

Chapter 1

Introduction

Conduct of inquiry

1.1 On 4 September 2014, the Senate referred the following matter to the Rural and Regional Affairs and Transport References Committee for inquiry and report by 27 November 2014:

Current and future arrangements for the marketing of Australian sugar, including:

- (a) the impact of proposed changes on the local sugar industry, including the effect on grower economic interest sugar;
- (b) equitable access to essential infrastructure;
- (c) foreign ownership levels in the industry and the potential to impact on the interests of the Australian sugar industry;
- (d) whether there is an emerging need for formal powers under Commonwealth competition and consumer laws, in particular, whether there are adequate protections for grower-producers against market imbalances; and
- (e) any related matters.

1.2 On 2 October 2014, the Senate granted an extension of time for reporting until 30 April 2015. On 26 March 2015, the Senate granted a further extension of time for reporting until 21 May 2015.

1.3 The inquiry was advertised in *The Australian* on 17 September 2014. The committee also wrote to key stakeholder groups, relevant government departments, organisations and individuals to invite submissions.

1.4 The committee received 51 submissions which are listed at Appendix 1. The submissions are also published on the committee's website.

1.5 The committee held three public hearings – in Murwillumbah on 10 March 2015, in Mackay on 12 March 2015 and in Townsville on 13 March 2015. The committee took evidence from a variety of industry bodies – including sugar milling companies and representative bodies, local government bodies, canegrower representative bodies and individual canegrowers. A list of witnesses who appeared at the hearings is provided at Appendix 2.

Structure and focus of the report

1.6 Chapter 2 provides a general background in relation to the Australian sugar industry. The chapter also provides a history of regulation in the Australian sugar industry – with a specific focus on the state of Queensland.

1.7 Chapter 3 outlines the issues currently being faced by the Australian sugar industry and the issues raised by industry stakeholders during the committee's inquiry.

1.8 Throughout the inquiry, the committee was told that the issue of grower economic interest (GEI) sugar is at the heart of many of the challenges currently being experienced across the sugar industry. It is an issue which has consequences for the grower and milling sectors of both the New South Wales and Queensland industries.

1.9 It is clear to the committee that there are a wide range of views, not only in relation to the definition of GEI sugar, but also in relation to the transfer of sugar title and 'ownership' more generally. The contradictory evidence received by the committee reflected a large number of different interpretations around GEI sugar and its practical operation in the market.

1.10 Following its examination of sugar pricing and marketing generally, the committee has found it difficult to gain a clear understanding of GEI sugar – including who determines its value and calculates its price. Identifying a common definition of GEI sugar has in itself proved problematic, given that some sectors of the industry argue that, in reality, GEI sugar does not exist.

1.11 Rather than attempt to provide specific explanations or rigid rationalisations of the way in which Australian sugar is currently traded, processed and marketed, the committee has sought to provide some clarity in relation to the issues currently facing the industry. The committee also sought to articulate the impact these issues are having on stakeholders – particularly current relationships between the growing and milling sectors.

1.12 As a consequence, the committee's report:

- provides a brief outline of the history of the Australian sugar industry – particularly in relation to regulation;
- provides background in relation to the path the industry has taken: from the 1912 Royal Commission through to the 2006 deregulation of the industry;
- details some of the issues that have impacted the industry throughout its transition; and
- presents an overview of the evidence provided by industry stakeholders, and the challenges currently facing the industry.

Acknowledgements

1.13 The committee acknowledges the contribution of all those individuals and organisations who prepared written submissions and those who appeared as witnesses. Their efforts have assisted the committee considerably in the preparation of this report.

A note on references

1.14 References in this report are to individual submissions as received by the committee. References to the *Hansard* throughout the report are to the proof transcript. Page numbers may vary between the proof and the official transcript. The *Hansard* transcripts of the committee's hearings are available on the Parliament's website at www.aph.gov.au.

