



SUGAR INITIATIVES THAT BENEFIT QUEENSLAND

The Australian Sugar Milling Council is seeking a commitment of support from political parties and candidates in the forthcoming federal election for multiple sugar manufacturing sector initiatives to:

- Secure our current economic contribution of 20,000 jobs and \$3.8 billion in Gross State Product (GSP) per annum;
- Contribute another \$125 million in GSP;
- Increase industry revenues by \$827 million to in excess of \$3 billion per annum;
- Incentivise \$3.7 billion in potential new investment in regional Queensland from new cogeneration (electricity) and bio-ethanol projects;
- Advance the removal of thousands of annual truck movements from public roads and dozens of cane railway level crossings in regional Queensland; and
- Deliver an additional 2.9 million tonnes of carbon abatement each year.

Costing \$38 million over three years, these initiatives will promote improved sugar industry sustainability and direct economic, social and environmental benefits to regional Queensland.

BACKGROUND

The Australian Sugar Milling Council (ASMC) is the peak representative body for the sugar manufacturing sector working to transform Australian sugarcane. The sugar industry employs more than 20,000 Queenslanders, contributes \$3.8 billion into the Queensland economy alone and earns \$2 billion of revenue from exporting more than four million tonnes of raw sugar per annum.

Recently, our industry has dealt with COVID-19 disruptions, challenging seasonal conditions in 2021 and a highly volatile international marketplace to deliver economic value to regional Queensland and beyond.

Over the past 15 years, the industry has contended with long periods of low sugar prices, competing land uses and significant weather events including two category 5 cyclones in the Wet Tropics and record flooding in the Southern region, followed by an extended period of drought.

These challenges and the resultant fall in sugarcane production has resulted in the closure of five sugar mills during this period. To date though, the mill closures have not meant that any large areas of sugarcane land were forced out of production with the sugarcane being supplied to neighbouring factories. However, alternative uses for traditional sugarcane land has seen substantial reductions in the area being used for sugarcane production, particularly in the Southern region of the State where macadamia nut and avocado tree crops have been established. The switch to bananas in the Wet Tropics and urban development in the Cairns region have also resulted in a reduction of land available for sugarcane production.

A current initiative of industry stakeholders is the development of a *2040 Industry Roadmap* that has set out a promising future for the industry with a plan to stabilise production and reduce the industry's reliance on revenues from raw sugar production. The roadmap has identified promising near term diversification opportunities for the

industry from the emerging bio-economy and renewable energy. In the longer term opportunities will be examined for potential revenue diversification initiatives including the large scale manufacture of animal protein, bio-plastics, health, pharmaceutical and cosmetics products.

ASMC's member companies want to:

- **Grow and support the long-term viability and future of the sugar industry;**
- **Secure improved, broader and fairer global trading access** and prices for our raw sugar and broaden our 85% revenue reliance on just three trading partners;
- **Diversify and increase revenue streams** by converting manufacturing by-products into higher value, environmentally sustainable products that, in the future, will help deliver on Australia's bi-partisan commitment to net zero emissions by 2050, as well as reducing our 80% revenue reliance on export raw sugar sales and exposure to volatile global price movements;
- **Increase the profile of the sugar industry and its valuable contribution** to the Queensland regional and national economy, regional manufacturing, particularly as part of the COVID-19 recovery;
- **Address the under-utilisation of Australian sugar mills** by increasing cane yields and volumes to shore up the viability of the industry through initiatives identified in a collaborative *2040 Industry Roadmap*;
- **Apply downward pressure on the costs of key inputs** where Government has a role in determining those charges, including irrigation water and electricity;
- Work with other sectors in regional Queensland to **address the skills and labour shortages**; and
- **Reduce the regulatory burden** on growing, harvesting, transporting and milling sugarcane.

WE SEEK YOUR COMMITMENT ON THESE INITIATIVES

GROWING TRADE IN RAW SUGAR

Building on the assistance already earmarked by the Australian Government's Agricultural Trade and Market Access Cooperation (ATMAC) program, commit an additional \$1 million to fund all of the trade policy and market access priority initiatives outlined in the sugar industry's five-year Trade Strategy.

The strategy is the culmination of multiple years' analysis and discussion across industry and Government stakeholders and is underpinned by expert economic modelling and strategic input.

