

## AUSTRALIAN SUGAR MILLING COUNCIL 2024/25 FEDERAL BUDGET SUBMISSION

### EXECUTIVE SUMMARY

The Australian sugar industry contributes substantially to national, regional Queensland and New South Wales' economies and communities, employing more than 20,000 people and contributing to gross state product – around AUD\$4 billion annually in Queensland and \$470 million in New South Wales.

The future objectives for the sugar manufacturing (milling) sector include improvement, growth, diversification and sustainability. We will continue to improve mill reliability through re-investment; investigate opportunities for revenue diversification in emerging bio-economy market opportunities given the risks posed by volatile global sugar prices; pursue net zero emissions by 2050; look to improve mill viability by stabilising and increasing sugarcane supply volumes; and address structural labour and skills shortages.

However, there are several constraints to milling companies realising their objectives, and they will require the assistance of government interventions to remedy. These constraints include:

- The Sugar Code of Conduct - an unnecessary and counterproductive regulation that creates sovereign risk for investment in existing and potential new growth and diversification in the sugar manufacturing sector;
- An inability of sugar manufacturing companies to match and compete with resource sector wages, and concerns from the current and prospective sugar manufacturing workforce around the liveability of key regions like Cairns, Townsville, Mackay and Bundaberg;
- Cost inflation (high labour, electricity and diesel costs in particular) is challenging for the industry as a whole, reducing competitiveness and returns. It has also eroded the purchasing power of investment in the industry-owned Research Development Corporation - Sugar Research Australia;
- The lack of a domestic carbon price will make it difficult for revenue diversification projects like co-generation, bio-methane and bio-fuels to compete with traditional (fossil fuel) energy sources. This creates a need for government to assist with feasibility assessments and introduce supply and/or demand incentives, at least for early movers, to assist with achieving scale and scope in operations to reduce operating costs;
- Similarly, the lack of a carbon price benefit to justify mill-only projects that reduce carbon emissions is also a constraint to investment and requires incentives like ACCUs and government assistance to identify potential abatement projects;
- Poor regulation such as the Foreign Investment rules and the proposed Biosecurity Protection Levy that impose unnecessary cost and contribute to sector uncertainty; and
- The proposed new proponent-led ACCU method development approach that will increase the costs to industry of accessing ACCU's and require additional industry assistance.

In the 2024/25 Federal Budget, the Australian Sugar Milling Council (ASMC) and member companies seek \$49.4 million (over four years) in funding for several measures directly relevant to the sustainability and growth of the sugar industry. Additional funding for several measures not specific to raw sugar production is also proposed.

This additional funding would support industry viability, significant regional investment and job creation, and carbon abatement. The sector looks forward to the opportunity to discuss funding and policy opportunities with Government and realising the full growth potential of the sugar industry.

SUMMARY OF OBJECTIVES, MEASURES, AND COSTS & BENEFITS OF GOVERNMENT INTERVENTION

In the 2024/25 Federal Budget, the Australian Sugar Milling Council (ASMC) and member companies seek \$49.4 million (over four years) in funding for raw sugar-specific measures. Additional funding for uncosted measures not specific to raw sugar production is also requested (see the table below).

Sugar manufacturing sector objectives	Supporting Federal policy & funding measures	Government costing (2024/25-2027/28)	Expected community benefits
<b>(1) Diversifying sugar manufacturing company revenue streams beyond raw sugar and within the circular economy</b>	(1) Financial assistance for co-generation feasibility assessments	\$6m	Will assess the competitiveness of additional cogeneration in the NEM and allow for informed investment decisions. This will encourage investment that contributes to regional job creation and carbon abatement
	(2) Action the reforms submitted by SAFAANZ (Sustainable Aviation Fuel of Australian and New Zealand) to the Jet Zero Council (Dec 2023) to grow a vibrant bio-fuels industry		Will support the emergence of a substantially larger bio-fuels industry, thereby promoting investment, regional jobs and carbon abatement as fossils fuels are substituted for bio-fuels
	(3) Government repeal of the Federal Sugar Code of Conduct and as a minimum, honour a public commitment in 2018 by the previous government to limit Grower Choice and Pre-Contract Arbitration provisions to matters relating to raw sugar production		Will remove the greatest single risk for investment in existing and new revenue diversification projects thereby promoting fresh regional investment and jobs and significant carbon abatement
<b>(2) Achieving sugar mill net zero emissions by 2050</b>	(4) Funding support to assist the sugar manufacturing sector identify and fund least-cost carbon abatement projects	\$32m	Will allow for a more informed identification and evaluation of least cost abatement projects, thereby increasing the probability that real abatement is achieved

