



24 August 2012

Mr Stephen Palethorpe
Secretary, Committee on Rural and Regional Affairs and Transport
Sent via email: rrat.sen@aph.gov.au

Dear Mr Palethorpe

Examination of the Foreign Investment Review Board national interest test

Thank you for the opportunity to submit information relating to the experience of the Australian sugarcane industry to the inquiry Foreign Investment Review Board (FIRB) national interest test.

CANEGROWERS policy on international ownership is that this organisation supports international investment in the Australian sugar industry, subject to:

- the lowering of the international investment review cumulative threshold to \$50 million to capture reporting requirements to FIRB of all sales of significant mills and associated assets;
- expanding the current automatic international investment reporting that exists for residential real estate to encapsulate agricultural land;
- FIRB providing increased compliance and enforcement of its undertakings;
- increased transparency of FIRB decisions;
- recognition that the National Interest test should take into account the unique characteristics of particular industries, such as the interconnectedness of the sugar industry;
- milling companies being restricted from the ownership of land and water where this is not in growers' interests, particularly by State-owned entities.

As you would be aware, the Australian sugarcane industry has undergone rapid changes in ownership over the past two years. Foreign ownership of mills has soared from 18% in late 2010 to around 75% foreign ownership after the sale of Sucrogen to Wilmar (Singapore), Tully Sugar to Cofco (China), MSF Sugar to Mitr Phol (Thailand) and the purchase of Proserpine Cooperative Mill by Sucrogen/ Wilmar. The only milling companies still owned by local firms are Mackay Sugar, the New South Wales Sugar Milling Cooperative and the Isis Central Sugar Mill.

The recent investment poses no risk to Australian food security as 80% of annual sugar production is destined for export. However, the processes operated by FIRB during this time of rapid change and uncertainty have not been transparent by the standards expected of CANEGROWERS or its members. Undertakings to FIRB by foreign investors have not been made public or to industry stakeholders. Such undertakings, it would be expected, should influence contract conditions for suppliers, but without supplier awareness of these clauses these cannot be enforced. Second, there is a real concern that FIRB did not take into account issues of specific importance to the sugarcane industry. The three major takeovers can be used as good examples to demonstrate these points.

The sale of Sucrogen to Wilmar was the only milling company takeover that was officially approved by the Treasurer following the FIRB decision. At the time it was clear that FIRB was concerned about CSR's payments to asbestos victims. However, the issues of the importance of co-contribution to industry research, shared ownership of bulk export terminals between millers and growers or the importance of the industry's price discovery mechanism through Queensland Sugar Limited (QSL) were not addressed, despite CANEGROWERS making submissions on these issues. When Wilmar (via Sucrogen) acquired Proserpine Cooperative Sugar Mill, the issue of the purchase was under the acquisition threshold and was not reviewed by the FIRB even though it had impacts on overall ownership in the industry.

In relation to the sale of Tully Sugar to COFCO, FIRB was required to scrutinise the deal because COFCO is a State Owned Entity (SOE). COFCO made undertakings to Tully CANEGROWERS to alleviate concerns local sugarcane growers during the takeover process. However sugarcane farmers in Tully are unaware if the same undertakings were made to FIRB and they are unsure about what avenues they have to ensure COFCO's compliance because FIRB will not comment on the takeover as agreements are held to be. "commercial in-confidence". No public statement was made by the Treasurer.

When MSF Sugar was sold to Mitr Phol, no statement was made by the Treasurer on the sale, no public undertakings to the industry were made by either FIRB or Mitr Phol and no consultation was conducted with industry stakeholders in relation to any of the aspects of the National Interest Test. This was surprising as the Treasurer is expected to make announcements of significant acquisitions. Again, undertakings relating to the industry wide issues listed above were not addressed.

In summary, CANEGROWERS does not believe that the national interest test has been applied appropriately in these cases. Our policy above would redress these concerns.

Thank you for the opportunity to provide a submission to the inquiry into FIRB's national interest test. The issue of appropriately managing foreign investment in Australian agriculture is important for the Australian sugarcane industry as it is important for everyone throughout the agricultural sector. If you have any further queries, please don't hesitate to contact Bernard Milford, Chief Policy Officer on (07) 3864 6444.

Yours sincerely

Steve Greenwood
CHIEF EXECUTIVE OFFICER