

24 November 2014

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Senate Standing Committees on Rural and Regional Affairs and Transport  
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Canberra ACT 2600

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**Re: Industry structure and systems governing the imposition of and disbursement of marketing and research and development (R&D) levies in the agricultural sector**

**Background**

The Australian Sugar Industry Alliance (ASA) was formed in 2007 to bring together supply chain participants on whole of industry matters. Founding members CANEGROWERS, representing some 80 per cent of the 4,000 Australian sugarcane farmers, and Australian Sugar Milling Council, representing 95 per cent of raw sugar production and 100 per cent of Australian raw sugar exports, recognised the need for collaborative efforts in research, development and extension (RD&E), trade liberalisation, environmental and resource management programs, and community engagement. Sugarcane production and processing is the lifeblood of many regional towns and communities along the east coast of Australia from northern New South Wales to Far North Queensland.

ASA supports the principles of the current RDC system in Australia. It is critical that R&D is maintained at a level to ensure the sugar industry remains competitive in the world market. The decline in investment by the Australian Government in agricultural RD&E over recent decades needs to be reversed. Australian agriculture needs increased investment in RD&E to meet the growing global demands for food and fibre and to capitalize on the opportunities for diversification and innovative business growth for agribusiness and agri-based manufacturing. The Australian Government matching investment needs to grow from 0.5 per cent to 1.5 per cent of value of production for rural research and development corporations.

ASA led the extended, comprehensive and intensive effort by the industry from 2010 to reform and modernize sugar research, development and extension arrangements. This effort culminated in the formation of the industry owned company Sugar Research Australia, formally launched on 5 August 2013. Sugar Research Australia is a world class research and research management company, with a focus on delivering cost effective research and development services to the Australian sugar industry.

The Australian sugar industry agreed to support a levy on all sugarcane growers and processors in 2012 when the Australian Sugar Industry Alliance commissioned the Australian Electoral Commission to ask 4,441 growing businesses and 8 milling companies to vote Yes or No to the question:

*Do you agree to the sugar industry forming a new research company, Sugar Research Australia, and to a statutory levy of 70 cents a tonne of cane delivered each year for Sugar Research Australia Activities, with a payment split equally, 35 cents a tonne paid by the growing business and 35 cents a tonne paid by the milling business?*

Over 77% of growing businesses (3,440) and all 8 mill companies return their voting papers. Of these, 2,842 growing businesses voted yes (84.3%) and 531 voted No (15.7%). Seven milling companies voted Yes, representing 99% of the tonnes of cane processed in 2011.

The industry – sugarcane growers and sugar mill companies - clearly and unambiguously voted to support a levy to fund Sugar Research Australia. In 2013/14, sugarcane growers and sugar mill companies contributed \$19.5 million of the total SRA revenue via compulsory levies, agreed to under the rules outlined in the Australian Government's *Levy Principles and Guidelines*.

ASA would specifically like to acknowledge and support the Sugar Research Australia submission to this inquiry which lays out the detail of the sugar industry structures and systems governing research and development.

The following comments are made from ASA perspective and are in addition to those made by SRA in its submission.

### **Competitive use of finite funds**

SRA has as part of its constitution the establishment of an independent skills based Research Funding Panel which will recommend the optimum investment of available competitive funds based on the overall strategic plan. The available funds are determined by the SRA Board but constitutionally they have a minimum percentage which must be made available.

Further to this the Production Research Advisory Committee and the Milling Research Advisory Committee have been established to provide an initial assessment of all preliminary funding applications. These committees are made up of growers and millers and bring a practical view of the projects available for investment.

ASA support this process for determining the use of the finite resources.

### **ASA satisfaction with the levy system**

The basis of the levy setting, collection and use is covered in the SRA Constitution and the Statutory Funding Agreement. The process is considered transparent and ASA has no issues with regard to supporting this. Compulsory levies allow for the whole industry to equitably share in the costs of R&D, and removes the possibility of the 'free-rider' that would exist if funding was on a voluntary basis.

The process for levy changes is detailed in the SRA Constitution and is supported by ASA. There is a compulsory performance review and the ability for a transparent sugar poll. Voting for the SugarPoll is both per grower and miller as well as proportionate to the tonnages they represent.

### **Consultation and the ability to influence strategic direction and priorities**

Governance arrangements are covered in the constitution, legislation and agreements as detailed in the SRA submission. These arrangements were deemed necessary by the sugar industry in establishing SRA given the past experience of governance arrangements prior to the establishment of SRA.

Grower and miller membership is (by legal necessity) voluntary. Members elect Delegates on a geographic basis to

represent them. The Delegates in turn elect members to the Director Selection Committee. This process gives a level of input into understanding and influencing the governance and more broadly the strategic direction for SRA.

There is also an obligation on SRA through the constitution and the SFA to consult with peak bodies and levy payers. This consultation process is fed into the strategic plan and operation plan.

While there is an obligation to consult, it is the practical implementation and execution of this obligation that is critical.

The Australian sugar industry developed a strong and transparent process around consultation including the system of Delegates and their influence on the selection of SRA directors, combined with the levy change process and the requirement for a sugar poll with an option for a zero levy. Nevertheless, it is essential that the sugar industry continues to contribute positively and engage strongly with SRA in the priority setting, performance review and ongoing consultation.

#### **Priority Focus for RD&E**

One of the reasons for the change to SRA as an industry owned company was the different priorities and strategic direction of the old funding body (SRDC), the industry owned R&D organization (BSES Limited) and aspects of the milling RD&E group (Sugar Research Limited), plus the industry peak bodies. Combined with this was the industry dissatisfaction with on farm outcomes, and the overall focus for investment in RD&E.

The full effect of the change to SRA is designed to improve this. However the sugar industry has the ability (as per the above) to influence the strategic direction and priorities.

ASA believe the sugar industry has in place a modern effective RD&E organization in SRA. The industry approved the establishment and funding of SRA by overwhelming majority of growers and millers. Thus ASA do not support any change to the RDC system.

The Australian Sugar Industry Alliance would be pleased to provide any additional information.

Yours sincerely



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Chairman



John Pratt  
Deputy Chairman