	(5) Support for sugar manufacturing companies to identify and develop new ACCU methodologies	\$1.5m	Will allow sugar manufacturing companies to receive a carbon price benefit for projects that de-carbonise sugar manufacturing factory operations. thereby increasing the total carbon abatement in the economy
<b>(3) Stabilising and growing the supply of quality cane to sugar factories</b>	(6) Indexation to at least the rate of domestic inflation (CPI) of the Federal Government's already agreed annual Sugar Research Australia's (SRA's) contribution	\$1m	Restoration of SRA's ability to meet its R&D obligations to the industry and communities
	(7) Not proceed with the proposed 10 percent Biosecurity Protection Levy on the Australian sugar industry	\$8.4m	No erosion of industry's global competitiveness. Will ensure discretionary projects focusing on sustainability and yield growth can continue
	(8) Reform Australia's Foreign Investment rules		Provide greater flexibility for sugar manufacturing companies to secure and increase sugar cane supply to under-utilised factories.
<b>(4) Addressing sugar manufacturing companies' skills and labour shortages</b>	(9) Support to investigate initiatives to address sugar manufacturing sector skills and labour shortages	\$0.5m	Allow skill and labour gaps to be filled for business continuity and continued regional economic growth
	(10) Implementation of the proposed reforms to Australia's temporary skilled migration system to ensure the sector can fill labour requirements promptly and cost effectively		Allow temporary labour and skills gaps to be filled more efficiency and quickly, reducing costs and ensuring business continuity
	(11) Co-ordination with State & Territory governments to improve housing availability and the liveability of Bundaberg, Mackay, Townsville and Cairns to support worker migration		Encourage workers to migrate to regional QLD, ensuring business continuity and continued regional economic growth
	<b>TOTAL</b>	<b>\$49.4m</b>	

## ABOUT THE ASMC

The ASMC is the peak industry organisation for the raw sugar manufacturing sector. We represent sugar manufacturing companies which collectively produce more than 80 percent of Australia's raw sugar.

The Australian sugar manufacturing sector in 2022 had annual production of:

- 4.2 million tonnes of raw sugar at 22 mills from 32.4 million tonnes of cane received;
- 1 million MWh's of green co-generated electricity from 440MW's of installed co-generation capacity;
- 1 million tonnes of molasses; and
- 60 million litres of ethanol from the Sarina distillery for domestic E10 and other industrial usage consumption.

In 2023, sales of raw sugar, exported electricity, molasses and ethanol is expected to generate around AUD\$2.5 billion in revenue for the Australian sugar manufacturing sector providing for hundreds of millions of dollars in reinvestment in the maintenance and upgrades of sugar factories.

In 2021, the Queensland sugar industry alone (cane growers and raw sugar manufacturers) employed around 20,000 people and contributed around AUD\$4 billion in Queensland Gross State Product<sup>1</sup>.

## THE OPERATING ENVIRONMENT OF THE AUSTRALIAN SUGAR MANUFACTURING SECTOR

The operating environment for Australian raw sugar manufacturing has improved in recent years but remains problematic in several key areas.

### *The positives*

As a price taker in a volatile global sugar market, the Australian sugar industry is currently enjoying improved sugar prices and a return to profitability. These high prices reflect:

- A softening Australian dollar;
- Policy controls on exports (India);
- Weather related supply disruptions from the three largest global producers (Thailand, India and Brazil);
- Supply deficits in the Far East Market where Australia competes for market share (South-East, East and South Asia);
- The potential for drought (El Nino driven) which threatens future supplies of cane and sugar; and
- Strong global demand for sugar post COVID-19.

Compared to the 2022 season, 2023 cane volumes were disappointingly low due to untimely high rain fall and wet weather disruptions to the harvest.

However, higher prices with improved sector profitability resulted in sugar manufacturing companies committing significant amounts of capital and maintenance (~\$300 - \$400 million) for factories ahead of the 2024 production season (commencing June 2024). This is 'stay in business' spending to ensure the ongoing reliability of the factories.

