



CANEGROWERS

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The Committee Secretary
Senate Rural and Regional Affairs and Transport Committee
Department of the Senate
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Committee Secretary

Re: Submission to Carbon Sink Forest Inquiry

CANEGROWERS Australia, the body representing the sugarcane growers of Australia, welcomes the opportunity to make a submission to the Senate Rural and Regional Affairs and Transport Committee inquiry into the implementation, operation and administration of the legislation underpinning carbon sink forests.

This organisation suggests some modification to the proposed legislation and draws the attention of the Committee to problems with current favourable tax incentives for forestry activity.

Please do not hesitate to contact me if more information can be provided

Yours faithfully

Ian J Ballantyne
CHIEF EXECUTIVE OFFICER

Carbon Sink Forests

CANEGROWERS Submission
July 2008



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Submission from CANEGROWERS Australia

To the

Senate Rural and Regional Affairs and Transport Committee

Inquiry into the implementation, operation and administration of the legislation underpinning carbon sink forests.

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, worth around \$1.75 billion to the Australian economy. It provides around 34 million tonnes of cane per year, which when processed, equates to 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 practices and diversification.

CANEGROWERS welcomes the opportunity to provide input into the Senate Standing Committee on Rural and Regional Affairs and Transport on its deliberations into "the implementation, operation and administration of the legislation underpinning carbon sink forests, and any related matter".

CANEGROWERS notes the following:

- The object of this legislation is to facilitate the establishment of carbon sink forests on farms. This accords with the policy of our organisation to support alternative crops, inter alia, on unused or marginal cane farm land. Carbon sink forests could potentially be established in areas such as riparian zones, where they would have other environmental benefits.
 - The proposed regulation requires that the trees in these forests must be contiguous. This places unreasonable restrictions on farmers wishing to take advantage of tax concessions being applied. For instance, replanting a riparian zone throughout a farm may not be continuous, as some pre-1990 vegetation may be in place. This restriction goes beyond the requirements for a "Kyoto forest" and could therefore lead to confusion if these forests are included in the proposed Carbon Pollution Reduction Scheme (CRPS)

- There is considerable disquiet in cane growing areas about the impact of Managed Investment Schemes (MIS) purchasing cane lands for the establishment of plantation forestry. This activity is assisted by similar taxation advantages as those proposed for carbon sink forests, while it is noted that the proposed concessions will not be available to MIS companies. Current arrangements lead to perverse outcomes:
 - MIS investments can take advantage of 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 uneconomic 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 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 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 fuel and chemical. Already we are seeing a significant investment in cogeneration and new products such as furfural. MIS skewed investments do not allow these considerations to enter into investment decisions. 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 forestry. It proposes that there is a role for government in ensuring that such review takes place.

Proposals

This organisation therefore makes the following proposals:

- That the proposed legislation allows any “Kyoto forest” planted on a farmer’s land to be eligible for any concession.
- That the Committee consider the impact of the taxation arrangements available as a “related matter” to its charter and include MIS in its deliberations.
- That a full review of the economic, environmental and social impact of diversion of significant areas of agricultural land into forestry be required before access is available to taxation concessions for the proposed activity.

July 2008.