



Isis Central Sugar Mill has secured financial support from the Queensland and Australian Governments for transport infrastructure to facilitate the crushing of sugarcane from Maryborough growers, following the closure of the Maryborough sugar mill in 2020.

MAY 2021

SUGAR POLICY INSIGHTS

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MISSION CRITICAL FOR TRADE REFORM

The proverbial clock is ticking on World Trade Organisation (WTO) reform, and more broadly the primacy of a rules-based approach to global trade.

The appointment of new WTO Director General, Dr Ngozi Okonjo-Iweala, armed with a mandate and ambition for reform is timely. We are also closely watching the new U.S. Administration's anticipated return to a multilateral approach to trade matters.

However bilateral trade disputes and market distorting policies are 'in season', and Australian exporters are heavily exposed.

Our sugar industry alone derives more than 85% of its revenue from sales of raw sugar into a global market rife with government interventions on both the supply and demand side.

The sugar milling sector strongly backs the Australian Government's renewed push for WTO reform, a clear priority of Trade

Minister Dan Tehan's recent visit to Europe and looks forward to discussing progress with the Minister this month in Canberra.

The sugar industry needs fair and market-orientated agricultural trade rules and the removal of excessive sugar subsidies that distort market prices.

Most particularly, reforming and making functional the WTO Appellate Body is a key priority for our industry, with the panel phase of the Australian Government's trade dispute against Indian sugar subsidies expected to draw to a close in 2021.

ASMC also sees opportunity for EU and UK raw sugar importers to access more Australian raw sugar – when the economics makes sense – as an outcome of the current free trade agreement negotiations.

MISSION CRITICAL FOR TRADE REFORM *(Continued from page 1)*

David Pietsch, CEO



Australia's access to the EU and UK sugar markets has been historically poor, with just 9,925 tonnes allowed (now split equally between the EU and UK markets) under the old EU Tariff Rate Quota (TRQ). These tonnages are clearly sub-economic and out of step with our export competitors.

With Australia's market focus clearly on the growing and much closer Asian region, there is little to fear that Australia will export

large quantities on a regular basis to the UK or EU.

Put simply the negotiations represent another opportunity to remove barriers that exist to Australian raw sugar exporters at a time when economic nationalism grows in prominence at the expense of the rules-based, market-oriented approach to trade that has served global agriculture well over many decades.



A CONSTRAINT ON GROWTH: EXCESSIVE AND POOR GOVERNMENT REGULATION

David Rynne, Director, Policy, Economics and Trade



To promote long-term grower and miller financial viability, and support resilient sugar communities, Australian Sugar Milling Council (ASMC) members are vigorously pursuing an industry *Revitalisation* plan.

Revitalisation focuses on three key 'pillars':

1. Increase cane and sugar yields and volumes, decreasing operational costs.
2. Increase or at least maintain the area where sugarcane is grown.
3. Increase revenues from complementary, diversified, value-added outputs and products.

The industry's 85% revenue reliance on global raw sugar sales and increasing mill under-utilisation is a risk to the

industry, host communities and the wider Queensland and Australian economies.

Our largest sugar-exporting competitors – Brazil and Thailand – continue to reduce their exposure to sugar price volatility by implementing government reforms that promote diversification and efficiencies.

Why then has the Australian sugar industry not made substantial progress over the past period towards the three pillars?

The anecdotal answer was, partly, excessive and poor government regulation.

To help answer the question, ASMC partnered with McCullough Robertson Lawyers in 2020 to complete a *Regulation Overload* study. The report examined government interventions since 2006 and found they distorted and caused delays in decision making, created investment uncertainty and added unnecessary compliance costs to milling operations.

With expert legal input, this report calls out the key changes in legislation and policy and significant movements in government owned corporation (GOC) charges in

12 critical regulatory areas – including climate change/energy, marketing, foreign investment, planning, WH&S, vegetation management, port and energy charges and local government rates. Recognising the symbiotic relationship between sugarcane growers and millers, this study also examined the impact of grower-specific interventions especially around the Great Barrier Reef and environment protection measures, and GOC electricity and water charges to assess the flow-on impacts on cane volumes and milling operations.