An industry outline of future potential for growth and diversification, *Sugar Plus*, provided a 2040 vision and set out a reform agenda to stabilise and increase cane and sugar production as well as to diversify revenue

streams to reduce the industry sectors' current 90% reliance on raw sugar revenue sales. Subsequent investigations by the ASMC with its milling company members suggests:

- Additional co-generation supply (i.e. producing electricity from heat and steam from burning bagasse); and
- Bio-fuels supply (i.e molasses and/or bagasse and sugarcane tops and trash to ethanol and then to sustainable aviation fuel for example)

are becoming increasingly prospective near-term opportunities as companies pursue de-carbonisation and as enabling policies and technologies create demand and deliver lower costs.

Other opportunities, such as the manufacture of hydrogen, animal protein, bio-plastics and bio-methane from bagasse, tops and trash and sugar appear to be medium to longer term opportunities worth exploring.

#### *The constraints*

There are several constraints on sugar manufacturing companies realising sector and industry potential. These constraints will only be removed with concentrated action by state and federal governments. The constraints include:

- The Sugar Code of Conduct - an unnecessary and counterproductive regulation that creates sovereign risk for investment in existing and potential new growth and diversification in the sugar manufacturing sector;
- An inability of sugar manufacturing companies to match and compete with resource sector wages, and concerns from the current and prospective sugar manufacturing workforce around the liveability of key regions like Cairns, Townsville, Mackay and Bundaberg;
- Cost inflation (high labour, electricity and diesel costs in particular) is challenging for the industry as a whole, reducing competitiveness and returns. It has also eroded the purchasing power of investment in the industry-owned Research Development Corporation - Sugar Research Australia;
- The lack of a domestic carbon price will make it difficult for revenue diversification projects like co-generation, bio-methane and bio-fuels to compete with traditional (fossil fuel) energy sources. This creates a need for government to assist with feasibility assessments and introduce supply and/or demand incentives, at least for early movers, to assist with achieving scale and scope in operations to reduce operating costs;
- Similarly, the lack of a carbon price benefit to justify mill-only projects that reduce carbon emissions is also a constraint to investment and requires incentives like ACCUs and government assistance to incentivise potential abatement projects;
- Poor regulation such as the Foreign Investment rules and the proposed Biosecurity Protection Levy that impose unnecessary cost and contribute to sector uncertainty; and
- The proposed new proponent-led ACCU method development approach that will increase the costs to industry of accessing ACCU's and require additional industry assistance.

WE SEEK FEDERAL GOVERNMENT SUPPORT TO THESE POLICY AND FUNDING MEASURES

#### **OBJECTIVE #1: DIVERSIFYING SUGAR MANUFACTURING COMPANY REVENUE STREAMS BEYOND RAW SUGAR AND WITHIN THE CIRCULAR ECONOMY**

**Supporting Federal policy & funding measure #1:  
Financial assistance for co-generation feasibility assessments**

Australia's sugar mills use the by-product of cane fibre (bagasse) as fuel to generate steam that is used both for operating mill processes and generating electricity for use in the mill and for export to the grid (most mills have power generation units that enable them to contribute to the Queensland Electricity Supply system).

Australian sugar mills currently have 440 megawatts (MW) of installed power generation capacity, generating around 1,000,000 MWh's of electricity per annum. Approximately half of this generated power is used internally, and half is exported to the grid.

The future energy system in Queensland is likely to be characterised by a wide diversity of technical solutions and a highly dispersed supply system. Solar is displacing coal as the daytime source of power, and while advances in battery technology will support some evening/overnight capacity needs, there is still a long-term need for firm renewable power generation in the evening peak and overnight. While there is material wind and hydro capacity in the pipeline (both in QLD and NSW), most of this is still at the proposal stage.

Bagasse cogeneration can play a very important role and contribute significantly to the required diversity of supply. Bagasse cogeneration electricity is synchronous generation and renewable, and given its baseload characteristics, can address the grid's reliability and security problems caused by intermittent renewable supply and inverter base supply.

Bagasse cogeneration is a genuine green, dispatchable, alternative energy source. Analysis indicates that utilising more efficient technologies and liberating bagasse through the electrification of factories could alone add another 620 MW of installed capacity (total 1 GW), producing upwards of 3,300GWh's p.a. of additional energy for export to the grid. According to LEK Consulting, this would have a broad range of benefits, including:

- Abating c.3.0Mt of carbon p.a., which would close the gap to Queensland's 2030 renewable target by half a (or 0.5) percentage point;
- Attracting approximately \$3 billion in potential new investment in regional Queensland as mills electrify and modernise their factories for installation and commissioning of additional cogeneration capacity;
- Improving electricity grid security and reliability;
- Providing a renewable, baseload energy generation alternative for when Queensland starts to retire its coal fired energy assets towards the end of this decade (and potential to accelerate retirements); and
- Underpin the viability of the sugar industry by strengthening the sugar manufacturing sector's financial position through revenue diversification when sugar prices are low, as has been the case in recent years, and
- Provision of good quality regional jobs in the energy sector for those displaced by coal plant retirement.

