



Submission from CANEGROWERS Australia

to the

Parliamentary Joint Committee on Corporations and Financial Services **Inquiry into Agribusiness Managed Investment Schemes**

CANEGROWERS is the peak representative body for Australian sugarcane growers, with over 80% of sugarcane growers as members. Sugar is one of Australia's most important rural industries, this year generating over \$2 billion in raw sugar revenues. The industry produces around 34 million tonnes of cane per year, which, when processed, provides around 4.75 million tonnes of sugar. Australia is one of the lowest cost sugarcane and raw sugar producers in the world. It has maintained export competitiveness by adopting innovative practices, particularly through mechanisation, new farming systems and diversification.

CANEGROWERS welcomes the opportunity to provide input into the Parliamentary Joint Committee on Corporations and Financial Services inquiry into agribusiness managed investment schemes.

CANEGROWERS notes the following:

- There has been considerable disquiet in cane growing areas about the impact of forestry Managed Investment Schemes (MIS) purchasing cane lands for the establishment of plantation forestry. The current arrangements have lead to perverse outcomes:
 - MIS investments can use their tax advantages to bid for prime agricultural land to the detriment of existing industries. In the case of the sugarcane industry, ongoing viability of a region depends on the availability of sugar milling capacity. If a significant proportion of a sugar mill supply area is alienated, the mill would become uneconomical and would close. Cane cannot be transported economically more than about 60km, so unless there were another mill in that radius, all growers in that area would thereby have lost access to growing their traditional, high-value crop.
 - There are a number of areas that have seen a significant proportion of their traditional cane growing areas purchased by forestry MIS operators. These include the Tully, Ingham, Proserpine and Sarina regions. In all of these areas, further alienation of cane land could lead to mill closure.

- Loss of milling capacity in the areas above would have impacts beyond the mill owners and cane growers.
 - Mill closures would result in significant loss of employment opportunities which would not be made up through the new forestry activities. Unlike some areas in Australia where forestry plantations are being established, sugar areas already have a high density of economic activity which would not be sustained if sugar growing and milling were replaced by a forestry industry. This would mean that there would be significant social disruption in towns like those listed.
 - Once a mill is gone, it would be very difficult to replace. Cane is one of the best converters of sunlight into biomass and sugar mills are ideal platforms for new ways of processing this biomass into fuels and chemicals. The industry has made a significant investment in cogeneration and new products such as furfural. Competition for land from tax-advantaged MIS companies will make these innovation decisions more difficult. They therefore could cost Australia the availability of new economic opportunities as well as reducing our supply of food products.
- CANEGROWERS does not believe that all relevant economic, environmental and social issues are taken into account when significant areas of land in sugar growing areas are diverted from cane into MIS schemes. It proposes that there is a role for government in ensuring that such review takes place.
- CANEGROWERS is also concerned that preferential tax arrangements for so-called carbon sink forests are likely to present a similar distortion to land use decisions if they are not accompanied by a consideration of their effect on existing rural enterprises and communities.
- CANEGROWERS notes that one outcome of the perverse incentives available to MIS promoters has been land management practices that appear to have been geared to obtaining a tax advantage rather than good agriculture. For example, in 2007 and 2008, considerable areas were cultivated just before the wet season in the Ingham area, apparently to allow planting before the end of the financial year. As any local farmer would have predicted, when the seasonal monsoon arrived thousands of tonnes of topsoil, that would have been safe under current cane farming systems, were eroded away to form plumes of sediment in local streams and the Great Barrier Reef lagoon. The schemes' land management practices have been described as appalling.

Since the promoting companies passed into administration, this land is now effectively unmanaged. There is no control of noxious weeds on these properties and they can serve as a haven for feral animals, particularly wild pigs. Without maintenance, further soil erosion is inevitable. Cane growers are heartbroken to see this good land go to waste and are concerned that rehabilitation to profitable and appropriate farming enterprises will be costly and difficult

Proposal

This organisation therefore proposes:

- That a full review of the economic, environmental and social impacts of diversion of significant areas of agricultural land into forestry be required before access is available to taxation concessions for the proposed activity.

