

Current and Future Arrangements for the Marketing of Australian Sugar.

Committee Secretary

Senate Standing Committees on Rural and Regional Affairs and Transport
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Secretary,

I am a Sugar Cane grower in the Burdekin area, supplying Inkerman Mill in Home Hill Qld. All of the sugar cane I produce is sold to WILMAR Sugar Australia as there are no other millers in our region. As WILMAR have monopoly ownership of all mills in our region, I do not have the option of seeking other avenues of sale for my cane.

I am greatly concerned about WILMAR's move to sell all sugar they produce after 01/07/2017! WILMAR are constantly sending out propaganda to their farmers, explaining how they will do a better job than the independent industry owned QSL. In 2013, they made a supposed "\$45 a tonne of sugar" premium on the QSL returns, but to date, to my knowledge, haven't provided any evidence to prove their claim. I firmly believe that if WILMAR are as good as they proclaim, they should be offering growers a choice to utilize a WILMAR pool under the current QSL arrangements for 2015 and 2016 season where growers could apportion some of their crop!! This would supply absolute proof one way or the other whether they are able to price and sell sugar at a premium to what QSL currently does or not. WILMAR have been asked to do this but have to date refused. I find it amusing that they appear reluctant to provide this option given that they openly proclaim to be better than QSL!!

Several of WILMAR's other claims have been shown to be rather misleading also. They have stated in meetings with growers, that they own their own ships and will be able to cut freight costs because they will use these rather than other available shipping vessels. However, QSL have informed our growers meetings that WILMAR are always asked to quote for sugar shipments to offshore ports but to date, have never won a tender due to being too highly priced for the market. When you add two and two together, they will use their own ships under the new arrangement and rather than be a cost saving for the industry, it will be extra padding in WILMAR's wallet!

Our industry has always made payment for the cane I supply to Wilmar, calculated using a formula documented in a Cane Supply Agreement (CSA). The formula determines returns received, (my income) from the manufacture and sale of raw sugar from the cane that I supply to WILMAR. The formula is based on returns on capital investment by the industry players. A component of the formula links our sugar cane price to the raw sugar price and overall, the formula reflects the above. Generally, growers receive 2/3 of the monies made from the sale and the miller receives 1/3. WILMAR's Growers Choice Proposal will change this outcome, offering the profits off the sale of the sugar produced by WILMAR and sold by Wilmar Sugar Trading (WST), to be divided 50/50 between the proposed Joint Marketing Company (JMC) and (WST). The monies received by the JMC will then be divided 2/3 grower, 1/3 Miller!!! Doing the follow up equation, JMC money received by the Grower equates to 2/3 of 1/2 of the total profit = 1/3 of the total profit from the sale of the sugar!! Conversely, JMC money received by the miller, WILMAR is 1/3 of 1/2 (1/6) of the JMC monies **PLUS** the 50% (3/6) of the total profit made and then the WILMAR share will effectively reverse the present situation finding WILMAR receiving 2/3 of the profit made and the grower, me, 1/3!!!. Add to this that WILMAR will be taking an extra slice of the pie by the using their own ships, that has been explained previously to be more expensive, to freight the sugar produced and you start to see a trend that doesn't impress me or many of my fellow growers.

I am quite happy with the current arrangements in which QSL markets my sugar as it allows me a choice of where my sugar is sold and by whom. I believe that QSL could possibly do a better job if they weren't being hamstrung by the milling fraternity which uses their power on the QSL board to restrict their marketing activities. It seems ironic that WILMAR can come out and offer to market our sugar in a different manner than is currently occurring, but when you become aware that QSL can supply exactly the same service as is being proposed if the QSL board so wished. All in all though, QSL passes all of the profits it makes back to its members that being the growers and the millers. If WILMAR wish to market their own interest in the sugar they produce that is fine however I believe that I should also have the same availability to choice as WILMAR does!!! If I can't tell WILMAR that they must accept QSL to market their economic interest in the sugar produced from my sugar cane, WILMAR shouldn't have the right to tell me who will or who will not market my sugar

I firmly believe that in any commercial activity there should be competition in the market place and QSL or any other trader should be an available choice for me and other growers to market our share of the sugar produced. If choice is not available, the powers to be are allowing WILMAR to abuse its monopoly in 3 of the 4 mill areas it owns mills, and allows the little boy access to the lolly jar without any restraints!! The fact that QSL is a "not for profit" business which passes on **ALL** profits accumulated to its members and is quite transparent as opposed to **WILMAR SUGAR TRADING** who will not be accountable to anyone apart from its directors and a once yearly AUDIT which does nothing to persuade me that they will be sharing the profits equally, I believe that style of system is very much open to being used fraudulently.

Why would I want to trust an entity to market my economic interest in sugar produced from the sugar cane I grow when I, as well a couple hundred other local growers, are still fighting a court case with WILMAR to try and retrieve monies that the company they purchased chose not to pay us for our crop in 2010?? Despite the fact that WILMAR did not own the business when this occurred, they have been trying to drag the matter out as far as possible ever since the purchase. I don't believe anybody should be forced to accept them as their marketer while there is such a case hanging in the air. If WILMAR were honestly trying to supply the best outcome for their growers, they should be trying to "clear the air" so to speak rather than trying to drag the case out as long as possible.

In closing, I believe that to keep an even and fair market place, there must be some form of competition. As we produce sugar cane predominately for the world export market where we have to accept the world market price, I believe that it is essential there be a choice for myself and fellow growers as to whom markets our component of the sugar produced from our sugar cane to maximize our profits. I also believe that the present arrangement (a not for profit company) provides a fair and equitable outcome for all parties involved and if one player isn't happy with that arrangement, then they should be able to shift the marketing of their economic interest to where they believe is a better proposition for them as WILMAR has done this year but I feel that growers should be given the same option for their economic interest.

I want to be able to choose who governs my financial destiny!!

Arthur Woods