ASMC seeks a \$6 million grant payable to the ASMC in the 2024/25 budget for millers to assess the viability of augmenting current co-generation capacity from 440 MW to more than 1 GW.

#### **Supporting Federal policy & funding measure #2:**

#### **Action the reforms submitted by SAFAANZ to the Jet Zero Council (Dec 2023) to grow a vibrant bio-fuels industry**

The Australian sugar manufacturing sector already manufactures a significant amount of bio-fuel with the Willmar Sugar & Renewables 60 ML facility in Sarina making ethanol from molasses. This ethanol is most commonly used for domestic E10 motor fuel as well as industrial, pharmaceutical, and other industrial uses.

Based on current known technology options and pathways, it seems likely that in the medium term, and as part of a suite of actions, the aviation, marine and heavy-industry sectors will attempt to replace avgas and diesel with bio-fuels to achieve de-carbonisation. This demand will be in addition to existing bio-fuel demand.

The sugar manufacturing process generates significant amounts of co-products – namely bagasse, molasses, mill mud, and biodunder. Fortunately for the industry, all these co-products can – hypothetically - be utilised as feedstock to produce bio-fuels with several technology pathways emerging, vis:

- Production of 1G and 2G ethanol, then the Alcohol-to-Jet (ATJ) pathway to make SAF and renewable diesel;
- Hydrothermal liquefaction (dissolution of lignocellulose using supercritical water to a biocrude product);
- Gasification of lignocellulose, then Fischer Tropsch pathway to SAF and renewable diesel; and
- Anaerobic digestion to produce biomethane.

The sugar manufacturing sector is well placed to invest in bio-fuel supply capacity with access to feedstock, technology, capital and infrastructure and the industry shares the Government’s ambitions to grow a significant domestic bio-fuels industry. However, there are considerable supply and demand side uncertainties and constraints in bio-fuel markets that will require various forms of government interventions to address.

In the absence of a significant carbon price on fossil fuels, bio-fuels are unlikely to ever reach price-parity with conventional, higher greenhouse gas emitting fuels with estimates they will stay 2-5 times more expensive. As a result the rate of future demand for bio-fuels and therefore investment in supply in Queensland will be influenced by a complex set of factors including:

- Investment attractiveness influenced by the strength of Australia’s comparative advantages to supply bio-fuels and relative bio-fuel costs;
- Competition from other industries (including energy) for biofuel feedstock (in the sugar milling process, bagasse could also be utilised to make more cogeneration steam and electricity);
- Risk of competitive distortions (e.g. airlines with different SAF ambitions will have different cost structures and may not be able to commit to SAF long-term);
- Perceived sovereign risk from policy changes and changes of government and effectiveness of existing government policies;
- Strength of incentives overseas and within other Australian jurisdictions that may result in bio-fuel feedstocks and investments ‘leaking’ to higher earning jurisdictions;
- Level of consumer aversion to higher costs and impact on levels of travel demand from mandated approaches;
- Strength of voluntary commitments of companies to purchase bio-fuels etc; and
- Ease of doing business in Queensland with regards to regulatory compliance and planning approval processes.

The ASMC supports the creation of the Jet Zero Council to advise the Federal Government on policy and regulatory reforms needed to de-carbonise the aviation industry.

ASMC also supports the policy proposal provided by SAFAANZ to Government (Dec 2023) to grow a vibrant Australian bio-fuels industry and we seek Federal Government’s support for these reforms. This full policy proposal is outlined below (**Box 1**).

