



Processed Fruits Safeguards Inquiry,
Productivity Commission
LB 2 Collins St East
MELBOURNE
VIC 8003

18 July 2013

Email: fruit.safegurads@pc.gov.au

Import of Processed Fruit Products

Sugar Australia is an unincorporated JV of Wilmar Sugar Australia Limited and Mackay Sugar Limited. Wilmar, an SGX listed Agribusiness acquired the sugar business from CSR in 2010. Mackay Sugar is a grower owned sugar milling company with assets in North Queensland.

The company operates two sugar refineries in Mackay and Yarraville, and represents 65% of the refining capacity in the Australian sugar market. The Australian refined sugar market is about 900,000 tpa and the industry capacity is 1.15million tpa. Sugar Australia is the major exporter of Australian refined sugar, mainly from the Mackay refinery.

Products are sold under the CSR brand. The company is an innovator with the launch of the "Better for You" range of low GI sugar, low calorie sugar blends and gluten free icing sugars.

The company employs 385 people, including 212 at Yarraville. We have invested over \$120m in modernising the Yarraville facility also improving energy efficiency over recent years. The refinery is an integral part of the food supply chain in Victoria in particular, although it also supplies WA, SA, Tasmania and the Northern Territory.

The Yarraville refinery has a capacity of 320ktpa but its operating history over the last few years has been at the level of 290ktpa. In short the Australia market suffers from overcapacity. Whilst we have been able to Export some sugar products from the Yarraville refinery, these opportunities have not been attractive due to the higher operating costs of the Yarraville refinery and most recently the imposition of a carbon tax.



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SPC Ardmona is an important customer for the Yarraville refinery. Sugar Australia supplies a range of sugar products in bulk and in packaged formats. This sugar is used by SPC in processed fruit and the demand has decreased by 25% over the last 3 years.

The main impact on the Sugar Australia business of the cut backs by SPC is sugar sales and should the SPC usage of sugar decline further or cease completely, then up to 3,000 tpa of sugar sales are at risk.

Sugar Australia also lost sales of 8,000 tpa as a result of Heinz moving its production of tomato sauce to New Zealand last year.

Sugar used by the import producers of processed fruit is secured in the country of origin. It is not Sugar Australia product. Therefore anti-competitive practices are having a significant impact on Sugar Australia as a supplier. Restoring a fair trade situation for these products will benefit Sugar Australia potentially restoring sales and margin to our business, creating more work and demand for manufacturing supplies in Victoria.

We support the introduction of appropriate measures for SPC.

Yours sincerely,

Russell Abotomey

General Manager
Sales and Marketing