SUGAR marketing has once more retained pole position on the industry’s conversation grid. As issues of conflict often go, the waters have become a little turbid as confusion sets in.

Three out of four foreign-owned millers have now pulled out of QSL. It is no coincidence that they are all sugar traders. Wilmar withdrew on April 3, 2014, followed by MSF Sugar on June 27 and Tully Sugar on June 30. Wilmar Sugar Australia is a subsidiary of Wilmar International, a public company listed on the Singapore Stock Exchange. MSF Sugar Limited is a subsidiary of Mitr Phol Sugar Corp Ltd of Thailand. Tully Sugar Limited is a wholly owned subsidiary of the state-owned Chinese agribusiness company COFCO.

On June 24, 2014 Queensland Minister for Agriculture, Fisheries and Forestry, Hon Dr John McVeigh convened a meeting of stakeholders to “discuss more broadly the future of sugar marketing arrangements in Queensland and to explore what options are available to the industry which will deliver long-term favourable outcomes for all parties.”

Subsequently, the Minister wrote to participants seeking expressions of interest to participate in “further discussions and investigate options for a marketing model that could be supported by the whole industry.”

Two days later, MSF Limited issued QSL with a notice of termination of their RSSA with QSL. ACFA, Canegrowers and QSL have all redoubled their commitment to a ‘choice’ model. In contrast, a miller only model which exclusively packages-up growers into the supply chain of their miller is not a choice.
When you take shortcuts, it shows. We don’t run like that. We build equipment and technology the way we always have: The right way. Times change. Our principles don’t. Like you, we believe in genuine mateship, hard work and a fair go. We don’t compromise. We don’t rest. And we don’t settle for second best. You don’t just have to take our word on it. You’ve got our name on it. That’s how we run. And Nothing Runs Like a Deere.”

For more information on the 3520 Sugarcane Harvester, see your local John Deere dealer today.
model. Under this scenario, millers are prohibiting choice and attempting to destroy QSL, which they have made their competitor.

On July 15, Agriculture Minister John McVeigh announced immediate plans for the State Government to investigate competition concerns in the industry, in order to ensure that “Queensland sugar cane farmers continue to have confidence in the marketing of the state’s sugar.”

Regarding Willmar, MSF and Tully Mills, the Minister said that, “to ignore long held canegrower preferences for the industry owned and not-for-profit traditional marketer Queensland Sugar Limited to continue to market Queensland’s sugar has created unprecedented angst in the industry.”

He also said that, “The State Government is disappointed by the decision of three, major internationally-owned millers to withdraw from QSL which threatens to erode the long-standing marketing arrangements and place cane farmers in a weakened negotiating position in the future.”

Of the three millers, the Minister commented: “Their presence and investment in the industry is welcome, but their apparent disregard for long held industry practices and understandings is of great concern.”

The State Government is formally requesting action by the Federal Government, at the same time as investigating potential solutions in State legislation, and calling on all sectors of the industry to step up their own efforts to reach resolution.

Minster McVeigh is writing to Federal Treasurer Hockey calling on him to formally consider powers under the Federal Competition and Consumer Act in relation to the millers’ decision to ditch long-standing marketing arrangements within the industry.

“Any consideration under the Federal Act may require a major assessment of the economic impact of the millers’ decision to withdraw from QSL. The LNP Government stands ready to provide the Federal Government with any assistance required to complete this assessment.”

Mr McVeigh said the Queensland Government has also referred the issue to the Agricultural Cabinet Committee to investigate if the traditional practice of growers choosing where their economic interest in the sugar is marketed could be preserved in the current Sugar Industry Act 1999.

“This is about the possibility of ensuring growers a choice in marketing. It’s not about re-regulating the sugar industry, it’s simply preserving a right that gives cane farmers a choice in who markets their sugar,” he said.

“The Australian Sugar Milling Council and its members, Canegrowers and ACFA, will be called to make submissions and present to the Ag Cabinet Committee on this key issue.

“The LNP Government’s preferred position, as previously stated, is for growers to be offered a real choice in marketing arrangements.

The Minister noted that, “At the industry meeting I recently convened in Brisbane, I made a genuine offer to chair further meetings to re-examine ‘Grower’ Choice’ model proposals, but Wilmar indicated no interest.

“It’s my job to work with industry to find the best path forward for all sectors, but Government can’t do that on its own.”

**Royal Commission in 1912**

The first major review of the Australian sugar industry by the Commonwealth Government was undertaken by a Royal Commission in 1912.

In the absence of legislative guidelines, the distribution of proceeds to the various segments of the industry from the sale of sugar was determined in the large part on the basis of direct negotiations between refiners and millers, and in turn, between millers and growers. In such circumstances the Royal Commission considered that the distribution of proceeds among segments of the industry could be considered to be fair where there is strong competition, where there is potential for competition or from collective bargaining (Brown et al 1912).

The Royal Commission observed that the growers as a class do not, in our opinion, receive their fair share of the profits of the industry as a whole (Brown et al 1912).

The Royal Commission conceded that “squeezing of the primary producer” has not reached the magnitude in the Australian sugar industry it has attained in some other countries.

But we take it that Australian statesmanship should seek to prevent as well as to ameliorate – to deal with evils as they arise without waiting for them to reach a stage when any remedy must involve far-reaching social and industrial dislocation (Brown et al 1912).

**Seeking to prevent a disaster?**

Clearly then, the action of the Minister agrees with the Royal Commission of long ago, in that it is more appropriate for Government to seeking to prevent a disaster, rather than deal with the aftermath, especially when the problem may no longer be remediable.

It is clear that at present there is a risk of market power turning the clock back more than 100 years, in the favour of milling companies, where farmers have little practical ability to negotiate fair terms for their cane, which includes the right to price the portion of sugar in their cane which translates to their cane price, in the manner of their choosing.

For Government to intervene in markets where there are natural monopolies is appropriate. Government can restore commercial balance to enable markets to operate free from abuses of market power.

**A valid argument**

In his June 18 media release, QSL’s CEO Greg Beashel makes a valid argument.

“At the heart of this issue are the principles of value, risk, trust and transparency. Price is one aspect of the value proposition and should not be considered in isolation. Pricing is one of the four pillars of our industry system, along with financing, marketing (selling) and bulk storage, handling and shipping.”

This is what ACFA has been arguing – the need for choice and a formal right to it! In order to achieve this, cane farmers must support and improve QSL, the company they already own and which has served them well.

As for any incentives to leave QSL for a rival, farmers need to be sure that the ‘carrots’ offered don’t turn into ‘sticks’ in the longer-term.

The deregulation of the Australian sugar industry has, as predicted, lead to market forces taking control. Despite claims made, the proprietary miller models are not choice models. These exclusively package-up growers into the supply chain of their miller.

There are many issues facing the viability of cane farmers at present and farmers need a transparent price delivery system that consistently serves their best interest for the long-term.

The ACFA is committed to work with Government and stakeholders in order to find a way forward for farmers to hold a real and competitive choice for the marketing of their economic interest.