The strategy outlines clear actions and budgets against nine key trade policy and market access objectives – being:

1. **India:** Removal of Indian export subsidies for sugar and price subsidies for cane;
2. **USA:** Improved raw sugar access;
3. **China:** Maintain and improve raw sugar access;
4. **European Union:** Improved raw sugar access to the EU-27;
5. **Non-traditional markets:** Improved raw sugar access to non-traditional markets in Asia and elsewhere;
6. **Japan:** Improved testing arrangements of hi-pol sugar at Japanese ports;

7. **Indonesia:** Improved import licensing arrangements;
8. **Environmental controls on sugar exports:** Monitoring and be responsive to global developments to maintain market access and earn price premiums; and
9. **China's phyto-sanitary certification requirements:** Eliminated or made more workable and with raw sugar excluded from proposed new screening requirements.

Expert analysis estimates that if all nine objectives were achieved, the revenues to the Australian sugar industry would be approximately \$827 million higher (on a probability adjusted basis) over the period to 2040, compared to a 'nothing more is done' scenario. These revenues would shore up the viability of the Australian sugar industry.

GROWING ON-FARM, MILL INVESTMENT AND SECURING CANE SUPPLY

- **Commit to streamlining current Foreign Investment Review Board (FIRB) obligations to facilitate additional investment by Australian sugar mills to assist growers maintain and expand their cane-growing operations.** To achieve higher mill utilisation, mill companies endeavour to directly assist cane growers to increase cane yields and production. This assistance comes in various forms including purchasing cane farms that are declining in cane yield (due mainly to grower aging), or being lost to cane; assisting new cane farmer entrants with expansion and purchase funding (due mainly to stringent bank equity requirements); and assisting existing growers to expand their holdings in their mill area by aggregating farms from growers wishing to exit the industry.

The FIRB requirements remain problematic for three reasons:

1. Payable to government, mills incur an approximate 0.6% fee (tax) on any dollar contribution to the acquisition of land as well as 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. Mills with a greater than 10% shareholding in Sugar Terminals Limited are deemed to be a National Security Business because of STL's ownership of a number of critical infrastructure assets.

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

1. Benign acquisitions in non-sensitive sectors such as sugar are exempted from all of the national security provisions;
 2. The FIRB tax on foreign investment is replaced by a cost recovery fee; and
 3. The requirement for an 'open and transparent' sale advertising process be modified in favour of a more commercially realistic approach to accommodate transparency concerns.
- **Ensure the Research Development Corporation model continues** to reflect the importance of research extension and adoption programs to the future of the sugar industry. At present industry provides the bulk of the funding to support the extension and adoption of programs for industry with Federal funding capped by the *Sugar Research and Development Services Act 2013* to 0.5% of farm gate value. We support the aims of Agricultural Innovation Australia and what it hopes to achieve on cross-industry agricultural issues of national importance. Given the size and scale of Sugar Research Australia's overall funding we do not support sugar industry funds being used at this time to support broader programs. We believe SRA is the best vehicle to deliver and drive commercialisation, extension and adoption for our industry.

Analysis demonstrates¹ that in tandem with the FIRB reforms above, **an increase of 2 million tonnes of cane production** (and 260,000 tonnes of raw sugar) is possible per annum from reforms that encourage more efficient farming practices through better extension and adoption. Based on revenues of \$500/t this would deliver an additional \$130 million in industry revenues and an estimated **additional \$125 million in Gross State Product** to regional Queensland.

- **Improved capital loan schemes** that reduce the equity requirements and risk-adjusted interest rate for cane growers wishing to enter the sector or expand current operations. Against the backdrop of an aging workforce and increasing land values, the current equity requirements of the commercial lenders is a barrier for new and rejuvenated farmers to enter the agricultural industry. ASMC supports a joint approach whereby 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. A scheme should endeavour to reduce the equity requirements of the commercial lenders from 50% to 20-30% as well as the interest rate payable.

The benefit of this approach would be a renewal in the ownership and operations models adopted in the sector and an increase in cane yields, cane production, mill utilisation and mill sustainability.

- **Provide \$25 million in funding to establish an Infrastructure partnership program for improved access for growers to sugar mills:** Sugar milling companies are invested heavily in cane railway infrastructure (replacement value > \$A2 billion) to provide for the transport of sugarcane to their sugar mills for processing. The industry's unique cane railway networks combine to save up to 29,000 truck movements on the public road network per day during the annual crushing season.

The benefits of this dedicated transport network can be identified in areas of safety to the surrounding communities, as well as environmentally given the fuel efficiency and carbon benefits of rail transport operations versus truck haulage by road. Additional infrastructure projects to upgrade and enhance cane railway networks to support continued cane supply and boost grower confidence of continuing access to the mills for their crops have been identified.