### Box 1: SAFAANZ policy proposal to the Jet Zero Council (December 2023)

- **Demand:** A regulated demand side lever, tied to carbon intensity, is required. This could include a Low Carbon Fuel Standard (LCFS) or Mandate and may be applied to all hard-to-abate fuel sectors or be limited to aviation. More consultation on the design would be required.  
Key considerations for the design process of a demand signal would include:
  - **Scope:** SAF specific or a sub-target of a broader renewable fuels mandate; implemented with an emissions intensity threshold or a SAF-qualifying requirement
  - **Magnitude & Timing:** The initial thresholds for the signal, phase-in timings, and ramp up.
  - **Australia-appropriate sustainability standards:** The imperative of performance-based LCA criteria grounded in Australian conditions.
  - **Compliance & Enforcement:** The need for a trading mechanism to facilitate market development, a strong compliance regime, and multiple means of compliance to ensure decarbonisation outcomes.
  - **Mitigation of Unintended Consequences:** Management of asymmetric impacts on competition and customers, and on discontinuities in fuel production incentives (e.g. renewable diesel relative to SAF)
- **Other demand side measures:** Other demand-side levers such as **government procurement** would be beneficial support for the industry. However, these would be unlikely to sustain the industry at scale needed and should only be used to complement a more broad-based & regulate demand signal.
- **Supply:** Two levers recommended include **capital grants to support project development** (important for new entrants & therefore competition) and **contracts for difference (CfD) for commercial scale facilities**.

A capital grant would typically be paid out by milestone across the development phase of a project and support facilities in deployment/entrance to market. Key considerations during the design process should include:

- Effectiveness varies by SAF technology pathway (FT and AtJ are significantly more capital intensive than HEFA).
- Size of the funding pool
- Conditionalities for funding (sustainability criteria, knowledge sharing etc).

A CfD would involve government underwriting the development of a SAF market by bridging part of the green premium that exists between SAF and conventional jet fuel through a medium-long-term contract. In effect, a CfD would act as a certainty mechanism for projects. Key considerations during the design process should include:

- Scale, noting that impact would likely require a Hydrogen Headstart-sized intervention.
- Price discovery (establishing reference prices accepted by the market).
- Price reductions over time in line with SAF costs decreasing.
- Administration/competitive auction considerations.



### **SAFAANZ policy proposal to the Jet Zero Council (December 2023) cont.**

- **Feedstocks:** Two priority levers include the development of a **sustainability standard** to address broad social license issues (not limited to water, food security, emissions, biodiversity) and **capital grants to support feedstock expansion**.

In terms of a sustainability standard, we recommended developing a framework that considers the overall impact of the product and the supply chain, including its carbon intensity, environmental sustainability and social impact. Leveraging the established CORSIA framework while tailoring it to suit the Australian context could be considered.

In terms of capital grants to support feedstock expansion, these should give preference to aggregation or increasing the overall feedstock supply, with an emphasis on feedstock diversity.

- **Enabling Policy:** In terms of enabling policy, it is recommended that a system for allowing the disaggregation of the carbon benefit from the molecule of fuel to support a **tradeable market system** was an important feature of a policy package. This could be facilitated by mechanisms like incorporating SAF as a product within the Guarantee of Origin Scheme.

Industry also agrees that support is required through streamlining and achieving national harmony on planning and approvals and education of the broader public, fuel/feedstock and aviation sector on the benefits of a transition to SAF. These are key to facilitating project development and enhancing investment/market support for the SAF industry.

### **Supporting Federal policy & funding measure #3:**

**Repeal of the Federal Sugar Code of Conduct, or at a minimum honour a public commitment in 2018 by the previous government to limit Pre-Contract Arbitration provisions in the Code to matters relating to raw sugar.**

The Sugar Code of Conduct, with its pre-contract arbitration provision, represents the single greatest risk to existing sugar manufacturing company investments as well as potential future investments.

The Code was introduced into regulation in 2017 without consultation or necessity. Both the federal and Queensland Productivity Commissions had previously advised against government intervention in the sugar industry because there was no evidence of market failure.

The Code was a politically expedient measure by the previous Federal Government, and opposed in the Parliament by the then Labor Opposition.

The Code duplicates Queensland legislation, creating confusion, and adds the complexity of mandatory pre-contract arbitration.

These provisions expose sugar manufacturing companies to the potential of expropriation of financial returns from any investment, past or future.

This is an ongoing disincentive for any large-scale investment.

The Code should be repealed. At a minimum the public commitment in 2018 by the previous Government to limited pre-contract arbitration provision to matters relating to raw sugar should be honoured by this Government.

This would allow new investment decisions to be made with certainty.

## **OBJECTIVE #2: ACHIEVING NET ZERO EMISSIONS BY 2050**

### **Supporting Federal policy & funding measure #4:**

#### **Funding support to assist the sugar manufacturing sector identify and fund least cost carbon abatement projects**

As a way of leveraging current industry R&D funding contributions and achieving needed funding, ASMC supports an allocation of \$32 million to Sugar Research Australia (SRA) to assist the sugar manufacturing sector identify and fund least cost abatement projects to achieve net zero by 2050.

