



TULLY CANE GROWERS LTD

Harvesting the natural energy of life

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18 August 2016

Regulation of Australian Agriculture
Productivity Commission
Locked Bag 2 Collins Street
MELBOURNE VIC 8003

Dear Commissioner,

Re: Submission to Productivity Commission Draft Report “Regulation in Agriculture”

On behalf of our members, Tully Cane Growers Ltd make a submission on the Productivity Commission Draft Report, “Regulation in Agriculture”. We support the submission made by Queensland CANEGROWERS that recommends the Productivity Commission removes Draft Recommendation 11.2 from its report.

Growers in Tully supply cane to Tully Sugar Limited (Tully Sugar) which is owned by COFCO, under the terms of a Cane Supply Agreement. The terms of the Cane Supply Agreement are negotiated and Tully Cane Growers Ltd is the authorised bargaining agent for more than 80% of the growers who supply cane to Tully Sugar. Growers in Tully have shared the production and market risks associated with the industry with the mill for more than 80 years, and the Cane Supply Agreement has determined the split of the income earned through the sale of raw sugar, between the grower and the mill.

Growers have always had an economic interest in the sugar produced at Tully Mill, and this has been determined by the cane pricing arrangements in the Cane Supply Agreements. In 2014 Tully Sugar gave notice that it would not renew the Raw Sugar Supply Agreement with Industry Owned Not for Profit Company, QSL, for the 2017 season, and began discussions with growers on alternate marketing arrangements for 2017 and beyond.

Growers saw an opportunity in a choice of marketer and actively sort to embrace the concept and the opportunities that it might provide. The amendments to the *Sugar Industry Act* referred to in the Productivity Commission’s draft recommendation 11.2, are seen by growers as ensuring that the choice is provided, and that growers are in charge of the important decisions about who markets and sells the sugar that determines the price they are paid for the sugar cane that they supply to Tully Sugar.

The Tully district has doubled its production since the 1990’s, and comprises of a relatively small number of family enterprises who supply the majority of the cane and a larger number of smaller growers who supply less but still a significant proportion of the supply.

Favourable growing seasons in 2015 and 2016, the prospects of more favourable world sugar prices and the demise of MIS Forestry plantations post cyclone Yasi, have resulted in record crops from a larger cane production area. This production has provided both mill and growers with the opportunity to increase returns through the sale of the increased raw sugar that is produced.

It is difficult for our members to understand how the Commission deduced that amendments to the *Sugar Industry Act* would be likely to restrict competition and deter investment in milling capacity and innovative marketing, when the legislation has not altered the financial model of the industry participants. The legislation has provided our members with a mechanism to have a choice of marketer if the grower and the mill owner are not able to otherwise agree.

Our members see that the choice of marketing is pro-competition, will provide innovation in marketing and provide the confidence for future investment.

Other Draft recommendations

Tully Cane Growers Ltd supports the following specific comments, as included in the Queensland CANEGROWERS "Response to the Commission draft recommendations on the regulation of agriculture" on selected recommendations and is neutral on the others.

Land use regulation - Support draft information request 2.1

Environmental regulation - Support draft recommendations 3.1, 3.2 and 3.3

There is no specific mention of Reef regulations in the draft report however the Reef regulations under the Queensland Government's *Great Barrier Reef Protection Amendment Act 2009* must harmonise with other environmental regulations relating to the use of chemicals and nitrogen in Queensland.

On farm regulation of water – support draft finding 4.1

Access to technologies and agricultural and veterinary chemicals - support draft finding 6.1 and draft recommendations 6.1, 6.2 and 6.3

Biosecurity – support information request 7.1

Transport – support draft findings 8.1, 8.2 and 8.3 and draft recommendations 8.1, 8.2, 8.3, 8.4 and 8.5

CANEGROWERS **do not** support the Commissions draft recommendation 8.6. CANEGROWERS believe that the overall long term benefits of a biofuels industry will outweigh the possible increased cost due to increased demand for feedstock and concur with the NFF comments and recommendations.

Yours sincerely,

PD Lucy
MANAGER