Identified projects include:

- Increasing road safety on the Bruce Highway north of Mackay by eliminating a highway level crossing and replacing it with an underpass at Church Hill thereby avoiding up to 100 minutes/day of road highway closures during the annual crushing season;
- An 8 kilometre extension of the Tully Sugar Mill cane railway including a bridge across the Murray River that will remove approximately 5,000 truck movements from the Bruce Highway;
- Relocation of cane railway infrastructure from the township of Ingham, eliminating 12 road/rail level crossings through the township by re-routing the delivery of 2.2 million tonnes of cane to the Victoria Sugar mill annually;
- Extension of the Plane Creek Mill southern cane railway including the construction of a new bridge at Carmila that will remove more than 15,000 truck movements from the Bruce Highway;
- Connect the existing Isis Central Sugar Mill narrow gauge cane railway network to the currently redundant Mungah to Gayndah rail line eliminating more than 30,000 truck movements over 50 kilometres of the Bruce Highway (thereby ensuring that the supply of 600,000 tonnes of cane from Maryborough to Isis remains viable in the longer term);
- Link the Isis/Bundaberg Sugar cane railway networks to provide for more efficient transport and milling of the region's sugarcane over the longer term; and

¹ https://asmc.com.au/wp-content/uploads/2021/10/AUSMC27132-TARGET-34-PAPER_FINAL.pdf

- Enable the construction of a dedicated cane railway bridge across the Burnett River to provide direct access for the cane supply located on the Northern side of the River to the Millaquin Sugar Mill.
- Capacity upgrade of the rail link between South Johnstone and Mulgrave Mill. The proposed upgrade will optimise cane transfer efficiencies and unlock cane-land expansion opportunities for growers south of Innisfail.

GROWING SUGAR'S ROLE IN RENEWABLE ENERGY AND CARBON ABATEMENT

- **Provide \$3 million in financial support for industry to undertake further, more detailed assessments of the potential technical, policy and commercial options to respond to burgeoning sustainable aviation fuel market opportunities.** The ARENA Bioenergy Roadmap projected: *“Early deployment of pre-commercial sustainable aviation fuel (SAF) production plants to establish a viable Australian-based industry, with production of up to 1,908 ML per annum of SAF representing approximately 18 per cent of the aviation fuel market”*.

The benefits of this study would be to progress development of at least one additional SAF/bio-ethanol facility in Queensland (value \$200 million) and in time a significant de-carbonisation of the Australian aviation industry as it transitions to renewable fuel sources.

- **Provide \$7 million in financial support for industry to undertake a further, detailed assessment of potential technical, policy and commercial options to increase the co-generation of steam and electricity made from bagasse.** This would build on preliminary analysis undertaken by the industry demonstrating a potential to increase cogeneration capacity from 448 megawatts to 1,500 megawatts (MWs), and supply valuable green, firm and baseload electricity into the National Electricity Market (NEM).

The benefits of this study would be to progress development of an additional 1,000 MWs of cogenerated electricity from sugar mills. This could result in \$3.5 billion in potential new investment in regional Queensland as mills electrify and modernise their factories to make more bagasse available and for the installation of and commissioning of additional co-gen capacity. This investment would also result in around 2.9 million tonnes of carbon abatement per annum (compared to QLD's current energy mix).

- **Provide \$2 million in financial support to study the requirements to achieve carbon neutrality in milling operations and the sugar supply chain.** Given increasing supply chain requirements around sustainability, a clear pathway and plan to achieve carbon neutrality will benefit the long term export and market access programs of the industry.
- Commit to encouraging and facilitating growth and innovation through **a return to regulatory and policy settings that encourage investment and capital spending** in the Australian sugar manufacturing sector for the good of the industry, the economy and the community.

BUDGETING

	2022-23 (\$M)	2023-24 (\$M)	2024-25 (\$M)	Total (\$M)
Sugar industry Trade Strategy	0.4	0.3	0.3	1.00
Improved access for growers to sugar mills through infrastructure package (cover seats of Capricornia, Dawson, Kennedy, Leichhardt, Wide Bay, Herbert, Flynn)	6.0	11.0	8.0	25.00
Feasibility study to supply Sustainable aviation fuel from sugar	0.75	1.0	1.25	3.00
Feasibility study to increase co-generation of steam and renewable electricity from bagasse	2.0	2.5	2.5	7.00
Carbon neutral pathway study	0.5	0.75	0.75	2.00
TOTAL PACKAGE	9.65	15.55	12.8	38

3 March 2022