Government assistance is sought due to the broad community benefits and the high-risk nature of the associated R&D in this area. Initial projects that could be investigated include:

- Behind the meter use of batteries and smart algorithms to optimise electricity revenue from cogeneration considering the increased negative pricing period and volatility;
- Potential generation of hydrogen from cogeneration and use in loco diesel engines;
- 2nd generation ethanol production from bagasse and the treatment of digestate via anaerobic digestion or boiler combustion and combination with mud/ash; and
- Concentration of biodunder from 1st generation ethanol to generate energy.

Ideally, SRA would receive this funding and engage third-party experts with guidance from government and industry with the findings shared.

### **Supporting Federal policy & funding measure #5:**

#### **Support for mills to identify and develop ACCU methodologies**

Analysis by the ASMC demonstrates that in the absence of an economy-wide carbon price, it is difficult to achieve commercial rates of returns on new revenue diversification projects (eg. cogeneration, bio-fuels and bio-methane). It is also difficult to justify investment in factory-only projects that lower the carbon emissions of milling processes (eg. addressing emissions from combustion of bagasse) without a carbon price benefit.

The sector is committed to achieving net zero by 2050 and will need to make significant investments in the mills to achieve that. Generating ACCU revenues to achieve commerciality on factory-only and revenue diversification projects that also achieve significant abatement will be important going forward.

Government in its ACCU Implementation Review (June 2023) has signalled that:

- Beyond the Savanna Fire Management method, the Integrated Farm and Land Management method and the new or varied landfill gas method(s) (as per recommendation 10), the government does not intend to actively develop new methods; and
- Once the proponent-led method development process has been established, proponents may wish to submit new methods (or modules for existing methods) to replace expiring methods through the EOI process with the department to release guidance on preliminary work that can be undertaken to prepare for the new process.

The ASMC is eager to understand how the new proponent-led processes for the ACCU method will work. However, we remain concerned about the success of this approach given the fragmentation of industry and favourable position of Government to align and co-ordinate interests and fund ACCU method development.

Beyond ACCU methods already accessible to the milling sector such as the Industrial and Commercial Emissions Reduction method (ICER), potential areas for the sugar manufacturing sector ACCU development include:

- Coal and diesel replacement;
- Addressing emissions from combustion of bagasse; and
- Anaerobic digestion of mill mud.

ASMC seeks a \$1.5 million grant payable to the ASMC in the 2024/25 budget to assess opportunities and to develop ACCU methods.

### **OBJECTIVE 3: STABILISING AND GROWING THE SUPPLY OF QUALITY CANE TO QLD AND NSW SUGAR MILLS**

Due to the rapid deterioration of sugarcane after it is harvested, sugar factories are located close to cane fields to limit the time taken to transport harvested cane. The Australian sugar industry comprises multiple factories located strategically close to the sugarcane growing areas rather than large, consolidated mills servicing entire regions.

The inability to consolidate processing capacity and the associated lack of economies of scale and scope results in a high number of factories all with relatively high fixed costs. These attributes, and the need for consistently high volumes of cane to amortise costs, distinguishes sugar production from other agricultural products (and other manufacturing industries generally).

For Australia's 21 sugar mills to become fully utilised, 36 million tonnes of cane supply per annum is required. For some years, cane supply (and cane yields) have remained relatively constant at 30-32 million tonnes per annum, resulting in heavy mill under-utilisation and poor profitability and recent mill closures (Southern Queensland mills, Maryborough and Bingera in 2020).

The ASMC has consistently advised Government of the precarious state of the Australian sugar industry and the need for policies that support increased cane yields. The main pathways to increase yields in the Australian sugar industry are:

- Through Sugar Research Australia by improving the quality of the industry's R&D program in support of new cane varieties and the improved translation and adoption of R&D advances 'on farm'; and
- Encouraging new investment in the sugar cane growing sector and new cane farm ownership and operating models.

#### **Supporting Federal policy & funding measure #6:**

##### **Indexation to at least CPI of the Federal Government's already agreed annual SRA contribution**

Federal funding for SRA is capped by the *Sugar Research and Development Services Act 2013* to 0.5% of farm gate value. Since 2012/13, cane growers and milling companies have each contributed an additional 35c/tonne levy on sugarcane production. Additional Queensland government and third-party funding is also earned by SRA. In addition to these contributions, milling companies also fund productivity boards in their local growing districts and some companies directly fund programs for development of new cane varieties. Cane growers invest in their own farms to increase yields. These combined industry contributions are variable and typically dependent on affordability and local priorities.

