5 September 2023

Dr Chris Noble
QRIDA Economist
Brisbane QLD 4000

Sent via: contact_us@qrida.qld.gov.au
Chris.Noble@qrida.qld.gov.au

Dear Dr Noble

Re: Proposed changes to the Primary Industries Productivity Enhancement Scheme (PIPES)

The Australian Sugar Milling Council is pleased to provide this submission on the proposed changes to the PIPES. Our position is that improved access to capital will be critical to enabling the renewal of the state's cane growing sector. In supporting the three proposed measures we also seek consideration of an alternative loan scheme – outlined below.

Background

The Australian Sugar Milling Council (ASMC) is the peak industry organisation for the raw sugar manufacturing sector. We represent sugar manufacturing companies which collectively produce 85 percent of Australia's raw sugar.

The Australian milling sector in 2022 had annual production of:

- 4.2 million tonnes of IPS raw sugar at 22 mills from 32.4 million tonnes of cane received;
- 1 million MWh's of green co-generation power 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.

The importance of government loan schemes

The Australian sugar industry enjoys a number of comparative advantages to making sugar and bio-products including a:

- a highly skilled workforce;

- innovative and efficient production;
- highly efficient rail infrastructure and bulk storage facilities; and
- excellent R&D capability.

Also, sugarcane itself remains an extremely resilient crop and highly suited to Queensland's climatic and soil conditions and promises stable returns and Australia has an excellent reputation as a reliable and sustainable supplier of raw sugar.

On the downside, Queensland cane yields and cane supply have been stagnate for several decades. The pathways to achieving greater cane supply generally include improved cane variety development and adoption and in the context of this submission, **improved farm extension and adoption, innovative farm ownership and operability models and horizontal expansion of cane land. Critical to these pathways is renewal of the grower workforce given the ageing of the cane grower and improved access to capital for the next generation of canegrowers.**

There are multiple ways positive changes in ownership and operating models can occur – including family succession planning, neighbours or interested growers purchasing adjoining blocks to lease, and share farming. Feedback is that growers interested in pursuing different operability models with higher yields and returns have difficulty reaching feasibility and accessing commercial and government debt due to increasing land values, high equity requirements and high interest rates.

An alternative approach

Whilst the proposed changes to PIPES are welcomed, the ASMC would encourage QRIDA to examine an alternative, more aggressive form of lending with the following broad features:

- A joint approach whereby the State Government works with the commercial lenders to guarantee the commercial debt of those new farmers wishing to acquire farming land and that have sound commercial proposals.
- For loans up to $5 million, the scheme should endeavour to reduce the equity requirements of the commercial lenders from 50% to 20-30% as well as the risk-adjusted interest rate payable.

Please don't hesitate to contact David Rynne (david.rynne@asmc.com.au) for further clarification on the issues raised in this submission.

Yours sincerely

David Rynne
Director Policy, Economics & Trade