



Australian Government

Australian Government Response to the Senate Rural and
Regional Affairs and Transport References Committee report:

Current and future arrangements for the marketing of
Australian sugar

September 2017

The Australian sugar industry produces both raw and refined sugar from sugarcane. Approximately 95 per cent of the sugar produced in Australia is grown in Queensland. Around 85 per cent of the raw sugar produced in Queensland is exported and generates over \$2 billion in export earnings. The majority of Australia's domestic market is supplied by sugar cane grown in New South Wales.

In 1995, as a result of a review of the sugar industry, the Queensland Government repealed the *Regulation of Sugarcane Prices Act 1915* and the *Sugar Acquisition Act 1915* and replaced them with a new regulatory framework under the *Sugar Industry Act 1999* (the Act). The Act continued the 'single desk policy', under which all raw sugar produced for export was vested in Queensland Sugar Corporation, which then arranged export marketing.

On 1 January 2006, following implementation of the Australian Government's \$334 million Sugar Industry Reform Program in 2004, the Queensland Government amended the Act to deregulate the sugar industry. The new legislation included two significant deregulation measures:

- the removal of restrictions on the marketing of raw sugar for export
- the ability of participants to negotiate contractual terms, including price.

At this time Queensland Sugar Corporation transitioned into the industry owned Queensland Sugar Ltd (QSL). QSL continued to operate a single desk export marketing function on a voluntary basis.

In 2014, three of Queensland's biggest sugar milling companies announced that, from July 2017, they would no longer participate in the voluntary arrangements through QSL.

Growers in cane production areas linked to the exiting mills and their representative organisations, raised concerns that these new arrangements would remove the benefits of centralised marketing and result in milling companies retaining any marketing premiums achieved. In response to these concerns, the following actions were taken:

- on 4 September 2014, the Senate referred the matter to the Rural and Regional Affairs and Transport References Committee
- on 10 December 2014, the Federal Minister for Agriculture announced the formation of the Sugar Marketing Code of Conduct Taskforce.

On 25 June 2015, the Sugar Marketing Code of Conduct Taskforce finalised its report on the promotion of competition in sugar marketing. The Taskforce released a draft mandatory code of conduct under the *Competition and Consumer Act 2010*, the *Competition and Consumer (Cane Sugar Processing Industry Code) Regulation 2015*.

On 24 June 2015, the Senate Rural and Regional Affairs and Transport References Committee Report on *Current and Future Arrangements for the Marketing of Australian Sugar* made a single recommendation:

The committee recommends the development and implementation of a mandatory sugar industry Code of Conduct, acknowledging that, provided appropriate stakeholder consultation is undertaken, the work of the Sugar Marketing Code of Conduct Taskforce may provide a foundation upon which a Code of Conduct may be established.

On 19 May 2015, a Private Member's Bill was introduced into the Parliament of Queensland. The amendments made by the *Sugar Industry (Real Choice in Marketing) Amendment Bill 2015* took effect on 17 December 2015. These amendments gave cane growers the right to require sugar milling companies to direct the sugar, for which the growers have price exposure, to third party marketers such as QSL. Typically, this is two-thirds of the sugar produced and is known as grower economic interest (GEI) sugar.

Following protracted negotiations over supply agreements, the Australian Government introduced a mandatory code of conduct for the sugar industry *Competition and Consumer (Industry Code—Sugar) Regulations 2017*. The code came into effect on 5 April 2017 and provides for pre-contract arbitration between mill owners and marketers, and between cane growers and mill owners. It also mirrors Queensland's *Sugar Industry Act 1999* provisions that allow growers to elect a marketing company for GEI sugar.

The Australian Government has considered the committee's recommendation and provides the following response.

Response to Recommendation 1

The Australian Government introduced a mandatory code of conduct for the sugar industry which came into effect on 5 April 2017. The code supports the development of mutually beneficial and timely cane supply and on-supply agreements.