A notable issue for the industry in today's high cost environment is the impact of increasing costs on SRA's operating expenses and erosion of its service delivery.

To offset cost inflation, and restore SRA's ability to meet its obligations to the industry and communities, ASMC seeks indexation, at least to CPI of the Federal Government's already agreed annual SRA contribution.

#### **Supporting Federal policy & funding measure #7:**

##### **Not proceed with the proposed 10 percent Biosecurity Protection Levy on the Australian sugar industry**

On the 2023/24 Federal Budget night, the Australian Government announced a proposed 10 percent biosecurity protection levy on agriculture sectors, including the sugar industry. The levy would go into consolidated revenue to help fund the Department of Agriculture's (DAFF's) general biosecurity activities.

The proposed contribution from Australian sugar 'primary producers' will be \$2.1 million per annum, coming from milling companies and cane growers on a 50/50 basis.

The industry wrote to the relevant Minister, Senator Murray Watt, in August 2023 outlining strong opposition to the proposal on the following grounds:

- The biosecurity system provided by the Federal Government is not being improved as per previous Government reviews (eg. the 2017 Craik Review);
- The proposed "levy" is not a levy, but an unfair tax on the agricultural sector that will erode competitiveness at a time competing countries are providing subsidies to their industries;
- Sugar industry sectors already make a significant contribution to industry biosecurity through SRA;
- The proposal is of little to no benefit to the industry; and
- The proposal risks undermining the existing funding support system because discretionary sustainability and yield improvement measures, funded by the industry, may cease.

The ASMC calls on Government to not proceed with the proposed 10 percent Biosecurity Protection Levy on the Australian sugar industry.

#### **Supporting Federal policy & funding measure #8:**

##### **Reforms to Australia's Foreign Investment rules to encourage innovative cane farm ownership and operability approaches**

The ownership structure of the milling sector has changed significantly over the past 30 years with almost all of Australia's 21 sugar mills moving from grower-owned co-operative structures to being independently owned (foreign owned in the main). The injection of an estimated \$7 billion in foreign capital since 2006 in Queensland sugar factories in particular has benefited both the broader sugar industry and host communities by ensuring ongoing commercial production, jobs, re-investment and community infrastructure.

To achieve highest possible factory utilisation, milling companies endeavour to directly assist cane growers to increase cane yields and production.

Assistance might include:

- Purchasing cane farms that are declining in cane yield disproportionately (due mainly to grower aging) or in danger of being lost to cane production and possibly leasing these farms to existing or new-entrant farmers;
- Assisting new-entrant cane farmers to purchase (new entrants are often unable to meet stringent bank equity requirements initially); or

- Assisting existing growers to expand their holdings by aggregating farms of growers wishing to exit the industry, or by returning previously lost cane land to crop.

The FIRB requirements can be problematic for foreign owned milling companies wishing to provide industry self-help. There are three main areas in which we ask Government to act:

1. Government currently taxes milling companies approximately 0.6% (in the form of a fee) on every dollar contribution to the acquisition of land – in addition to necessary and significant legal fees;
2. The requirement for an 'open and transparent' sale advertising process adds transaction costs and can lead to inflated purchase prices for land; and
3. Milling companies with a greater than 10% shareholding in Sugar Terminals Limited are deemed to be a National Security Business because of STL's ownership of several critical infrastructure assets, meaning a more stringent, costly and time-consuming process for land transactions.

The milling sector supports the following changes to the FIRB legislation and guidance notes:

- Benign acquisitions in a non-sensitive industry such as sugar are exempted from national security provisions;
- The FIRB tax on foreign investment is replaced with a 'cost recovery' fee; and
- The requirement for an 'open and transparent' sale advertising process be modified in favour of a more commercially realistic approach to accommodate transparency concerns.

#### **OBJECTIVE #4: ADDRESS SKILLS SHORTAGES AND IMPROVE WORKER ATTRACTION AND RETENTION**

##### **Supporting Federal policy & funding measure #9:**

##### **Support to investigate initiatives to address milling sector skills and labour shortages**

The milling sector cannot rely indefinitely on temporary migrant workers and domestic worker migration to fill its labour and skills shortages and will need to develop other innovative approaches to secure its future workforce and skills needs, such as school-to-work programs, dedicated training facilities, workforce attraction strategies and mill automation.

ASMC seeks a \$500,000 grant payable to the ASMC in the 2024/25 budget for milling companies to investigate initiatives to address sector skills and labour shortages.