Across the 12 areas, a total of 21 separate regulatory interventions were identified during the timeframe and all were subject to regulatory (milling) impact assessments. Of the 21 interventions, 15 are still relevant to milling operations today.

ASMC asked its most experienced milling company executives to assess the impacts of the 21 interventions against four regulatory metrics. Their scores were tallied and averaged to create a ranking from 'most' to 'least' burdensome. Respondents also indicated how each intervention



TABLE 1: MILLING SECTOR REGULATORY BURDEN 2006–2020

NO.	INTERVENTION	YEAR														2020
		2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
1	Marketing	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
2	Environment (reef)	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
3	Energy/climate change policy	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
4	Water tariffs (grower)	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
5	Electricity tariffs (miller)	—	—	—	—	—	—	—	●	●	●	●	●	●	●	●
6	Miller local government rates	—	—	—	—	●	●	●	●	●	●	●	●	●	●	●
7	Vegetation management	—	—	—	●	●	●	●	●	●	●	●	●	●	●	●
8	Foreign investment	—	—	—	—	—	—	—	—	—	●	●	●	●	●	●
9	State planning	—	—	—	—	—	—	—	—	●	●	●	●	●	●	●
10	Electricity tariffs (grower)	—	—	—	●	●	●	●	●	●	●	●	●	●	●	●
11	Port charges	—	—	—	●	●	●	●	●	●	●	●	●	●	●	●
12	WH&S	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●

● Decrease in regulatory burden ● No change in regulatory burden ● Increase in regulatory burden — Not analysed

impacted the three Revitalisation pillars promoted by AMSC.

Table 1 shows if the regulatory burden has increased, decreased or remained the same over the reference periods analysed. The increase in regulatory burden and government charges since 2006 is in direct contrast with the approximate two-percent decline in real sugar prices over the same period. On average, the key findings of the analysis show that across the sugar industry:

- The milling sector has experienced a significant **INCREASE** in regulatory burden since 2006.
- Of 15 (miller and grower focussed) interventions directly impacting the milling sector today, six (40%) impose either a **MEDIUM** or **HIGH** regulatory burden.
- Of all government charges analysed (electricity, water, ports and general rates), the compound average growth rates (CAGRs) over the reference periods ranged from a low of **2.5%** (T20 electricity tariff) to a high of **6.6%** (T62 grower electricity tariff). Over the same period, Australia's CPI annual average CPI growth was 1.8%.

There are various reasons behind government market interventions including public safety, environmental protection and open competition.

Well-conceived and designed interventions are efficient, equitable, and achieve government objectives at minimal cost and without unintended consequences.

However, ASMC's analysis of government regulatory interventions and cost impositions on the sugar industry by the three levels of Australian government (federal, state, local) make a compelling argument that cumulatively, domestic regulation is stalling industry revitalisation and a more sustainable future for the regional communities it supports.

GOING FORWARD

In August 2020, the Queensland Premier wrote to ASMC and CANEGROWERS supporting in-principle development of a Revitalisation strategy in support of our three pillars and to focus on unwinding the regulatory malaise that has been created.

Working with the state departments of Agriculture and State Development, and in time federal departments, eight areas of focus have been identified including how to:

1. Lower water charges
2. Lower energy charges

3. Improve access to government capital
4. Create better incentives for self-regulation
5. Better protect cane land under the state's planning laws
6. Improve the incentives for value-add revenue diversification
7. Better understand the industry's viability, and
8. Ensure the industry can continue to meet its human capital needs.

Working closely across and with all relevant Queensland departments, detailed project plans will be completed across these areas to better understand the problem statements and to identify solutions.

ASMC is also hoping to engage with the newly established Office of Productivity and Red Tape Reduction within Queensland Treasury and the Queensland Productivity Commission which has just released a research paper titled *Improving Regulation*.

TO KNOW MORE

Read ASMC's *Regulation Overload* report [see here](#).

Read ASMC's submission to the QPC's *Improving Regulation* research paper [see here](#).

