREME IMPORTANCE TO THE ECONOMIES OF THE SMALL COMMUNITIES OF NORTH QUEENSLAND AND AUSTRALIA. REGULATION WAS ENACTED BECAUSE OF THE GOVERNMENT RECOGNITION OF THE IMBALANCE IN MARKET POWER AND INVESTMENT BETWEEN THE MILLERS AND GROWERS.

2. THE INDUSTRY IS MADE UP OF GROWERS AND MILLERS WHO ARE CO-DEPENDENT. THE VAST MAJORITY OF GROWERS ARE GEOGRAPHICALLY LINKED TO THE MILL THAT THEY SUPPLY.

3. SUGAR WAS ACQUIRED BY A REGULATORY BODY WHICH PRICED, MARKETED AND TRANSPORTED THE PRODUCT DIRECT TO CUSTOMERS THROUGH A SINGLE DESK AND TRANSPARENT SELLING ARRANGEMENT.

4. IN 2000, THE SUGAR INDUSTRY AMENDMENT ACT ESTABLISHED QUEENSLAND SUGAR LIMITED, THE NOT FOR PROFIT INDUSTRY MARKETING BODY WHICH HAS 50% GROWER AND 50% MILLER OWNERSHIP. IN 2005, THE QUEENSLAND GOVERNMENT REPEALED THE VESTING POWERS OF QUEENSLAND SUGAR LIMITED. THE RAW SUGAR SUPPLY AGREEMENT (RSSA) DETAILED ARRANGMENTS BETWEEN THE MILLERS AND QSL. EVEN THOUGH GROWERS OWNED 50% OF QSL AND 2/3 OF THE INCOME DERIVED FROM THE MARKETING OF SUGAR, GROWERS WERE NOT PARTY TO THE RAW SUGAR SUPPLY AGREEMENTS. UNDER THESE AGREEMENTS, QSL COULD ONLY RELEASE INFORMATION TO GROWERS WITH THE PERMISSION OF THE MILLERS.

5. THERE HAVE BEEN THE INEVITABLE RESTRUCTURES TO QSL, THE MAJOR ONE BEING THE COMPOSITION OF THE QSL BOARD FROM BEING A REPRESENTATIVE BASED BOARD TO A FULLY INDEPENDENT BOARD.

6. WE EXPERIENCED THE DISASTER OF THE 2010 SEASON WET HARVEST WHERE A SIGNIFICANT PORTION OF THE CROP WAS LEFT IN THE FIELD.

THE MILLERS AND QSL CONFERRED ON THE STATE OF THE HARVEST. WITH THE CROP LEFT IN THE FIELD, QSL INCURRED LOSSES OF SOME $105 MILLION OF WHICH 'SUCROGEN' AT THAT TIME, NOW 'WILMAR'S' SHARE WAS $60.68 MILLION. WILMAR GROWERS WERE ASKED TO SHARE THAT LOSS WITH THE GROWER PORTION BEING ROUGHLY 2/3 OF THE TOTAL LOSS I.E. APPROXIMATELY $40 MILLION.

IF A GROWER WAS RESPONSIBLE FOR A SHARE OF THE COST OF THE MARKETING AND PRICING LOSSES, SURELY THE GROWER IS ENTITLED TO A CHOICE AS TO WHO MARKETS HIS GROWER ECONOMIC SHARE.

7. THE INDUSTRY BUILT THE BULK SUGAR TERMINALS WHICH ARE OWNED THROUGH GROWER AND MILLER SHAREHOLDINGS. WITH MILLERS MARKETING THEIR OWN SUGAR, THERE WOULD BE A FLOW ON EFFECT TO THE INDUSTRY. THIS HAS THE POTENTIAL TO REDUCE STORAGE CAPACITY AND A LOSS OF QUALITY CONTROL FLEXIBILITY BECAUSE OF SEGREGATION OF THE SUGAR DUE TO OWNERSHIP.

8. WILMAR WILL TELL YOU THAT THEY ARE CONSULTING WITH THEIR GROWERS TO FURTHER DEVELOP THEIR PLAN. UNTIL NOW THEY REALLY HAVEN'T BEEN LISTENING TO THE GROWERS' CONCERNS OR WISHES. THE FLOW ON EFFECT TO THE INDUSTRY OF THEIR ACTIONS HAS NOT BEEN CONSIDERED.

   FOR EXAMPLE, AS REPORTED BY QSL ON 4 JULY 2014, THE INDUSTRY HAD TO BEAR AN IMMEDIATE $1 MILLION INCREASE IN FINANCING COSTS AS A DIRECT RESULT OF WILMAR'S DECISION TO PURSUE ITS OWN INTEREST. THIS ACTION BY A FOREIGN MULTI-NATIONAL MILL OWNER HAS ALREADY HAD A DIRECT IMPACT ON THE BOTTOM LINE OF GOOD AUSTRALIAN CANE FARMERS.

9. I MADE AN OBSERVATION OF A SCENARIO OF WILMAR ACQUIRING THE GROWER ECONOMIC INTEREST AND CHARGING THE SAME MARKETING COST AS QSL. THIS WOULD PROVIDE A SIGNIFICANT INJECTION TO WILMAR'S CASH FLOW. THE RESPONSE I RECEIVED WAS – 'THERE WOULD BE NO PROFIT IN THAT.' I ASK YOU, IF THERE IS NO PROFIT, WHY CREATE

CONFLICT, SUSPICION AND DISTRUST AMONGST YOUR GROWER SUPPLIERS FOR NO RETURN?