June 2009



Submission from CANEGROWERS Australia

to the

Parliamentary Joint Committee on Corporations and Financial Services **Inquiry into Agribusiness Managed Investment Schemes**

CANEGROWERS is the peak representative body for Australian sugarcane growers, with over 80% of sugarcane growers as members. Sugar is one of Australia's most important rural industries, this year generating over \$2 billion in raw sugar revenues. The industry produces around 34 million tonnes of cane per year, which, when processed, provides around 4.75 million tonnes of sugar. Australia is one of the lowest cost sugarcane and raw sugar producers in the world. It has maintained export competitiveness by adopting innovative practices, particularly through mechanisation, new farming systems and diversification.

CANEGROWERS welcomes the opportunity to provide input into the Parliamentary Joint Committee on Corporations and Financial Services inquiry into agribusiness managed investment schemes.

CANEGROWERS notes the following:

- There has been considerable disquiet in cane growing areas about the impact of forestry Managed Investment Schemes (MIS) purchasing cane lands for the establishment of plantation forestry. The current arrangements have lead to perverse outcomes:
 - MIS investments can use their tax advantages to bid for prime agricultural land to the detriment of existing industries. In the case of the sugarcane industry, ongoing viability of a region depends on the availability of sugar milling capacity. If a significant proportion of a sugar mill supply area is alienated, the mill would become uneconomical and would close. Cane cannot be transported economically more than about 60km, so unless there were another mill in that radius, all growers in that area would thereby have lost access to growing their traditional, high-value crop.
 - There are a number of areas that have seen a significant proportion of their traditional cane growing areas purchased by forestry MIS operators. These include the Tully, Ingham, Proserpine and Sarina regions. In all of these areas, further alienation of cane land could lead to mill closure.

- Loss of milling capacity in the areas above would have impacts beyond the mill owners and cane growers.
 - Mill closures would result in significant loss of employment opportunities which would not be made up through the new forestry activities. Unlike some areas in Australia where forestry plantations are being established, sugar areas already have a high density of economic activity which would not be sustained if sugar growing and milling were replaced by a forestry industry. This would mean that there would be significant social disruption in towns like those listed.
 - Once a mill is gone, it would be very difficult to replace. Cane is one of the best converters of sunlight into biomass and sugar mills are ideal platforms for new ways of processing this biomass into fuels and chemicals. The industry has made a significant investment in cogeneration and new products such as furfural. Competition for land from tax-advantaged MIS companies will make these innovation decisions more difficult. They therefore could cost Australia the availability of new economic opportunities as well as reducing our supply of food products.
- CANEGROWERS does not believe that all relevant economic, environmental and social issues are taken into account when significant areas of land in sugar growing areas are diverted from cane into MIS schemes. It proposes that there is a role for government in ensuring that such review takes place.
- CANEGROWERS is also concerned that preferential tax arrangements for so-called carbon sink forests are likely to present a similar distortion to land use decisions if they are not accompanied by a consideration of their effect on existing rural enterprises and communities.
- CANEGROWERS notes that one outcome of the perverse incentives available to MIS promoters has been land management practices that appear to have been geared to obtaining a tax advantage rather than good agriculture. For example, in 2007 and 2008, considerable areas were cultivated just before the wet season in the Ingham area, apparently to allow planting before the end of the financial year. As any local farmer would have predicted, when the seasonal monsoon arrived thousands of tonnes of topsoil, that would have been safe under current cane farming systems, were eroded away to form plumes of sediment in local streams and the Great Barrier Reef lagoon. The schemes' land management practices have been described as appalling.

Since the promoting companies passed into administration, this land is now effectively unmanaged. There is no control of noxious weeds on these properties and they can serve as a haven for feral animals, particularly wild pigs. Without maintenance, further soil erosion is inevitable. Cane growers are heartbroken to see this good land go to waste and are concerned that rehabilitation to profitable and appropriate farming enterprises will be costly and difficult

Proposal

This organisation therefore proposes:

- That a full review of the economic, environmental and social impacts of diversion of significant areas of agricultural land into forestry be required before access is available to taxation concessions for the proposed activity.

June 2009