QUEENSLAND SUGAR PRODUCTION STABILISES

by Jim Crane, Director, Industry and Government Affairs



The decline in both sugarcane crop and area that has impacted Queensland's sugar production in recent years appears to have stabilised with the 2021 crop forecast in the vicinity of 30 million tonnes.

This relative stability comes at a time of great fluctuations and uncertain sugarcane crops in major producers Brazil, India and Thailand.

Sugar mills have a starting forecast of 29.96 million tonnes for Queensland sugarcane tonnage this year. This exceeds the 2020 crush of 29.33 million tonnes, which mills manufactured into 4.1 million tonnes of sugar, and is 5% up on the 2019 crush of 28.44 million tonnes.

These figures still fall well short of the recent 2016 peak of 34.4 million tonnes processed to produce over 4.5 million tonnes of raw sugar, signifying an ongoing shortfall in supply to Queensland's sugar mills.

The 2021 crush will get underway in early June with all stakeholders hoping the wet conditions that have prevailed in Northern and Central areas will make way for fine weather creating ideal harvesting conditions for the start.

The crop forecast is good news for farmers, harvesters, transporters, suppliers, and for our sugar mills and workers crushing the cane and manufacturing the sugar.

The turnaround in crop outlook signals a recovery in industry confidence, and highlights the ongoing importance of the work across the sugar industry to improve productivity and continually drive efficiency through the production chain.

Like other Queensland industries and businesses, the sugar industry has had to contend with the impact of COVID-19 on its

local production and global markets.

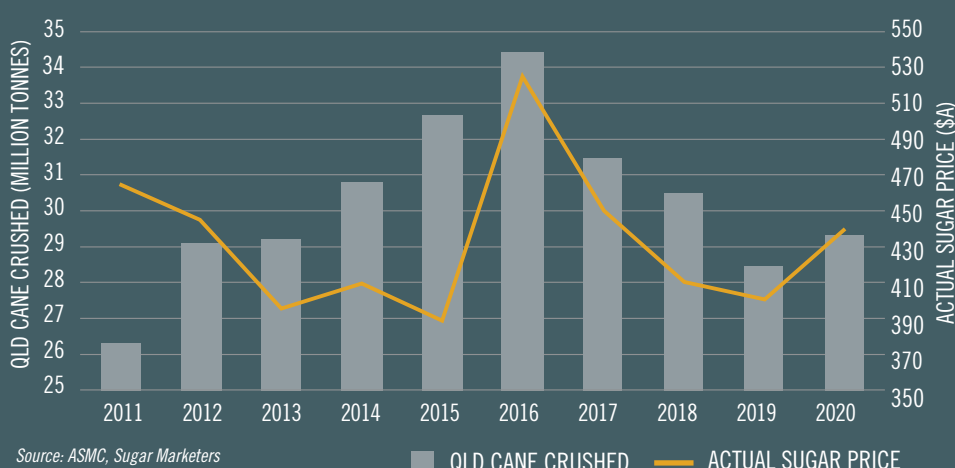
The 2021 crush will be the first in more than 125 years that neither the Bingera Mill at Bundaberg or Maryborough mill will be operating after those mills were closed permanently following the completion of the 2020 crushing season.

Sugarcane from the Maryborough growing region will be hauled by road to be crushed at the Isis Central Sugar Mill near Childers while the cane previously supplied to the Bingera Mill will be processed at Bundaberg Sugar's Millaquin Mill.

QUEENSLAND'S 2020 SUGARCANE CROP AND ASMC FORECAST CROP FOR 2021

	2020 CROP (TONNES)	2021 FORECAST CROP (TONNES)
Northern region	6,481,857	6,720,000
Herbert-Burdekin region	12,155,491	12,350,000
Central region	7,921,554	8,240,000
Southern region	2,771,434	2,650,000
Queensland	29,329,622	29,960,000

CHART 1: 10 YEARS QUEENSLAND SUGAR PRODUCTION AND SUGAR PRICES



About ASMC

The Australian Sugar Milling Council represents Australia's raw sugar manufacturers and exporters.

Our members manufacture 90% and collectively market over 50% of Australia's raw sugar.

Our aim is to be a leading voice for change to create opportunities for a more profitable and sustainable Australian sugar industry.