10. WILMAR'S PROPOSAL TO REPLICATE THE CURRENT MARKETING MODEL IS ALSO DECEIVING. THE PROPOSAL OF A REPRESENTATIVE BOARD CONSISTING OF GROWERS AND MILLERS APPEARS ON THE SURFACE TO BE INCLUSIVE. HOWEVER, THIS JOINT MARKETING COMPANY IS JUST A SMOKE SCREEN IN THE FACT THAT IT REALLY HAS NO POWER. ITS ONLY OBJECTIVE IS TO ACQUIRE THE SUGAR AND PASS IT ON TO WILMAR TRADING WHICH IS OUR MONOPOLY MILLER'S TRADING COMPANY.

CONCLUSION

I AM SEEKING GOVERNMENT INTERVENTION TO PROVIDE FOR A LEGISLATIVE FRAMEWORK WHICH RECOGNISES MY GROWER ECONOMIC INTEREST AND MY RIGHT TO CHOOSE WHO MARKETS MY SUGAR.

SERG BERARDI **12 MARCH 2015**

Raw Sugar Marketing – Senate Hearing.

Mackay 12 March 2015

Thank you for this opportunity to contribute to this Sugar Marketing Inquiry.

Let me start by saying that I am very much a novice at this and somewhat in awe of the previous speakers, however I will endeavour to contribute to this process in a constructive manner in an effort to achieve a just and successful outcome.

How do we promote growth, harmony and profitability within the sugar industry between growers and millers, in an effort to strengthen our industry? Well, in my humble opinion it is certainly NOT by taking away grower's choice or full transparency or by growers losing trust in their miller's sugar marketing module.

From a canefarmer's perspective the key words that come to mind are. CHOICE, TRANSPARENCY and TRUST. 3 extremely powerful words. If any of these characteristics are lost in future sugar marketing modules, then it is set to fail. And when I say fail, it appears that the farmer is the one who pays the ultimate price. We need look no further than the demise of our local Diary Industry to see how wrong decisions made by big business can squeeze the farmer until he or she no longer has a viable business.

Wilmar is leading the charge to exit QSL and by doing so believes it is right and just to market the Wilmar Grower's Economic Interest, in any way it sees fit, without full transparency and by chaining growers to a 15 year marketing contract with a non transparent marketing unit.

If Wilmar, Cofco & MSF MitrPhol are allowed to deny their growers the choice of their preferred marketer, then I believe it will and in fact has already created uncertainty, distrust, fear and resentment within our industry and the wider community.

How would you feel, if you as a grower were told that unless you sign your sugar and rights away in future Cane Supply Agreements under the proposed Wilmar sugar marketing model, then Wilmar severs all ties with you? On another point I'd like to give you an example of Wilmar's heavy handed tactics. I recently had a conversation with a friend who owns a small business in a Wilmar sugar town. She told me that Wilmar has their small business on a 90day account. Meaning they have to wait 90days for payment of goods & services provided to Wilmar. My blood boiled when I heard this as I know that when I purchase liquid fertilizer known as dunda from Wilmar I have to pay my account within 30 days or I will be penalised. Talk about in imbalance. Is this really the best way to promote harmony, growth and stability within our industry and wider community? I think not. What other option have we got, than to take on a David and Goliath type battle and to ask for your intervention.

Thankfully, I do not supply Wilmar, Cofco or MSF with cane. I supply Mackay Sugar who markets the majority of the Grower's Economic Interest and Miller's Economic Interest through QSL with full transparency.

But even I am likely to be effected by Wilmar's marketing decision due to a "domino effect", whereby it has the potential to weaken QSL's stability and in turn my income as well.

I liken the function of QSL to that of an "Independent Umpire", conducting its duties with full transparency. We already have a world class non profit organisation that growers trust, due to its transparency and it is envied around the world. So why would any fair minded grower want to accept any marketing module that denies them, the grower, full transparency and ultimately trust.

We have already seen the majority of The Tablelands cane growers walk away from their previous miller for this very reason. They have taken very brave and bold measures to seek a miller who provides them with a transparent marketing module and now send their cane up to 100kms away from their local area to be processed at Mossman Mill, owned by Mackay Sugar. Incidentally that distance is one way and not including the return trip.

Most Wilmar, Cofco & MSF growers simply do not have this choice, due to distance and rival milling capacity.

So, how do we know that growers no longer have trust in a Wilmar, Cofco or MSF's sugar marketing model? In a recent survey of growers jointly conducted by Qld Canegrowers/QCFA, 93% of growers surveyed categorically said that they "Did not trust, their miller to share profits fairly if they were not made to do so. Further to this 97% of growers surveyed wanted to be able to choose the marketer of their sugar.

This is clear and unequivocal proof of the distrust of a Wilmar proposed marketing module for future sugar marketing.

Let me make no bones about it - canegrowers do not need Wilmar's heavy handed tactics. What cane growers need is a genuine partnership not a dictatorship.

Canegrowers have full confidence in our elected Qld Canegrowers Executive representatives to help guide growers through their decision making. After all they are cane growers themselves and walk in our shoes.

I feel that if Wilmar's proposed marketing module is allowed to proceed, then there will be damaging repercussions not only the 4500 grass roots cane growers and their family, but also for the wider community.

This really does feel like a David and Goliath battle, so please help us to get this right. Cane growers do not want to become another rural industry tragedy. We desperately need

measures to be put in place to address the imbalance in market power between millers and growers. So, where to from here?

We need you to introduce a pro-competition legislative ~~or regulatory~~ framework to secure farmers rights to have Real Choice over who sells and prices Grower Economic Interest sugar. We are desperately asking for this to enable our industry to have marketing surety and in turn profitability, prosperity and some peace of mind.

Thank you for your time.