##### **Supporting Federal policy & funding measure #10:**

##### **Implementation of the proposed reforms to Australia's temporary skilled migration system to ensure the sector can fill labour requirements promptly and cost effectively**

The milling sector employs some 4,500 workers during the raw sugar non-production period and an additional 20 percent seasonal workforce during production (June-November). Advice from milling companies is that at the peak of production, the sector had an approximate 10 percent vacancy rate of positions and a high turnover of staff. In sugar manufacturing, the major structural skills deficits are predominantly in the trades (electricians, boilermakers and fitters and turners). During sugar production the major skills deficits are process operators, traffic officers and locomotive and truck drivers (multi-combination).

Feedback from milling companies, and supported by Government modelling<sup>1</sup>, is that these skills categories are expected to remain in high demand in Queensland for the foreseeable future. This presents significant issues

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<sup>1</sup> <https://jobsqueensland.qld.gov.au/anticipating-future-skills/>

for the sector from business continuity and worker well-being perspectives with fatigue and occupational health & safety key issues.

Despite milling companies continuing their long-standing commitment to trade apprenticeship programs and attempting to source workers on various temporary work visas, the sector continues to find difficulties with:

- Aligning competencies earned abroad with domestic requirements under the various work visa schemes and;
- Managing the long processing times associated with the skills assessments and assessments.

The ASMC seeks Government's support to appropriately fund the following measures contained in the Migration Strategy (2023):

- The establishment of a median service standard of 21 days for the new Skills in Demand visa and 7 days for the Specialist Skills Pathway;
- The removal of the requirement to advertise positions through Workforce Australia and an increase in the validity period from 4 to 6 months;
- Moving away from employer conducted labour market testing towards mechanisms for robust and genuine independent verification of labour market need;
- A more flexible, updated approach to constructing occupation lists for workers with the core skills needed; and
- Implementation of new standards for skilled migration assessing authorities to optimise outcomes for Australian employers and migrants.

**Supporting Federal policy & funding measure #11:**

**Co-ordination with State Government to improve housing availability and the liveability of Bundaberg, Mackay, Townsville and Cairns to support worker migration**

The lack of affordable housing and high rents in regions makes attracting and retaining labour difficult. While milling companies have responded to these pressures in several ways, including building temporary accommodation and offering rental assistance to workers, there is a real need to increase housing supply.

## BUDGETING

MEASURE	2024-25 (\$M)	2025-26 (\$M)	2026-27 (\$M)	2027-28 (\$M)	Total (\$M)
<b>(1) Diversifying mills' revenue streams beyond raw sugar and within the circular economy</b>					
(1) Financial assistance for milling co-generation feasibility assessments	\$3m	\$3m	\$0m	\$0m	\$6m
(2) Action the reforms submitted by SAFAANZ (Sustainable Aviation Fuel of Australian and New Zealand) to the Jet Zero Council (Dec 2023) to grow a vibrant bio-fuels industry					
(3) Government repeal of the Federal Sugar Code of Conduct or at a minimum, honour a public commitment in 2018 by the previous government to limit Pre-Contract Arbitration provisions to matters relating to raw sugar					
<b>(2) Achieving mills' net zero emissions by 2050</b>					
(4) Funding support to assist the milling sector identify and fund least cost carbon abatement projects	\$8m	\$8m	\$8m	\$8m	\$32m
(5) Support for mills to identify and develop ACCU methodologies		\$0.5m	\$0.5m	\$0.5m	\$1.5m
<b>(3) Stabilising and growing the supply of quality cane to QLD and NSW sugar mills</b>					
(6) Indexation to at least CPI of the Federal Government's already agreed annual SRA contribution	\$0.25m	\$0.25m	\$0.25m	\$0.25m	\$1m
(7) Not proceed with the proposed 10 percent Biosecurity Protection Levy on the Australian sugar industry	\$2.1m	\$2.1m	\$2.1m	\$2.1m	\$8.4m
<b>(4) Addressing mills' skills and labour shortages</b>					
(8) Support to investigate initiatives to address milling sector skills and labour shortages	\$0.5m				\$0.5m
(9) Implementation of the proposed reforms to Australia's temporary skilled migration system					
(10) Co-ordination with State & Territory Governments to improve housing availability and the liveability of Bundaberg, Mackay, Townsville and Cairns to support worker migration					
<b>TOTALS (\$m)</b>	<b>\$13.85</b>	<b>\$13.85</b>	<b>\$10.85</b>	<b>\$10.85</b>	<b>\$49.4</b>

End.